



Linda Nektar

ANNUAL REPORT

beginning of financial year: 01.01.2018

end of the financial year: 31.12.2018

business name: aktsiaselts Linda Nektar

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Management report

The sales revenue of AS Linda Nektar (the 'Company') for the 12 months of 2018 amounted to EUR 2,176,363, representing a 11.65% decrease compared to the same period in 2017 (12 months 2017: EUR 2,463,309). Geographical diversification saw Estonia's share of total sales decrease below the 50% level for the first time (58% in 2017), reaching 41%. Latvia presented the largest absolute increase, coming in at 37% (21% in 2017).

The loss for the financial year came to EUR 76,537 (12 months 2017: EUR 85,402 profit). Management sees this as a realistic outcome with the ongoing Estonian excise tax impact playing a major role. As a follow up to the extended discussion on these impacts in the 2017 Annual Report, the Estonian Breweries Association stated that the sale of long drinks and ciders sold on the Latvian border (with Estonia) increased 120% year on year in 2018.

The Company continues work to diversify its existing beverage client base (alcoholic and non-alcoholic varieties) beyond the existing geographies while in parallel examining co-operation possibilities for its aroma recovery proprietary technology. All of this requires significant lead time and is being undertaken with strategic co-operation partners such as Germany's Symrise. European beverage producers are also presently awaiting further clarity for European Commission guidelines on alcoholic drink classification principles. With this in mind, sales revenue guidance for 2019 is EUR 2.2m (flat year on year).

As at 31.12.2018, the total assets of AS Linda Nektar were EUR 3,986,785 (31.12.2017: EUR 4,194,991), having decreased by 4.96% compared to 2017. Current assets made up EUR 1,634,529 or 41% of the total assets (31.12.2017: EUR 1,269,978). The volume of fixed assets amounted to EUR 2,352,256 (31.12.2017: EUR 2,925,013) or 59% of the balance sheet total. The total liabilities of AS Linda Nektar amounted to EUR 87,346 (31.12.2017: EUR: 100,012) and the equity capital of the company decreased to EUR 3,899,439 (31.12.2017: EUR 4,094,979).

The Company has continued with its conservative leverage policies and does not have any financial debt. The operating cash flows for the 12 months of 2018 came to EUR 313,123 compared with EUR 539,712 in 2017. Moreover, total cash flows came to EUR 291,845 compared with an outflow of EUR 383,023 in 2017. This was achieved by a significant reduction in capital expenditure (a capacity expansion is now largely complete) while being bolstered by proceeds from government grants.

During 2018 the Company invested in property, plant and equipment a total of EUR 197,787 (12 months 2017: EUR 518,306). A significant investment was the commissioning of solar panels (87 kW) as a source of renewable energy for the production process. Some investments either made in 2018 or commenced earlier and completed in 2018 have been implemented through support provided by the Agricultural Registers and Information Board (ARIB). In 2018, the Company received 313,580 euros as support from ARIB for purchasing machinery and equipment and for expanding the production facility. Assets acquired through targeted financing have been recognized using the net method meaning that upon the receipt of support funds the amount of targeted financing was deducted from the acquisition value of assets. Depreciation expenses in 12 months of 2018 amounted to EUR 452,156 (12 months 2017: EUR 435,459).

Development costs in the 12 months of 2018 amounted to EUR 18,436 (12 months 2017: EUR 23,034).

During the 12 months of 2018, the enterprise paid dividends in the amount of EUR 126,009 (12 months 2017: EUR 299,271). The income tax expense entailed in the payment of dividends to the shareholders amounted to EUR 31,502 (12 months 2017: EUR 74,818).

As at 31 December 2018, the enterprise had 11 employees, 1 member of the management board and 4 supervisory board members. The salary expenses for the 12 months of 2018 (including taxes) were EUR 322,266 (12 months 2017: EUR 325,851).

