

**JOINT-STOCK COMPANY „PATA SALDUS” AND ITS SUBSIDIARIES**

(REGISTRATION NUMBER 40003020121)

**UNAUDITED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2019**

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS  
ADOPTED BY THE EUROPEAN UNION

**Saldus, 2019**

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## General Information

Name of the Group	<b>Joint-stock company “PATA Saldus”</b>
Legal status of the Group	Joint-stock Company
Registration number, place, and date	40003020121, August 26, 1991, Riga
Address	Kuldīgas iela 86C, Saldus, Saldus novads, LV-3801
The main areas of activities of the Group	Forestry, commercial timber preparation and related services; production of board lumber, etc. NACE 2.red. 1610 – Sawmilling and planning of wood
Members of the Board	Andris Krastiņš - Chairman of the Board (till February 21, 2019) Gatis Zommers – Chairman of the Board (since February 21, 2019) Jānis Mierkalns – Member of the Board Ilze Bukulde - Member of the Board Gatis Zommers - Member of the Board (till February 21, 2019) Arvis Tone – Member of the Board (since February 21, 2019 till June 4, 2019)
Members of the Council	Uldis Mierkalns – Chairman of the Council Jānis Bertrāns - Deputy Chairman of the Council Inga Mierkalna - Member of the Council Ieva Sniedze - Member of the Council (till August 13, 2019) Inga Jākobsone – Member of the Council (since August 13, 2019)
Subsidiaries	
1. Name of the company	<i>SIA “PAKUĻU SPORTA BĀZE” (100%)</i>
Legal status of the company	Limited Liability Company
Number and date of registration in the commercial register	48503009010, November 21, 2002
Address	“Mežvidi”, Novadnieku pag., Saldus novads, LV-3801
Core business activities of the company	Other sports activities
Interest of the Parent company	JSC “PATA Saldus” – 100%
Reporting period	January 1 – September 30, 2019
2. Name of the company	ООО “Деревообрабатывающий комбинат № 3” (100%)
Legal status of the company	Limited Liability Company (ООО - Общество с ограниченной ответственностью)
Registration number, date, place	1066027046337, October 9, 2006
Address	Russia: 180005, Россия, г. Псков, Зональное шоссе, д. 44-А
Core business activities of the company	Woodworking, production of board lumber
Interest of the Parent company	JSC “PATA Saldus” – 100%
Reporting period	January 1 – September 30, 2019

#### Associates

Name of the company	SIA “SALDUS ENERĢIJA” (20%)
Legal status of the company	Limited Liability Company
Number and date of registration in the commercial register	40103265702, December 22, 2009
Address	Cēsu iela 14, Rīga, LV-1012
Core business activities of the company	Production of electricity, activities of holding companies.
Interest of the Parent company	JSC “PATA Saldus” – 20%
Reporting period	January 1 – September 30, 2019

#### Ultimate Parent company that controls JSC “PATA Saldus”

Name of the ultimate Parent company	SIA “PATA” (67%)
Legal status of the ultimate Parent company	Limited Liability Company
Number and date of registration in the commercial register	40003448619, June 10, 1999
Address	Miera iela 2, Inčukalns, Inčukalna nov., LV-2141
Core business activities of the ultimate Parent company	Wholesale of wood, silviculture and other forestry activities
Interest of the ultimate Parent company	SIA “PATA” – direct holding – 23%, indirect holding – 44%
Owner of the ultimate Parent company	Uldis Mierkalns – 100%
Reporting period	January 1 – September 30, 2019

Name and address of the Auditor	Marija Jansone Certified Auditor of the Republic of Latvia Certificate No. 25	SIA “Nexia Audit Advice” Registration No. 40003858822 Grēcinieku iela 9-3, Rīga, LV-1050, Latvia Licence No. 134
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According to the Register of Enterprises of the Republic of Latvia decision Nr.6-12/21838 from 21.02.2019 JSC PATA Saldus has recorded the following changes in the Board:

- Released Chairman of the Board: Andris Krastiņš
- Appointed Member of the Board: Arvis Tone
- Changed the position “Member of the Board” to “Chairman of the Board”: Gatis Zommers

According to the Register of Enterprises of the Republic of Latvia decision Nr.6-12/69098 from 04.06.2019 JSC PATA Saldus has recorded the following changes in the Board:

- Released Member of the Board: Arvis Tone

According to the Register of Enterprises of the Republic of Latvia decision Nr.6-12/96431 from 13.08.2019 JSC PATA Saldus has recorded the following changes in the Council:

- Released Member of the Council: Ieva Sniedze
- Appointed Member of the Council: Inga Jākobsone

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## Management Report

### Type of operations

Principal activities of the Group are forestry and primary wood processing - lumber production. When carrying out forestry activities, the Group operates in accordance with the requirements and recommendations of the Forest Management, Environmental Protection and Wood Supply Chain Certificates. In order to comply with these requirements the Group takes appropriate monitoring and improvement actions on regular basis.

