



Linda Nektar

ANNUAL REPORT

beginning of financial year: 01.01.2019

end of the financial year: 31.12.2019

business name: aktsiaselts Linda Nektar

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Management report

In 2019 AS Linda Nektar's (the 'Company') turnover amounted to EUR 2,097,789 marking a decrease of 3.61% year-on-year (2018: EUR 2,176,363), while initial guidance was EUR 2.2m. The second half of 2019 reflected a marked change in the product portfolio, where around half of the products were introduced during this period. This is as a result of clients' requests, with direct impacts of European-wide classification changes in beverages during the past year. The overriding trend over the past decade shows a shift in consumption from higher alcohol and sugar levels towards lighter, more specialized, products made in a variety of ways: incorporating lower alcohol levels and natural ingredients. Linda Nektar is well equipped to meet this growing demand as multiple recipes (including exotic fruit bases) can be developed for clients using highly specialised ferments.

AS Linda Nektar ended 2019 in a net loss of EUR 44,598 (2018 came in with a loss of EUR 76,537).

Operating cash flow in 2019 was a positive EUR 155,150 (2018: EUR 313,123). The largest difference can be attributed to higher levels of inventory held at the close of the reporting period.

As of 31 December 2019, the Company's total assets came to EUR 3,844,886 (31.12.2018: EUR 3,986,785) marking a decrease of 3.56 % year-on-year. Current assets amounted to EUR 1,708,799 (31.12.2018: EUR 1,634,529) or 44.44 % of total assets. Fixed assets amounted to EUR 2,136,087 (31.12.2018: EUR 2,352,256) or 55.56 % of the balance sheet total. The liabilities of AS Linda Nektar totalled EUR 113,447 (31.12.2018: EUR 87,346) and equity capital amounted to EUR 3,731,439 (31.12.2018: EUR 3,899,439).

As of 31 December 2019, there were no loan commitments.

A total of EUR 177,290 was invested in fixed assets (2018: EUR 197,787). Depreciation costs in 2019 amounted to EUR 370,257 (2018: EUR 452,156).

In 2019, the Company paid EUR 126,009 euros in dividends (2018: EUR 126,009). The income tax cost on dividends was EUR 27,839 (2018: EUR 31,502).

Development costs in 2019 amounted to EUR 25,405 (2018: EUR 18,436).

As of 31 December 2019, the Company had 12 employees, one Management Board Member, and four Supervisory Board Members. Labour costs in 2019 (including taxes) amounted to EUR 346,269 (2018: EUR 322,266).

Management's guidance is for revenues in 2020 to reach EUR 2.5m. This reflects the shift towards a greater variety of higher value-added products being requested from clients. Capacity utilisation remains sufficient to expand further should market conditions allow for it.

Financial Ratios:

		2019	2018
Current Ratio = Current Assets/ Current Liabilities	x	15.06	18.71
Quick ratio = (Current Assets – Inventories) / Current Liabilities	x	11.13	14.98
Working Capital = Current Assets - Current Liabilities		1,595,352	1,547,183
Equity Ratio = Total Equity / Total Assets*100	%	97.05	97.81
Net Profit Margin= Net Profit / Sales Revenue*100	%	-2.13	-3.52
Debt to Assets= Total Liabilities / Total Assets	x	0.03	0.02

The annual accounts

Statement of financial position

(In Euros)

	31.12.2019	31.12.2018	Note
Assets			
Current assets			
Cash and cash equivalents	883 944	1 012 339	2
Receivables and prepayments	378 175	296 462	3
Inventories	446 680	325 728	4
Total current assets	1 708 799	1 634 529	
Non-current assets			
Receivables and prepayments	42	25	3
Property, plant and equipment	2 129 820	2 343 123	6
Intangible assets	6 225	9 108	7
Total non-current assets	2 136 087	2 352 256	
Total assets	3 844 886	3 986 785	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	113 447	87 346	9
Total current liabilities	113 447	87 346	
Total liabilities	113 447	87 346	
Equity			
Issued capital	1 575 109	1 575 109	12
Share premium	617 517	617 517	
Statutory reserve capital	70 672	70 672	
Other reserves	11 416	8 809	
Retained earnings (loss)	1 501 323	1 703 869	
Annual period profit (loss)	-44 598	-76 537	
Total equity	3 731 439	3 899 439	
Total liabilities and equity	3 844 886	3 986 785	