Financial Ratios:

		2018	2017
Current Ratio = Current Assets/ Current Liabilities	x	18.71	12.70
Quick ratio = (Current Assets – Inventories) / Current Liabilities	x	14.98	9.23
Working Capital = Current Assets - Current Liabilities		1,547,183	1,169,966
Equity Ratio = Total Equity / Total Assets	%	97.81	97.62
Net Profit Margin= Net Profit / Sales Revenue	%	-3.52	3.47
Debt to Assets= Total Liabilities / Total Assets	x	0.02	0.02

The annual accounts

Statement of financial position

(In Euros)

	31.12.2018	31.12.2017	Note
Assets			
Current assets			
Cash and cash equivalents	1 012 339	720 494	2
Receivables and prepayments	296 462	202 220	3
Inventories	325 728	347 264	4
Total current assets	1 634 529	1 269 978	
Non-current assets			
Receivables and prepayments	25	235	3
Property, plant and equipment	2 343 123	2 840 234	6
Intangible assets	9 108	84 544	7
Total non-current assets	2 352 256	2 925 013	
Total assets	3 986 785	4 194 991	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	87 346	100 012	9
Total current liabilities	87 346	100 012	
Total liabilities	87 346	100 012	
Equity			
Issued capital	1 575 109	1 575 109	12
Share premium	617 517	617 517	
Statutory reserve capital	70 672	66 402	
Other reserves	8 809	1 804	
Retained earnings (loss)	1 703 869	1 748 745	
Annual period profit (loss)	-76 537	85 402	
Total equity	3 899 439	4 094 979	
Total liabilities and equity	3 986 785	4 194 991	

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Income statement

(In Euros)

	2018	2017	Note
Revenue	2 176 363	2 463 309	13
Other income	15 740	250	14
Changes in inventories of finished goods and work in progress	4 886	40 333	
Raw materials and consumables used	-1 268 696	-1 362 934	15
Other operating expense	-198 903	-219 448	16
Employee expense	-322 266	-325 851	17
Depreciation and impairment loss (reversal)	-452 156	-435 459	6,7
Other expense	-99	-61	
Operating profit (loss)	-45 131	160 139	
Interest income	96	81	
Profit (loss) before tax	-45 035	160 220	
Income tax expense	-31 502	-74 818	18
Annual period profit (loss)	-76 537	85 402	

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Statement of cash flows

(In Euros)

	2018	2017	Note
Cash flows from operating activities			
Operating profit (loss)	-45 131	160 139	
Adjustments			
Depreciation and impairment loss (reversal)	452 156	435 459	6,7
Profit (loss) from sale of non-current assets	0	-250	
Other adjustments	7 805	1 804	
Total adjustments	459 961	437 013	
Changes in receivables and prepayments related to operating activities	-94 032	144 591	
Changes in inventories	21 536	-41 207	
Changes in payables and prepayments related to operating activities	2 291	-86 006	
Income tax refund (paid)	-31 502	-74 818	18
Total cash flows from operating activities	313 123	539 712	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-212 745	-623 795	6,7
Proceeds from sales of property, plant and equipment and intangible assets	0	250	
Proceeds from government grants	313 580	0	11
Interest received	96	81	
Other cash inflows from investing activities	3 800	0	
Total cash flows from investing activities	104 731	-623 464	
Cash flows from financing activities			
Dividends paid	-126 009	-299 271	18
Total cash flows from financing activities	-126 009	-299 271	
Total cash flows	291 845	-383 023	
Cash and cash equivalents at beginning of period	720 494	1 103 517	2
Change in cash and cash equivalents	291 845	-383 023	
Cash and cash equivalents at end of period	1 012 339	720 494	2

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Statement of changes in equity

(In Euros)

	Issued capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings (loss)	Total
31.12.2016	1 575 109	617 517	24 819	0	2 089 600	4 307 045
Annual period profit (loss)	0	0	0	0	85 402	85 402
Declared dividends	0	0	0	0	-299 271	-299 271
Changes in reserves	0	0	41 583	1 804	-41 584	1 803
31.12.2017	1 575 109	617 517	66 402	1 804	1 834 147	4 094 979
Annual period profit (loss)	0	0	0	0	-76 537	-76 537
Declared dividends	0	0	0	0	-126 009	-126 009
Changes in reserves	0	0	4 270	7 005	-4 269	7 006
31.12.2018	1 575 109	617 517	70 672	8 809	1 627 332	3 899 439

The minimum share capital allowed by the Articles of Association of AS Linda Nektar is 1,200,000 euros, and the maximum share capital is 4,800,000 euros. The share has a nominal value of 1 euro. A total of 1,575,109 shares have been issued.