### Performance of the Group during the financial year

JSC PATA Saldus loss from operating activities for the 9 months period of 2019 was EUR 568 927 with a net turnover of EUR 45 611 705, which represents losses per share issued of 0.69 EUR. The Group's financial statements have been prepared based on the information available to board, existing laws and regulations, that gives a true and fair view of assets, liabilities, financial position and profit or loss that is generated by the Group and consolidated group. The report contains true information.

### Financial results of the Group's commercial activity and financial standing of the Group

The analysis of the Group's annual financial statements shows, that consolidated statement of financial position total is EUR 38 952 964. Non-current assets comprise 54% of the statement of financial position total, of which 95% (EUR 19 998 095) comprise of property, plant and equipment. Equity comprises 35% (EUR 13 609 075) of the statement of financial position total. Non-current liabilities comprise 42% (EUR 16 457 340) of the statement of financial position total, while current liabilities comprise 23% (EUR 8 886 549).

The analysis of the Group's income statement shows, that the revenue of the Group for the 9 months period of 2019 is EUR 45 611 705, the cost of sales is EUR 45 906 380, so that the gross loss amounts to EUR 294 675 and net loss amounts to EUR 568 927.

Financial performance indicators show that the Group is able to settle its obligations, as well as the fact that the Group has sufficient material provision for the further development of business.

### Environment protection

The core economic activity of the Group is production of timber. As a wrapping material is used polyethylene plastic. In order to secure qualitative and environmentally friendly economic activity and to reduce ecological and financial risks related to financial losses and significant loss of funds arising from penalty fee payments, there has been concluded agreement with SIA Zaļā josta on collection, transportation, recycling and regeneration of used wrapping material so that it corresponds with the requirements of normative acts, planning and organization of the said work. During maintenance work various oil filters and oils are replaced. They are collected in special places and then handed over to AS BAO, on which there has been concluded a special agreement on collection of hazardous waste. In this way the Group meets all environment protection requirements determined by appropriate acts and regulations so that there could be reduced impact of hazardous substances on the environment and significantly decreased possible losses, int.al. unplanned taxes and decreased ecological risks in all objects.

### Financial risk management

Main financial instruments of the Group are loans, finance and operating leases, cash and cash equivalents. The purpose of these financial instruments is to provide the Group with necessary financial depth. The Group has also other financial instruments, such as trade receivables and payables, that are generated through operational activities. The main financial risks arising from use of financial instruments are interest, credit and liquidity risks. In order to reduce financial risks, the Group performs planning of budget and cash flows, with various scenarios applied. Management performs monitoring and control of commercial activities and actual flow of finances for group companies on regular basis. An additional guarantee for proper risk evaluation are credit institutions, that assess credit risk of the Group on regular basis by setting a customised credit rating for the entity.

### Future prospects

In 2019, the Group will continue to develop and expand environmentally friendly logging according to the requirements and recommendations of the Forest Management, Environmental Protection and Wood Supply Certificates.

The Group will continue to work on raising employee satisfaction and loyalty, which will improve the efficiency of work, increase productivity, increase customer satisfaction, thus leading to an improvement in the overall financial performance of the Group.

Saldus, November 29, 2019

Board:

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Gatis Zommers  
Chairman of the Board

Jānis Mierkalns  
Member of the Board

Ilze Bukulde  
Member of the Board

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## Statement of Management Responsibility

Management is responsible for preparing financial statements based on the initial accounting records of each year of account, which truly reflects the Group's financial position at the end of the year of account, as well as results of operations and cash flows for the period. The Management Report contains truthful information on Group's development and results of its operations.

Financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

The Management confirms that, in preparing this report for the period ending on 30 September 2019, proper accounting methods were used, their application was consistent, reasonable and prudent decisions were taken. The Management confirms that the relevant International Accounting Standards have been observed and the financial statements have been prepared in accordance with the principle of continuation. The Management is responsible for keeping proper accounting records, the Group's resources conservation as well as fraud prevention and prevention of other irregularities.

