



Linda Nektar

AS Linda Nektar

Report and Financial Statements

For the 12 month period ended 31 December 2016

(unaudited)

Reporting period: 01.01.2016 – 31.12.2016

Financial Year: 01.01.2016 – 31.12.2016

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Background Information

AS Linda Nektar is an Estonian-based beverage company with origins in the 1940s. The company is providing fermented beverages for the drinks industry focusing on unpacked fruit wines under a Business-to-Business model. The company's production facility is located in a logistically favourable position relative to the Baltic and Northern European markets.

Extensive R&D efforts have led to breakthroughs in the field of aroma stripping and recovery and this, along with the planned geographical expansion, will be the key focal points in the coming years.

The shares of Linda Nektar are admitted to trading on Nasdaq Baltic's First North Market.



Report of activities

Management Report

The unaudited 12 month results for AS Linda Nektar (the 'Company') largely met management expectations for 2016. Through investments made into capacity expansion and additional demand from customers sales increased 34.9% y-o-y to EUR 3,719,405 for the 12 month period (0,5 % increase y-o-y to EUR 2,757,055 for 2015). Also from a geographical perspective there was increase in export sales during the course of the year.

The first industrial scale aroma batches have been produced (and shipped in January 2017), which attest to the successful functioning of the aroma recovery equipment which was installed into the Kobela premises during the second half of 2016. This achieves an important milestone for some of the Company's ongoing research and development processes being undertaken during the past eight years.

The Company is continuing to explore new revenue avenues for its products geographically and has signed a framework agreement with German-based Symrise AG, a top 3 global supplier in the area of flavours and fragrances (F&F), to effect this.

With domestic industry trends becoming less certain, including the unexpected announcement of new excise taxes for Estonian consumers of alcoholic beverages as well as changes in alcohol-selling legislation, the Company is continuing to explore further growth opportunities in other markets. While immediate sales impacts are seen to be negligible at this stage, the second half of 2017 is far less certain. Prices of raw materials have also decreased for 2017. Therefore management considers it prudent to revise its 2017 EUR 5m revenue guidance to EUR 3.5-4.0m, while noting that profitability should stay within historical bounds.

The net profit for the financial year came to EUR 831,662, representing an 89,0% y-o-y increase (35,9 % y-o-y increase for 2015, to EUR 440,140)

Research and development work continues on the same level as in 2015 (all expensed), while key investments included construction and repair works (enabling further capacity from that available in late 2016, incorporating some PRIA-related grant support), purchases of production equipment for expanding and automating production as well as procurements in the aroma technology area developed by the enterprise. In total, EUR 988,772 were invested in property, plant and equipment (12 months 2015: EUR 913,371). Depreciation expenses in 2016 amounted to EUR 352,719 (12

months 2015: EUR 236, 806), which have increased due to the aforementioned investments. Development costs in 2016 amounted to EUR 116,062 (12 months 2015: EUR 190,725).

During the second half of the 2016 financial year, the ‘Development project of Linda Nektar production enterprises’ supported by Enterprise Estonia, was completed. As a result, the targeted financing previously recorded on the balance sheet as a short-term liability has been recorded as operating income.

In the first half of the year, the enterprise paid dividends for the performance of the 2015 financial year in the amount of 141,760 euros. The income tax expense entailed in the payment of dividends to the shareholders amounted to 35,440 euros. Further information on the 2016 dividend can be expected with the announcement of the calling of the Annual General Meeting.

As at 31 December 2016, the enterprise had 12 employees - 1 member of the management board and 3 supervisory board members. The salary expenses for the 12 months of 2016 (including taxes) were EUR 327,911 (12 months 2015: EUR 296,553). Labour costs have increased due to additional employees and salary increases, as well as the payment of performance-related pay.

The enterprise continues to be mainly focused on product and technology development as well as plans concerning the introduction of new aroma technology and the expansion of production.

Financial Ratios (2016 unaudited):

		2016	2015
Current Ratio = Current Assets/ Current Liabilities	x	6.02	5.96
Quick ratio = (Current Assets – Inventories) / Current Liabilities	x	4.97	4.76
Working Capital = Current Assets - Current Liabilities		1 464 596	1 411 263
Equity Ratio = Total Equity / Total Assets	%	93.66	92.70
Net Profit Margin= Net Profit / Sales Revenue	%	22.36	15.96
Debt to Assets= Total Liabilities / Total Assets	x	0.06	0.07

Kadri Rauba

CEO

Financial Statements

The report is prepared according to the Accounting Principles Generally Accepted in Estonia. The report follows same accounting principles that were used in the annual report. The report is compiled in euros (EUR).