As of 31 December 2018 the Company had 66 shareholders (31.12.2017: 62 shareholders).

In 2017, the share option programme that was approved by the AS Linda Nektar shareholders' decision from 9 April 2015, was cancelled. At the same time, a new share option programme was introduced and approved which covers up to 3% of the total registered share capital as of 7 September 2017. The purpose of the option programme is to balance the interests of the members of management bodies and key employees with the interests of the shareholders, raise the motivation of staff members and improve the financial results of the public limited company.

In 2017, an option agreement was signed with a member of the AS Linda Nektar supervisory board. The share option gives the supervisory board member a right to acquire 5,034 ordinary shares of AS Linda Nektar. Upon exercising the option the option holder must pay the share nominal value of 1 euro per share, ie 5,034 euros. The vesting period of the option agreement is three years from the date of signing the contract. To exercise the option the option holder has to have a work relationship or participate in the work of management or highest supervisory body of the company during the whole vesting period.

The fair value of the services received is determined on the fair value of equity instruments granted to the employee at the grant date. The market price of the share is the closing price of the share on the last day of the financial year in Nasdaq First North Alternative Market. The proportional part of the share option for 2017 (2 months out of 36 months) and for 2018 (12 months out of 36 months) is recognised as an employee expense in the income statement and as a reserve in equity.

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Notes

Note 1 Accounting policies

General information

The 2018 financial statements of AS Linda Nektar have been prepared in accordance with the Estonian financial reporting standard. The main requirements of the Estonian financial reporting standard have been stipulated in the Accounting Act of the Republic of Estonia and supplemented by the guidelines issued by the Accounting Board of the Republic of Estonia.

The company belongs to the small business category. The Annual report is compiled completely according to the regulations introduced for middle-sized companies.

The financial statements have been prepared in euros.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are cash in hand, demand deposits in banks.

Foreign currency transactions and assets and liabilities denominated in a foreign currency

Foreign currency transactions are recorded based on the currency exchange rate valid on the transaction date. Monetary entries denominated in foreign currency are translated on the basis of the currency exchange rates of the European Central Bank officially valid on the balance sheet date. Foreign exchange gains and losses from revaluation are recorded in the income statement. Foreign exchange gains and losses are recorded under revenue and expenses in the income statement of the reporting period.

Receivables and prepayments

Accounts receivable are short-term receivables generated in the course of ordinary business, except for receivables from other group companies and associated companies. Accounts receivable are recorded at amortised cost (i.e. nominal value less possible write-downs).

Accounts receivable are evaluated on an individual basis, if possible. If the evaluation of the receivables on an individual basis proves impossible, only the material receivables will be evaluated. Other receivables are evaluated as a set of receivables, considering the information available regarding the customer's previous debts. Collection of receivables, which have been previously expensed as doubtful receivables, are reported as an adjustment to doubtful receivables.

All other receivables (accrued income, loans granted, other short-term and long-term receivables), except for receivables held for trading, are recorded at amortised cost. Receivables held for trading are recorded at their fair value.

Inventories

Raw materials are recorded at cost, consisting of the purchase price, non-refundable taxes and direct transportation costs and other expenses directly related to the acquisition, incurred upon bringing the inventories to their present condition and location, less discounts and subsidies.

Finished products and work-in-progress are recorded at production cost, consisting of the direct production costs (cost of raw materials), staff remuneration and a proportional part of the production overheads (depreciation of production buildings and equipment).

The acquisition cost of inventories is calculated based on the FIFO method.

Plant, property and equipment and intangible assets

Assets with an acquisition cost of over 1,000 euros and a useful life of over 1 year are recorded as property, plant and equipment (PPE) in the balance sheet. Assets with a useful life of over 1 year, but an acquisition cost of less than 1,000 euros, are recorded as low-value items (in inventories) and are fully expensed when the asset is taken into use. Low-value items that have been expensed are accounted for off-balance sheet.

PPE are initially recorded at acquisition cost, consisting of the purchase price and expenses incurred with the aim of taking the asset item into use. Subsequent to initial recognition, PPE are recorded at net book value. PPE constructed for own use is recorded at acquisition cost, consisting of the actual manufacturing expenses.

