

Operative report 2022

L I N E N

SIA "L. J. LINEN"
Riga, 2023

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INFORMATION ON THE COMPANY

NAME OF THE COMPANY SIA "L. J. LINEN"

LEGAL STATUS OF THE COMPANY Limited Liability Company

NUMBER, PLACE AND DATE OF REGISTRATION Nr.40003669025, Riga, 08.03.2004

ADDRESS Antonijas street 5, Rīga, LV-1010

NAME OF THE SHAREHOLDER Janis Kulikovskis 100%

BOARD

BOARD MEMBER LĪVIJA KUĻIKOVSKA
Starting 22.04.2010, can represent individually

BOARD MEMBER JĀNIS KUĻIKOVSKIS
Starting 22.04.2010, can represent individually

BOARD MEMBER ZANE KUĻIKOVSKA
starting 02.08.2018, can represent individually

REPORTING PERIOD 1 January -31 December 2022

REPORT OF THE MANAGEMENT

TYPE OF OPERATIONS

LINEN is engaged in the sale of animal by-products and the provision of a tailored agriproduct supply chain for market leaders. LINEN and its Group provides a seamless, full-cycle, door-to-door trading and delivery service as displayed on the right. Company is a bridge between producers of raw materials and producers of animal feeds, biofuels, and human food. Almost half of the volume in meat production is considered waste. Through reprocessing, animal protein meal and animal fats are created. These products can be further used in animal feed, human food, organic fertilizers, and cosmetics.

Family-owned, globally conducted - we have a deep knowledge and specialize in the trade of these ingredients with experience of almost 30 years and clients in 46 markets. LINEN is a supplier to some of the world's largest animal feed producers and LINEN is one of the largest exporters of these ingredients to developing countries.

PERFORMANCE OF THE COMPANY DURING THE YEAR

The year 2022 was especially successful for LINEN because the company took advantage of increasing raw material prices worldwide and thus entered new markets and gained new customers. This was mainly achieved by offering alternative products to those that had been easily available but whose availability had been hampered by the war in Ukraine and disruptions in supply chains. In this case, the company was able to more easily convince both existing and new customers of the need for diversification of raw materials and the use of a wider range of raw materials. Previously, LINEN had explained to its customers that this strategy reduces price fluctuations of final products as well as dependence on a single raw material source. By choosing a successful strategy, LINEN was also able to strengthen its position with suppliers by demonstrating a stable increase in product purchases and the ability to more easily enter new and difficult-to-reach markets. The company was able to conclude an exclusive representation agreement with one of Europe's largest producers of animal-derived proteins and fats. Using existing facilities, distribution channels, and its significant customer network, LINEN also plans to significantly increase turnover in the new year and continue to develop new product sales and entry into new markets, thereby reducing dependence on a single region and reducing the impact of regional crises on the company as a whole.

RESEARCH AND DEVELOPMENT

LINEN has been in the industry that is gaining traction year by year - trade of recycled goods. Circular economy and use of recycled resources is becoming more and more important and is on the agenda of any large-scale producer. Cooperation with LINEN gives a competitive edge to its partners as they can improve their ESG stand. LINEN is actively investigating and looking into use of certain waste materials and their potential in renewable energy production. LINEN is seriously considering entering production of certain energy related and other products that are produced from

waste materials. The company is actively consulting and investigating the production process of different end products and will start preparing actual projects.

FUTURE PROSPECTS

The company has recognised that its chosen direction - markets and products and services appear to be extremely successful. During 2023 the company will focus on scaling of each of the directions that it has started earlier in 2022. That is increasing turnover in all of the regions where it operates, increasing trade of products that can be used in sustainable energy production and dedicating a minor part in entering new markets and initiating trade with new products. LINEN is in discussions to engage in distributorship of certain products on behalf of other companies in the markets where it operated. This way the company will increase the turnover while sustaining existing risk levels.