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Income statement

(In Euros)

	2019	2018	Note
Revenue	2 097 789	2 176 363	13
Other income	27 074	15 740	14
Changes in inventories of finished goods and work in progress	54 543	4 886	
Raw materials and consumables used	-1 297 803	-1 268 696	15
Other operating expense	-181 825	-198 903	16
Employee expense	-346 269	-322 266	17
Depreciation and impairment loss (reversal)	-370 257	-452 156	6,7
Other expense	-107	-99	
Operating profit (loss)	-16 855	-45 131	
Interest income	96	96	
Profit (loss) before tax	-16 759	-45 035	
Income tax expense	-27 839	-31 502	18
Annual period profit (loss)	-44 598	-76 537	

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Statement of cash flows

(In Euros)

	2019	2018	Note
Cash flows from operating activities			
Operating profit (loss)	-16 855	-45 131	
Adjustments			
Depreciation and impairment loss (reversal)	370 257	452 156	6,7
Profit (loss) from sale of non-current assets	-861	0	
Other adjustments	2 606	7 805	
Total adjustments	372 002	459 961	
Changes in receivables and prepayments related to operating activities	-81 730	-94 032	
Changes in inventories	-118 121	21 536	
Changes in payables and prepayments related to operating activities	27 693	2 291	
Income tax refund (paid)	-27 839	-31 502	18
Total cash flows from operating activities	155 150	313 123	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-178 882	-212 745	6,7
Proceeds from sales of property, plant and equipment and intangible assets	21 250	0	
Proceeds from government grants	0	313 580	11
Interest received	96	96	
Other cash inflows from investing activities	0	3 800	
Total cash flows from investing activities	-157 536	104 731	
Cash flows from financing activities			
Dividends paid	-126 009	-126 009	18
Total cash flows from financing activities	-126 009	-126 009	
Total cash flows	-128 395	291 845	
Cash and cash equivalents at beginning of period	1 012 339	720 494	2
Change in cash and cash equivalents	-128 395	291 845	
Cash and cash equivalents at end of period	883 944	1 012 339	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
31.12.2017	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
Annual period profit (loss)	0	0	0	0	-44 598	-44 598
Declared dividends	0	0	0	0	-126 009	-126 009
Changes in reserves	0	0	0	2 607	0	2 607
31.12.2019	1 575 109	617 517	70 672	11 416	1 456 725	3 731 439

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 2019 the Company had 71 shareholders (31.12.2018: 66 shareholders).

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 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), for 2018 (12 months out of 36 months) and for 2019 (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

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Note 1 Accounting policies

General information

The 2019 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
- 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.

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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.

Share-based Payments

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)

	31.12.2019	31.12.2018
Cash on hand	168	281
Bank accounts	883 776	1 012 058
Total cash and cash equivalents	883 944	1 012 339

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Note 3 Receivables and prepayments

(In Euros)

	31.12.2019	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Accounts receivable	324 370	324 370	0	
Accounts receivables	324 370	324 370	0	
Tax prepayments and receivables	47 489	47 489	0	5
Other receivables	2	2	0	
Interest receivables	2	2	0	
Prepayments	6 356	6 314	42	
Deferred expenses	6 356	6 314	42	
Total receivables and prepayments	378 217	378 175	42	

	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	

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Note 4 Inventories

(In Euros)

	31.12.2019	31.12.2018
Raw materials	146 549	81 977
Work in progress	247 797	195 681
Finished goods	50 204	45 375
Merchandise	2 130	196
Inventory prepayments	0	2 499
Total Inventories	446 680	325 728

AS at 31 December 2019 there were no goods in transit. Finished goods as at 31 December 2018 include goods in transit in the amount of EUR 20,157. No write-down of inventories was made in 2019 and 2018.