Depreciation is calculated on a straight-line basis, depending on the estimated useful life of the asset item:

- production buildings: 15-16 years, improvements: 5 years

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- other buildings: 15-16 years, improvements: 5 years
- machinery and equipment: 3-10 years
- IT equipment: 3-5 years
- office furniture: 3-7 years
- means of transport: 5 years
- tools and equipment: 3-5 years
- software: 5 years
- other intangible assets: 3 years Land is not depreciated.

Leases

Accounting entity as lessor.

Operating lease payments are recorded during the rental period as expenses based on the straight-line method.

Accounting entity as lessee.

Operating lease payments are recorded during the rental period as income based on the straight-line method.

Financial liabilities

All financial liabilities (accounts payable, loans taken, accrued expenses, bonds issued, other short-term and long-term payables) are initially accounted for at their acquisition cost, which includes all expenses directly related to the acquisition. Subsequent to initial recognition, financial liabilities are recorded based on the amortised cost method.

As a rule, the amortised cost of short-term financial liabilities equals their nominal value. Therefore, short-term financial liabilities are recorded in the balance sheet at the payable amount. The amortised cost of long-term liabilities is calculated based on the effective interest rate method.

Government grants

Assets acquired with the help of government grants are recorded in the balance sheet at net acquisition cost, i.e. the acquisition cost, less government grants received for the purpose of acquiring assets (the acquisition cost of assets received free of charge is zero). Subsequent to initial recognition, the acquired assets are measured according to Accounting Board standard number 5 for tangible and intangible fixed assets.

Government grants allocated for operating expenses will be charged to income, if the collection of the grant is certain and the conditions related to the grant have been fulfilled. If the conditions for recognition of the government grant under income have not been met, the grant will be recorded under liabilities in the balance sheet. The corresponding liability is recorded under current or non-current liabilities in the balance sheet, depending on when the conditions related to the government grant are met.

Revenue recognition

Revenue and expenses are recognised on an accrual basis, based on the matching principle. Income statement format No 1 is used.

Revenue is recognised on an accrual basis under the revenue recognition principle. Revenue from sales of goods is recorded on the moment the right of ownership is transferred to the buyer.

Expense recognition

Expenses on vacation pay are recorded in the period when they are incurred. The vacation reserve is adjusted on an annual basis at the end of each financial year. The earned vacation pay is charged to expenses in the income statement, and recorded in the balance sheet under current liabilities to employees.

Taxation

Pursuant to the applicable laws, Estonian companies are not subjected to pay income tax on the profit. Therefore, all temporary differences between the tax bases and carrying values of assets and liabilities cease to exist. Rather than being subjected to income tax on the profit, Estonian companies are subjected to 20/80 income tax on the net dividends paid from retained earnings in 2018. Corporate income tax on the payment of dividends is recorded under income tax expense in the income statement at the moment of announcing the dividends, irrespective of the period for which the dividends were announced or when the dividends are actually paid.

Related parties

For the purposes of the financial statements of AS Linda Nektar, the following are considered related parties:

- owners (parent company and owners of the parent company);
- management board and higher management;
- close relatives of the above persons, and the companies related to them.

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Share-based Payments

Derivatives (e.g. forward, future, swap and option contracts) are carried in the balance sheet at their fair value. The fair value of services (work contribution) provided by employees to the entity in return for shares is recognised as employee costs in the income statement and as an equity reserve from the date of granting the share option and during the period when the services have been provided. The fair value of the services received is determined on the fair value of equity instruments (market price) granted to employees at the grant date. The market price of the share is the closing price of the share on the last day of the financial year in Nasdaq First North Alternative Market. Derivatives are revalued at balance sheet date according to the change in fair value of the instrument.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2018	31.12.2017
Cash on hand	281	21
Bank accounts	1 012 058	720 473
Total cash and cash equivalents	1 012 339	720 494

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Note 3 Receivables and prepayments

(In Euros)

	31.12.2018	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Accounts receivable	257 730	257 730		0
Accounts receivables	257 730	257 730		0
Tax prepayments and receivables	35 130	35 130		0 5
Other receivables	1	1		0
Interest receivables	1	1		0
Prepayments	3 626	3 601		25
Deferred expenses	3 626	3 601		25
Total receivables and prepayments	296 487	296 462		25