JANIS KULIKOVSKIS

ZANE KULIKOVSKA

PROFIT OR LOSS STATEMENT FOR YEAR 2022

	2022 EUR	2021 EUR
NET TURNOVER	42 863 040	28 332 324
<i>INCOME FROM ANIMAL FEED PREMIX WHOLESALERS</i>	42 852 987	28 223 246
<i>INCOME FROM INTERMEDIATE SERVICES</i>	-	75 011
<i>INCOME FROM RETAIL PRODUCTION</i>	10 053	34 067
COST OF SALES	(36 185 872)	(24 732 477)
GM1	6 677 168	3 599 847
<i>GM1%</i>	15.58%	12.71%
SELLING EXPENSES	(1 326 611)	(659 423)
<i>PERSONNEL EXPENSES</i>	(696 367)	(397 216)
<i>BUSINESS TRIPS</i>	(284 340)	(105 221)
<i>SALES COMMISSIONS PAID</i>	(158 907)	(55 412)
<i>MARKETING RELATED COSTS</i>	(72 815)	(70 905)
<i>INSURANCE COSTS</i>	(44 284)	(6 523)
<i>RESEARCH AND IT TOOLS EXPENSES</i>	(38 040)	(12 104)
<i>RECRUITMENT COSTS</i>	(23 563)	-
<i>WAREHOUSE AND DISTRIBUTION EXPENSES</i>	(4 456)	(12 042)
<i>MANDATORY TRAININGS</i>	(2 547)	-
<i>EXHIBITION EXPENSES</i>	(1 292)	-
GM2	5 350 557	2 940 424
<i>GM2%</i>	12.48%	10.38%
ADMINISTRATIVE EXPENSE	(839 684)	(376 298)
<i>PERSONNEL EXPENSES</i>	(395 641)	(155 677)
<i>CONSULTANCY & AUDIT EXPENSES</i>	(115 021)	(12 207)
<i>OFFICE & PREMISES MAINTENANCE EXPENSES</i>	(101 195)	(105 772)
<i>TELECOMMUNICATION AND IT EXPENSES</i>	(55 824)	(29 250)
<i>BANK FEES</i>	(71 494)	(13 422)

	<i>TRANSPORT COSTS</i>	<i>(54 829)</i>	<i>(37 183)</i>
	<i>RECRUITMENT COSTS</i>	<i>(34 805)</i>	<i>(12 164)</i>
	<i>REPRESENTATION EXPENSES</i>	<i>(10 876)</i>	<i>(10 623)</i>
OTHER OPERATING INCOME		425 361	297 644
	<i>PROJECT SKV-L-2020/171 INCOME</i>	<i>39 103</i>	<i>6 876</i>
	<i>PROFIT FROM EXCHANGE RATE CHANGES</i>	<i>386 258</i>	<i>290 768</i>
OTHER OPERATING EXPENSES		(207 375)	(18 801)
	<i>PROJECT SKV-L-2020/171</i>	<i>(71 987)</i>	<i>-</i>
	<i>DONATIONS</i>	<i>(10 000)</i>	<i>-</i>
	<i>PAID PENALTIES</i>	<i>(139)</i>	<i>(136)</i>
	<i>OTHER EXPENSES</i>	<i>(34 571)</i>	<i>(18 665)</i>
	<i>COSTS RELATED TO PREVIOUS PERIODS</i>	<i>(90 677)</i>	<i>-</i>
EBITDA		4 728 858	2 842 969
	<i>EBITDA%</i>	<i>11.03%</i>	<i>10.03%</i>
DEPRECIATION		(46 275)	(30 975)
EBIT		4 682 583	2 811 994
	<i>EBIT%</i>	<i>10.92%</i>	<i>9.93%</i>
CORPORATE INCOME TAX		(48 050)	(16 228)
INTEREST EXPENSES		(43 797)	(10 197)
NET INCOME		4 590 736	2 785 569
	<i>NET INCOME %</i>	<i>10.71%</i>	<i>9.83%</i>