Note 5 Tax prepayments and liabilities

(In Euros)

	31.12.2019		31.12.2018	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	7 192		4 690	0
Personal income tax	0	4 310	0	3 808
Fringe benefit income tax	0	1 269	0	656
Social tax	0	9 266	0	7 810
Contributions to mandatory funded pension	0	474	0	418
Unemployment insurance tax	0	445	0	378
Excise duty tax	29 918	0	30 440	0
Other tax prepayments and liabilities	0	572	0	381
Prepayment account balance	10 379		0	
Total tax prepayments and liabilities	47 489	16 336	35 130	13 451

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Note 6 Property, plant and equipment

(In Euros)

											Total
	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	
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									119 508
Other acquisitions and additions			0	0	19 023	19 023	2 101	55 155	2 000	57 155	78 279
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	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
Acquisitions and additions	0	52 934	58 242	5 136	17 440	80 818	1 962	41 576		41 576	177 290
Acquisition of land and buildings, except new buildings and renovations	0										
Acquisition of buildings, new building, renovations		52 934									52 934
Other acquisitions and additions			58 242	5 136	17 440	80 818	1 962	41 576		41 576	124 356
Depreciation	0	-84 292	-15 901	-1 555	-255 429	-272 885	-10 071	0	0		-367 248
Disposals (in residual costs)	0	0	-20 390	0	0	-20 390	0	0	0		-20 390
Reclassifications	0	0	2 000	0	53 587	55 587	0	-53 587	-2 000	-55 587	
Reclassifications from prepayments	0	0	2 000	0	0	2 000	0	0	-2 000	-2 000	
Reclassifications from unfinished projects	0	0	0	0	53 587	53 587	0	-53 587	0	-53 587	
Other changes	0	0	0	0	-126	-126	0	-2 829	0	-2 829	-2 955
31.12.2019											
Carried at cost	6 700	1 385 513	75 076	18 023	3 193 246	3 286 345	83 753	73 572	0	73 572	4 835 883
Accumulated depreciation	0	-473 680	-18 972	-13 668	-2 137 227	-2 169 867	-62 516	0	0		-2 706 063
Residual cost	6 700	911 833	56 104	4 355	1 056 019	1 116 478	21 237	73 572	0	73 572	2 129 820

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Disposed property, plant and equipment at selling price

	2019	2018
Machinery and equipment	21 250	0
Transportation	21 250	0
Total	21 250	0

In 2019 AS Linda Nektar wrote off non-current assets which were technically out-dated. The acquisition cost of these assets was EUR 4,862 and impairment loss EUR 126. In 2018 AS Linda Nektar did not dispose of any non-current assets.

As at 31 December 2019, there were no outstanding payables to suppliers of the non-current assets (31.12.2018: EUR 1,592).

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
31.12.2017				
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
Other changes	0	0	-4 600	-4 600
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
Depreciation	-1 371	-1 512	0	-2 883
31.12.2019				
Carried at cost	10 648	7 560	0	18 208
Accumulated depreciation	-8 833	-3 150	0	-11 983
Residual cost	1 815	4 410	0	6 225

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Note 8 Operating lease

(In Euros)

Accounting entity as lessor

	2019	2018	Note
Operating lease income	6 105	98 200	13
Residual cost of leased assets			
Machinery and equipment	0	2 047	
Total	0	2 047	

AS Linda Nektar leased out certain equipment under operating lease terms until November 2019.