	31.12.2017	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Accounts receivable	172 336	172 336		0
Accounts receivables	172 336	172 336		0
Tax prepayments and receivables	26 618	26 618		0 5
Other receivables	0	0		0
Interest receivables	0	0		0
Prepayments	3 501	3 266		235
Deferred expenses	3 344	3 109		235
Other paid prepayments	157	157		0
Total receivables and prepayments	202 455	202 220		235

Note 4 Inventories

(In Euros)

	31.12.2018	31.12.2017
Raw materials	81 977	111 747
Work in progress	195 681	219 146
Finished goods	45 375	13 283
Merchandise	196	589
Inventory prepayments	2 499	2 499
Total Inventories	325 728	347 264

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Finished goods as at 31 December 2018 include goods in transit in the amount of EUR 20,157. As at 31 December 2017 there were no goods in transit.

No write-down or reclassifications of inventories were made in 2017 and 2018.

Note 5 Tax prepayments and liabilities

(In Euros)

	31.12.2018		31.12.2017	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	4 690	0	1 418	0
Personal income tax	0	3 808	0	3 984
Fringe benefit income tax	0	656	0	909
Social tax	0	7 810	0	8 483
Contributions to mandatory funded pension	0	418	0	446
Unemployment insurance tax	0	378	0	366
Excise duty tax	30 440	0	25 200	0
Other tax prepayments and liabilities	0	381	0	399
Total tax prepayments and liabilities	35 130	13 451	26 618	14 587

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Note 6 Property, plant and equipment

(In Euros)

	Land	Buildings	Transportation	Computers and computer systems	Other machinery and equipment	Machinery and equipment	Other property, plant and equipment	Unfinished projects	Prepayments	Unfinished projects and prepayments	Total
31.12.2016											
Carried at cost	6 700	862 071	63 498	14 520	2 744 398	2 822 416	58 318	594 830	0	594 830	4 344 335
Accumulated depreciation	0	-253 729	-20 947	-9 667	-1 330 917	-1 361 531	-32 000		0		-1 647 260
Residual cost	6 700	608 342	42 551	4 853	1 413 481	1 460 885	26 318	594 830	0	594 830	2 697 075
Acquisitions and additions	0	10 361	14 833	0	86 281	101 114	21 371	376 809	0	376 809	509 655
Acquisition of buildings, new building, renovations		10 361									10 361
Other acquisitions and additions			14 833	0	86 281	101 114	21 371	376 809	0	376 809	499 294
Depreciation	0	-54 719	-11 626	-2 470	-288 073	-302 169	-9 608	0	0	0	-366 496
Reclassifications	0	0	0	0	399 667	399 667	0	-399 667	0	-399 667	0
Reclassifications from unfinished projects	0	0	0	0	399 667	399 667	0	-399 667	0	-399 667	0
Other changes	0	0	0	0	0	0	0	0	0	0	0
31.12.2017											
Carried at cost	6 700	872 432	68 022	14 520	3 221 930	3 304 472	79 688	571 972	0	571 972	4 835 264
Accumulated depreciation	0	-308 448	-22 264	-12 137	-1 610 574	-1 644 975	-41 607	0	0		-1 995 030
Residual cost	6 700	563 984	45 758	2 383	1 611 356	1 659 497	38 081	571 972	0	571 972	2 840 234
Acquisitions and additions	0	119 508	0	0	19 023	19 023	2 101	55 155	2 000	57 155	197 787
Acquisition of buildings, new building, renovations		119 508							2 000	2 000	121 508
Other acquisitions and additions			0	0	19 023	19 023	2 101	55 155	0	55 155	76 279
Depreciation	0	-80 940	-13 605	-1 609	-274 328	-289 542	-10 838	0	0		-381 320
Reclassifications	0	525 237	0	0	13 478	13 478	0	-538 715	0	-538 715	0
Reclassifications from unfinished projects	0	525 237	0	0	13 478	13 478	0	-538 715	0	-538 715	0
Other changes	0	-184 598	0	0	-128 982	-128 982	2	0	0	0	-313 578
31.12.2018											
Carried at cost	6 700	1 332 579	68 022	14 520	3 125 449	3 207 991	81 791	88 412	2 000	90 412	4 719 473
Accumulated depreciation	0	-389 388	-35 869	-13 746	-1 884 902	-1 934 517	-52 445	0	0		-2 376 350
Residual cost	6 700	943 191	32 153	774	1 240 547	1 273 474	29 346	88 412	2 000	90 412	2 343 123