November 29, 2019

Board:

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Gatis Zommers  
Chairman of the Board

Jānis Mierkalns  
Member of the Board

Ilze Bukulde  
Member of the Board

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## Consolidated Statement of Comprehensive income

	2019.09.30	2018.09.30
	EUR	EUR
Revenue	45 611 705	52 541 315
Cost of sales	(45 906 380)	(47 636 287)
<b>Gross profit</b>	<b>(294 675)</b>	<b>4 905 028</b>
Distribution costs	0	(5 605)
Administrative expenses	(272 298)	(305 161)
Other operating income	914 033	718 268
Other operating expense	(643 183)	(745 248)
<b>Operating profit or loss</b>	<b>(296 123)</b>	<b>4 567 282</b>
Finance income	0	0
Finance costs	(272 804)	(248 391)
<b>Profit or loss before tax</b>	<b>(568 927)</b>	<b>4 318 891</b>
<b>Profit or loss for the period</b>	<b>(568 927)</b>	<b>4 318 891</b>
<b>Profit/loss on share</b>	<b>(0,69)</b>	<b>10,43</b>
EUR per share		

November 29, 2019

Board:

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Gatis Zommers  
Chairman of the Board

Jānis Mierkalns  
Member of the Board

Ilze Bukulde  
Member of the Board

## Consolidated Statement of Financial Position

### ASSETS

	2019.09.30 EUR	2018.12.31 EUR
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>		
Concessions, patents, licences and similar costs	9 884	17 864
TOTAL	<b>9 884</b>	<b>17 864</b>
<b>Property, plant and equipment</b>		
Land, buildings and perennial plantations	6 243 602	6 404 233
Technological equipment and machinery	13 229 762	12 589 984
Other fixed assets	81 618	84 937
Construction in progress	443 113	857 617
TOTAL	<b>19 998 095</b>	<b>19 936 771</b>
<b>Biological assets</b>		
	<b>767 702</b>	<b>767 702</b>
<b>Long-term financial investments</b>		
Investment in associated companies	8 540	8 540
Deferred income tax asset	288 424	288 424
TOTAL	<b>296 964</b>	<b>296 964</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>21 072 645</b>	<b>21 019 301</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Raw materials, basic materials and consumables	2 770 733	4 533 177
Biological assets	1 562 576	1 562 576
Unfinished production	863 031	1 387 671
Finished production and goods for sale	1 512 218	1 630 663
Advance payments for goods	42 691	486 756
TOTAL	<b>6 751 249</b>	<b>9 600 843</b>
<b>Receivables</b>		
Trade receivables	580 844	424 886
Receivables from related companies	10 013 236	8 931 620
Receivables from associated companies	0	451 228
Other receivables	239 772	264 765
Prepaid expenses	292 806	330 383
TOTAL	<b>11 126 658</b>	<b>10 402 882</b>
<b>Cash and cash equivalents</b>		
	2 412	3 231
<b>TOTAL CURRENT ASSETS</b>	<b>17 880 319</b>	<b>20 006 956</b>
<b>TOTAL ASSETS</b>	<b>38 952 964</b>	<b>41 026 257</b>

November 29, 2019

Board:

Gatis Zommers  
 Chairman of the Board

Jānis Mierkalns  
 Member of the Board

Ilze Bukulde  
 Member of the Board

## Consolidated Statement of Financial Position (continued)

### EQUITY AND LIABILITIES

	2019.09.30	2018.12.31
<b>Equity</b>	<b>EUR</b>	<b>EUR</b>
Share capital	579 916	579 916
Share premium	2 828	2 828
Foreign currency exchange fluctuations	85 664	(108 481)
Revaluation reserve of non-current assets	1 370 057	1 370 057
Other reserves	3 741 168	3 741 168
Retained earnings of the previous years	8 398 369	2 978 484
Retained earnings of the reporting year	(568 927)	5 683 363
<b>TOTAL EQUITY</b>	<b>13 609 075</b>	<b>14 247 335</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans from credit institutions	12 419 327	10 510 016
Other loans	2 240 668	2 689 260
Deferred revenue	1 797 345	1 993 756
TOTAL	<b>16 457 340</b>	<b>15 193 032</b>
<b>Current liabilities</b>		
Loans from credit institutions	1 671 380	2 236 011
Other loans	150 573	1 058 144
Prepayments received from customers	699	409
Trade payables	5 502 896	6 327 260
Payable to related companies	0	0
Payable to associates	316 039	621 352
Accrued liabilities	355 370	570 253
Taxes and statutory social insurance contributions	374 024	250 252
Other payables	253 688	260 329
Deferred revenue	261 880	261 880
TOTAL	<b>8 886 549</b>	<b>11 585 890</b>
<b>TOTAL LIABILITIES</b>	<b>25 343 889</b>	<b>26 778 922</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>38 952 964</b>	<b>41 026 257</b>

November 29, 2019

Board:

Gatis Zommers  
 Chairman of the Board

Jānis Mierkalns  
 Member of the Board

Ilze Bukulde  
 Member of the Board

## Consolidated Statement of Cash Flow

	9 Month of 2019	9 Month of 2018
	EUR	EUR
<b>Cash flow from operating activities</b>		
<b>Profit or losses before tax</b>	<b>(568 927)</b>	<b>4 318 891</b>
Adjustments for:		
Depreciation of property plant and equipment	1 600 208	1 482 840
Depreciation of intangible assets	20 231	11 055
Profit or losses from fluctuations of exchange rate	(17 306)	148 091
Non-current and current financial investment value adjustments	(196 411)	(180 037)
Interest and similar costs	261 405	251 203
<b>Operating cash flow before working capital changes</b>	<b>1 099 200</b>	<b>6 032 043</b>
Adjustments for:		
Increase / decrease in trade and other receivables	(723 382)	(4 330 476)
Increase / decrease in inventories	2 866 695	(137 093)
Increase / decrease in trade and other payables	(2 085 485)	667 278
<b>Cash generated from operations</b>	<b>1 157 028</b>	<b>2 241 752</b>
Interest paid	(263 842)	(248 391)
<b>Net cash flow generated from operating activities</b>	<b>893 186</b>	<b>1 993 361</b>
<b>Cash flow from investing activities</b>		
Income from sales of fixed assets, intangible assets, biological assets	681	0
Purchase of property, plant and equipment and intangible assets	(296 720)	(769 641)
Prepayments for fixed assets under development and construction in progress	(1 292 955)	(375 976)
<b>Net cash flow generated from investing activities</b>	<b>(1 588 994)</b>	<b>(1 145 617)</b>
<b>Cash flow from financing activities</b>		
Loans received	1 288 000	736 762
Received subsidies and grants	0	589 454
Repayment of loans	(996 197)	(1 646 378)
Finance lease payments	(126 075)	(129 134)
Changes of creditlines	648 638	(353 490)
Dividends paid	(119 377)	0
<b>Net cash flow generated from financing activities</b>	<b>694 989</b>	<b>(802 786)</b>
<b>Net cash flow in the financial period</b>	<b>(819)</b>	<b>44 958</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>3 231</b>	<b>116 455</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>2 412</b>	<b>161 413</b>

Cash flow statement is prepared using the indirect method in accordance with IAS 7.

November 29, 2019

Board:

Gatis Zommers  
 Chairman of the Board

Jānis Mierkalns  
 Member of the Board

Ilze Bukulde  
 Member of the Board

## Consolidated Statement of Changes in Equity

	Share capital	Revaluation reserve of non-current assets	Foreign currency exchange fluctuations	Share premium	Other reserves	Retained earnings of the previous years	Retained earnings of the reporting year	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>Balance as at 31 December 2017</b>	<b>579 916</b>	<b>1 370 057</b>	<b>(314 323)</b>	<b>2 828</b>	<b>3 741 168</b>	<b>852 908</b>	<b>2 677 059</b>	<b>8 909 613</b>
Fluctuation of exchange rate	0	0	(13 058)	0	0	100 477	0	87 419
Distribution of profit of the year 2017	0	0	0	0	0	2 677 059	(2 677 059)	0
Profit for the period	0	0	0	0	0	0	4 318 891	4 318 891
<b>Balance as at 30 September 2018</b>	<b>579 916</b>	<b>1 370 057</b>	<b>(327 381)</b>	<b>2 828</b>	<b>3 741 168</b>	<b>3 630 444</b>	<b>4 318 891</b>	<b>13 315 923</b>
<b>Balance as at 31 December 2018</b>	<b>579 916</b>	<b>1 370 057</b>	<b>(108 481)</b>	<b>2 828</b>	<b>3 741 168</b>	<b>2 978 484</b>	<b>5 683 363</b>	<b>14 247 335</b>
Fluctuation of exchange rate	0	0	194 145	0	0	(263 478)	0	(69 333)
Distribution of profit of the year 2018	0	0	0	0	0	5 683 363	(5 683 363)	0
Profit for the period	0	0	0	0	0	0	(568 927)	(568 927)
<b>Balance as at 30 September 2019</b>	<b>579 916</b>	<b>1 370 057</b>	<b>85 664</b>	<b>2 828</b>	<b>3 741 168</b>	<b>8 398 369</b>	<b>(568 927)</b>	<b>13 609 075</b>

November 29, 2019

Board:

Gatis Zommers  
 Chairman of the Board

Jānis Mierkalns  
 Member of the Board

Ilze Bukulde  
 Member of the Board