Balance sheet

(In euros, 2016 unaudited)

	31.12.2016	30.06.2016	31.12.2015
Assets			
Current assets			
Cash and cash equivalents	1 103 517	744 903	991 984
Receivables and prepayments	346 529	689 917	364 401
Inventories	306 057	359 643	339 693
Total current assets	1 756 103	1 794 463	1 696 078
Non-current assets			
Receivables and prepayments	517	0	0
Property, plant and equipment	2 697 075	2 367 273	1 996 019
Intangible assets	144 857	179 193	209 860
Total non-current assets	2 842 449	2 546 466	2 205 879
Total assets	4 598 552	4 340 929	3 901 957
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	291 507	297 766	210 703
Government grants	0	155 857	74 112
Total current liabilities	291 507	453 623	284 815
Total liabilities	291 507	453 623	284 815
Equity			
Issued capital	1 575 109	1 575 109	1 575 109
Share premium	617 517	617 517	617 517
Statutory reserve capital	24 819	24 819	2 812
Retained earnings (loss)	1 257 938	1 257 938	981 564
Annual period profit (loss)	831 662	411 923	440 140
Total equity	4 307 045	3 887 306	3 617 142
Total liabilities and equity	4 598 552	4 340 929	3 901 957

Income statement

(In euros, 2016 unaudited)

	2016	2016 H2	2015	2015 H2
Revenue	3 719 405	1 605 745	2 757 055	1 310 753
Other income	155 857	155 857	8 016	8 016
Changes in inventories of finished goods and work in progress	-29 499	-48 141	64 209	27 465
Raw materials and consumables used	-2 001 979	-808 372	-1 445 369	-730 918
Other operating expense *	-291 155	-141 997	-374 149	-140 514
Employee expense	-327 911	-153 539	-296 553	-143 629
Depreciation and impairment loss (reversal)	-352 719	-184 872	-236 806	-129 109
Other expense	-5 001	-5 000	-4 249	-4 045
Operating profit (loss)	866 998	419 681	472 154	198 019
Other financial income and expense	104	57	261	31
Profit (loss) before tax	867 102	419 738	472 415	198 050
Income tax expense	-35 440	0	-32 275	0
Annual period profit (loss)	831 662	419 738	440 140	198 050

* Technology development costs 116,062 euros in 2016 (12 months 2015: 190,725 euros).

Statement of cash flows

(In euros, 2016 unaudited)

	2016	2016 H2	2015	2015 H2
Cash flows from operating activities				
Profit (loss)	866 998	419 681	472 154	198 019
Adjustments				
Depreciation and impairment loss (reversal)	352 719	184 872	236 806	129 109
Other adjustments	-155 857	-155 857	0	0
Total adjustments	196 862	29 015	236 806	129 109
Changes in receivables and prepayments related to operating activities	17 355	342 871	-170 863	182 670
Changes in inventories	33 636	53 586	-91 877	-104 176
Changes in payables and prepayments related to operating activities	10 047	-100 089	86	-87 562
Income tax refund (paid)	-35 440	0	-32 275	0
Proceeds from government grants *	81 746	0	74 112	0
Total cash flows from operating activities	1 171 204	745 064	488 143	318 060
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets	-918 015	-386 507	-841 364	-629 437
Interest received	104	57	261	31
Total cash flows from investing activities	-917 911	-386 450	-841 103	-629 406
Cash flows from financing activities				
Proceeds from issuing shares	0	0	820 002	0
Dividends paid	-141 760	0	-129 100	0
Other cash outflows from financing activities	0	0	-56 056	-56 056
Total cash flows from financing activities	-141 760	0	634 846	-56 056
Total cash flows	111 533	358 614	281 886	-367 402
Cash and cash equivalents at beginning of period	991 984	744 903	710 098	1 359 386
Change in cash and cash equivalents	111 533	358 614	281 886	-367 402
Cash and cash equivalents at end of period	1 103 517	1 103 517	991 984	991 984

* Instalment of the "AS Linda Nektar Development Project" of Enterprise Estonia

Statement of changes in equity

(In euros, 2016 unaudited)

	Issued capital	Share premium	Statutory reserve capital	Retained earnings (loss)	Total
31.12.2014	28 116	0	2 812	2 511 229	2 542 157
Annual period profit (loss)	0	0	0	440 140	440 140
Issue of equity	146 429	673 573	0	0	820 002
Dividends paid	0	0	0	-129 100	-129 100
Changes in reservs	0	0	0	0	0
Other changes in equity	1 400 564	-56 056	0	-1 400 564	-56 056
31.12.2015	1 575 109	617 517	2 812	1 421 705	3 617 143
31.12.2015	1 575 109	617 517	2 812	1 421 705	3 617 143
Annual period profit (loss)	0	0	0	831 662	831 662
Issue of equity	0	0	0	0	0
Dividends paid	0	0	0	-141 760	-141 760
Changes in reservs	0	0	22 007	-22 007	0
Other changes in equity	0	0	0	0	0
31.12.2016	1 575 109	617 517	24 819	2 089 600	4 307 045

* As of 31 December 2016 the Company had 50 shareholders.