Disposed property, plant and equipment at selling price

	2018	2017
Machinery and equipment	0	250
Transportation	0	250
Total	0	250

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In 2018 AS Linda Nektar did not dispose of any non-current assets. In 2017 AS Linda Nektar wrote off non-current assets which were unfit for use and were technically out-dated. The acquisition cost of these assets was EUR 8,417.

As at 31 December 2018 outstanding payables to suppliers of non-current assets amounted to EUR 1,592 (2017: EUR 16,549).

In 2018 the company received grants from the Estonian Agricultural Registers and Information Board (ARIB) in the amount of 128,982 euros for machinery and equipment, EUR 29,252 for solar panels and EUR 155,346 for the extension of the production building. These amounts are recorded as other changes. Additional information on grants is provided in Note 11.

Assets that are acquired using grants are recognised at net cost - i.e. at cost of assets less grants received.

Note 7 Intangible assets

(In Euros)

	Computer software	Other intangible assets	Unfinished projects and prepayments	Total
31.12.2016				
Carried at cost	7 349	215 000	6 810	229 159
Accumulated depreciation	-5 089	-79 213	0	-84 302
Residual cost	2 260	135 787	6 810	144 857
Acquisitions and additions	3 300	750	4 600	8 650
Depreciation	-940	-68 023	0	-68 963
Reclassifications	0	6 810	-6 810	0
31.12.2017				
Carried at cost	10 648	222 560	4 600	237 808
Accumulated depreciation	-6 028	-147 236	0	-153 264
Residual cost	4 620	75 324	4 600	84 544
Depreciation	-1 434	-69 402	0	-70 836
Write offs	0	0	-800	-800
Other changes	0	0	-3 800	-3 800
31.12.2018				
Carried at cost	10 648	222 560	0	233 208
Accumulated depreciation	-7 462	-216 638	0	-224 100
Residual cost	3 186	5 922	0	9 108

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Note 8 Operating lease

(In Euros)

Accounting entity as lessor

	2018	2017	Note
Operating lease income	98 200	250 181	13
Residual cost of leased assets			
Machinery and equipment	2 047	15 235	
Total	2 047	15 235	

AS Linda Nektar has leased out some of its equipment under operating lease terms until November 2019.

Accounting entity as lessee

	2018	2017	Note
Operating lease expenses	4 409	4 322	
Future lease expense under non-cancellable lease contracts			
	31.12.2018	31.12.2017	Note
Within 12 months	0	235	

Note 9 Payables and prepayments

(In Euros)

	31.12.2018	Within 12 months	Note
Trade payables	62 780	62 780	
Employee payables	7 999	7 999	
Tax payables	13 451	13 451	5
Other payables	3 116	3 116	
Other accrued expenses	3 116	3 116	
Total payables and prepayments	87 346	87 346	

	31.12.2017	Within 12 months	Note
Trade payables	77 910	77 910	
Employee payables	7 369	7 369	
Tax payables	14 587	14 587	5
Other payables	146	146	
Other accrued expenses	146	146	
Total payables and prepayments	100 012	100 012	

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Note 10 Contingent liabilities and assets

(In Euros)

	31.12.2018	31.12.2017
Contingent liabilities		
Distributable dividends	1 301 866	1 467 318
Income tax liability on distributable dividends	325 466	366 829
Total contingent liabilities	1 627 332	1 834 147

Note 11 Grants

(In Euros)

Assets at net cost

	2018 Received	2017 Received
Grants for acquisition of non-current assets		
ARIB	313 580	0
Total grants for acquisition of non-current assets	313 580	0
Total grants	313 580	0

Management estimates that all conditions related to the grant that have been described in the decree no 58 of the Minister of Rural Affairs from 8th of May 2015 are being fulfilled.