Accounting entity as lessee

	2019	2018	Note
Operating lease expenses	5 027	4 409	

Note 9 Payables and prepayments

(In Euros)

	31.12.2019	Within 12 months	Note
Trade payables	87 022	87 022	
Employee payables	8 515	8 515	
Tax payables	16 336	16 336	5
Other payables	1 574	1 574	
Other accrued expenses	1 574	1 574	
Total payables and prepayments	113 447	113 447	
	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	

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Note 10 Contingent liabilities and assets

(In Euros)

	31.12.2019	31.12.2018
Contingent liabilities		
Distributable dividends	1 171 241	1 301 866
Income tax liability on distributable dividends	285 484	325 466
Total contingent liabilities	1 456 725	1 627 332

Note 11 Grants

(In Euros)

Assets at cost

2018	Received	Recognized in assets at cost
Grants for acquisition of non-current assets		
ARIB	313 580	313 580
Total grants for acquisition of non-current assets	313 580	313 580
Total grants	313 580	313 580

In 2018 the company received grants from the Estonian Agricultural Registers and Information Board (ARIB) in the amount of EUR 313,580.

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)

	31.12.2019	31.12.2018
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)

	2019	2018	Note
Net sales by geographical location			
Net sales in European Union			
Estonia	824 212	887 270	
Finland	352 416	403 679	
Latvia	871 394	802 596	
Lithuania	49 647	82 220	
Germany	120	598	
Total net sales in European Union	2 097 789	2 176 363	
Total net sales	2 097 789	2 176 363	
Net sales by operating activities			
Manufacture of cider and other fruit wines	2 066 971	2 060 813	
Equipment rent	6 105	98 201	8
Wastewater treatment	14 939	14 684	
Sales of goods/services	9 624	2 085	
Sales of aroma	150	580	
Total net sales	2 097 789	2 176 363	

Note 14 Other operating income

(In Euros)

	2019	2018	Note
Profit from sale of plant, property and equipment	861	0	6
Fines, penalties and compensations	23 783	0	
Sale of metal scrap	2 168	15 740	
Other	262	0	
Total other operating income	27 074	15 740	

Note 15 Goods, raw materials and services

(In Euros)

	2019	2018
Raw materials	-990 300	-982 296
Services	-307 503	-286 400
Total goods, raw materials and services	-1 297 803	-1 268 696

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Note 16 Miscellaneous operating expenses

(In Euros)

	2019	2018
Exploration and development expense	-25 405	-18 436
Travel expense	-38 480	-52 765
Training expense	-6 894	-12 064
State and local taxes	-7 754	-9 103
First North costs	-18 084	-17 433
Legal and audit expenses	-13 974	-9 303
Communications	-11 108	-12 023
Other	-60 126	-67 776
Total miscellaneous operating expenses	-181 825	-198 903

Note 17 Labour expense

(In Euros)

	2019	2018
Wage and salary expense	-261 520	-244 489
Social security taxes	-84 749	-77 777
Total labour expense	-346 269	-322 266
Average number of employees in full time equivalent units	17	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	2019		2018	
	Taxable amount	Income tax expense	Taxable amount	Income tax expense
Declared dividends	126 009	27 839	126 009	31 502
Estonia	121 576	26 860	121 818	30 454
Other countries	4 433	979	4 191	1 048
Total	126 009	27 839	126 009	31 502

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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

Related party balances according to groups

	31.12.2019		31.12.2018	
	Receivables	Liabilities	Receivables	Liabilities
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	2 191	0	3 547

Purchases and sales of goods and services

	2019	2018
	Purchases of goods and services	Purchases of goods and services
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	5 563	4 118

Purchases and sales of non-current assets

	2019	2018
	Purchases of non-current assets	Purchases of non-current assets
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	815	0

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2019	2018
Remuneration	84 856	89 256

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.

Signed for identification purposes

11. 03. 2020

Signed for identification purposes
Gert Ilmannon Ball

Signatures

The management has prepared the management report and financial statements of AS Linda Nektar (Reg. code: 10211034) for the financial year 01.01.2019 – 31.12.2019 and confirms that the Annual Report provides a true and fair view of the business operations.

Report completion date: 11.03.2020



Kadri Rauba
CEO

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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

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, 2019, and the income statement, cash flow statement and statement of changes in equity 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, 2019, 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). 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 International Standards on Auditing (Estonia) 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 International Standards on Auditing (Estonia), 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 11, 2020