BALANCE SHEET AS OF 31 DECEMBER 2022		
	31.12.2022. EUR	31.12.2021. EUR
NON-CURRENT ASSETS	129 319	101 929
INTANGIBLE FIXED ASSETS	24 042	2 860
<i>INTANGIBLE ASSETS</i>	<i>24 042</i>	<i>2 860</i>
PROPERTY, PLANT AND EQUIPMENT	104 577	98 498
<i>OTHER FIXED ASSETS</i>	<i>84 577</i>	<i>78 498</i>
<i>ADVANCE PAYMENTS FOR FIXED ASSETS</i>	<i>20 000</i>	<i>20 000</i>
LONG-TERM ASSETS	701	571
<i>INVESTMENT IN SUBSIDIARIES</i>	<i>701</i>	<i>-</i>
<i>OTHER LOANS TO RELATED PARTIES</i>	<i>-</i>	<i>571</i>
CURRENT ASSETS	18 518 221	7 175 073
INVENTORIES	187 707	157 309
<i>FINISHED GOODS AND GOODS FOR SALE</i>	<i>187 707</i>	<i>95 093</i>
<i>ADVANCE PAYMENTS FOR GOODS</i>	<i>-</i>	<i>62 216</i>
RECEIVABLES	18 297 873	7 002 519
<i>TRADE RECEIVABLES</i>	<i>5 895 973</i>	<i>1 544 850</i>
<i>IC TRADE RECEIVABLES</i>	<i>12 183 475</i>	<i>5 255 517</i>
<i>RECEIVABLES FROM RELATED PARTIES</i>	<i>36 000</i>	<i>-</i>
<i>OTHER RECEIVABLES</i>	<i>167 356</i>	<i>192 429</i>
<i>PREPAID EXPENSES</i>	<i>15 070</i>	<i>9 723</i>
CASH AND CASH EQUIVALENTS	32 641	15 245
TOTAL ASSETS	18 647 540	7 277 002

BALANCE SHEET AS OF 31 DECEMBER 2022		
CAPITAL AND RESERVES	9 784 528	5 313 794
<i>SHARE CAPITAL</i>	2 842	2 842
<i>ACCUMULATED PROFIT</i>	9 781 686	5 310 952
<i>A) BROUGHT FORWARD</i>	5 190 950	2 525 383
<i>B) CURRENT YEAR</i>	4 590 736	2 785 569
NON-CURRENT LIABILITIES	2 000 000	-
<i>BONDS ISSUE</i>	2 000 000	-
CURRENT LIABILITIES	6 863 012	1 963 208
<i>SHORT TERM LIABILITIES FROM FINANCIAL INSTITUTIONS</i>	1 000 000	266 999
<i>SHORT TERM LIABILITIES FROM RELATED PARTIES</i>	-	2 878
<i>TRADE PAYABLES</i>	5 628 211	1 604 818
<i>OTHER CURRENT LIABILITIES</i>	4 337	29 614
<i>OTHER CURRENT LIABILITIES</i>	230 465	58 899
EQUITY AND LIABILITIES	18 647 540	7 277 002

FINANCIAL COVENANTS

	31.12.2022. EUR
EQUITY RATIO AT LEAST 40% (FORTY PER CENT) CALCULATED AT THE END OF EACH QUARTER	52.47%

TOTAL EQUITY 9 784 528

TOTAL ASSETS 18 647 540

NET DEBT LEVERAGE RATIO LESS THAN 2X (TWO TIMES) CALCULATED FOR THE RELEVANT PERIOD AT THE END OF EACH QUARTER	0.63
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EBITDA 4 728 858

NET DEBT 2 967 359

CASH AND CASH EQUIVALENTS (32,641)

SHORT TERM LIABILITIES FROM FINANCIAL INSTITUTIONS 1 000 000

BONDS ISSUE 2 000 000

INTEREST COVERAGE RATIO OF AT LEAST 3X (THREE TIMES), CALCULATED FOR THE RELEVANT PERIOD AT THE END OF EACH QUARTER	104.82
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EBITDA 4 590 736

INTEREST EXPENSES 43 797

ACCOUNTS RECEIVABLES COVERAGE RATIO OF AT LEAST 1.5X (ONE AND A HALF TIMES), CALCULATED AT THE END OF EACH QUARTER	1.97
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TRADE RECEIVABLES 3RD PARTIES 5 895 973

SHORT TERM LIABILITIES FROM FINANCIAL INSTITUTIONS 1 000 000

BONDS ISSUE 2 000 000

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SIA "L. J. LINEN"
Rīgā, 2022