Note 12 Share capital

(In Euros)

	31.12.2018	31.12.2017
Share capital	1 575 109	1 575 109
Number of shares (pcs)	1 575 109	1 575 109
Nominal value of shares	1	1

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Note 13 Net sales

(In Euros)

	2018	2017	Note
Net sales by geographical location			
Net sales in European Union			
Estonia	887 270	1 419 211	
Finland	403 679	520 963	
Latvia	802 596	521 974	
Lithuania	82 220	0	
Germany	598	1 161	
Total net sales in European Union	2 176 363	2 463 309	
Total net sales	2 176 363	2 463 309	
Net sales by operating activities			
Manufacture of cider and other fruit wines	2 060 813	2 197 444	
Equipment rent	98 201	250 181	8
Wastewater treatment	14 684	10 251	
Sale of material	1 691	2 613	
Sale of goods	394	1 827	
Sale of aroma	580	993	
Total net sales	2 176 363	2 463 309	

Note 14 Other operating income

(In Euros)

	2018	2017
Profit from sale of plant, property and equipment	0	250
Sale of metal scrap	15 740	0
Total other operating income	15 740	250

Note 15 Goods, raw materials and services

(In Euros)

	2018	2017
Raw materials	-982 296	-1 017 498
Services	-286 400	-345 436
Total goods, raw materials and services	-1 268 696	-1 362 934

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Note 16 Miscellaneous operating expenses

(In Euros)

	2018	2017
Exploration and development expense	-18 436	-23 034
Travel expense	-52 765	-52 616
Training expense	-12 064	-13 862
State and local taxes	-9 103	-10 639
First North costs	-17 433	-15 989
Legal and audit expenses	-9 303	-19 432
Communications	-11 840	-9 029
Other	-67 959	-74 847
Total miscellaneous operating expenses	-198 903	-219 448

Note 17 Labor expense

(In Euros)

	2018	2017
Wage and salary expense	-244 489	-245 803
Social security taxes	-77 777	-80 048
Total labor expense	-322 266	-325 851
Average number of employees in full time equivalent units	16	16
Average number of employees by types of employment:		
Person employed under employment contract	12	12
Member of management or controlling body of legal person	5	5

Note 18 Income tax

(In Euros)

Income tax expense components	2018		2017	
	Taxable amount	Income tax expense	Taxable amount	Income tax expense
Declared dividends	126 009	31 502	299 271	74 818
Estonia	121 818	30 454	290 293	72 573
Other countries	4 191	1 048	8 978	2 245
Total	126 009	31 502	299 271	74 818

Note 19 Related parties

(In Euros)

Name of accounting entity's parent company

Fermex International OÜ

Country where accounting entity's parent company is registered

Estonia

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Related party balances according to groups

	31.12.2018		31.12.2017	
	Receivables	Liabilities	Receivables	Liabilities
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	3 547	0	214

Purchases and sales

	2018	2017
	Purchases	Purchases
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	4 118	3 817

Remuneration and other significant benefits calculated for members of management and highest supervisory body

	2018	2017
Remuneration	89 256	81 804

For the purposes of the financial statements of AS Linda Nektar, the following are considered related parties:

- owners (parent company and owners of the parent company);
- management board and higher management;
- close relatives of the above persons, and the companies related to them.

In 2017, an option agreement was signed with a member of the AS Linda Nektar supervisory board. See detailed information in Statement of changes in equity.

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Signatures

The management has prepared the management report and financial statements of AS Linda Nektar (Reg. code: 10211034) for the financial year 01.01.2018 – 31.12.2018 and confirms that the Annual Report provides a true and fair view of the business operations.

Report completion date: 07.03.2019



Kadri Rauba
CEO



Grant Thornton

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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

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To the Shareholders of aktsiaselts Linda Nektar

Opinion

We have audited the financial statements of aktsiaselts Linda Nektar (the Company), which comprise the balance sheet as at December 31, 2018, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Estonian financial reporting standard.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISA (EE)s). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with *Code of Ethics for Professional Accountants (Estonia)* (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Management report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management report and, in doing so, consider whether the Management report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that



there is a material misstatement in the Management report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with Estonian financial reporting standard, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA (EE)s will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA (EE)s, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's



ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aivar Kangust
Sworn Auditor
License number 223

Grant Thornton Baltic OÜ
License number 3
Pärnu mnt 22, 10141 Tallinn
March 7, 2019