

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

(REGISTRATION NUMBER 40003020121)

**UNAUDITED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

**Saldus, 2018**

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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 Jānis Mierkalns – member of the Board Ilze Bukulde - member of the Board Gatis Zommers - member of the Board
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
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, 2018
2. Name of the company	<i>ООО “Деревообрабатывающий комбинат № 3” (100%)</i>
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, 2018

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, 2018

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, 2018

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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## Management Report

### *To Consolidated report of economic activity for the 9 month period of 2018*

#### Type of operations

Principal activities of the Group are forestry and primary wood processing - lumber production. The Group complies with FSC, PEFC and all other environmental requirements. 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 period

JSC PATA Saldus profit from operating activities for the 9 month period of 2018 was EUR 4 318 891 with a net turnover of EUR 52 541 315, which represents earnings per share issued of 10.43 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. It is in interest of the Group to take care of their employees' social protection and well-being, because only then the development of the Group can be sustainable.

#### 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.

#### Subsequent events

In the time period between the last day of the financial year and the date of signing the financial statements there have been no significant events that would significantly effect financial results for the year or the financial position of the Group.

#### Future prospects

In 2018 the Group will continue to develop and expand environmentally friendly logging according to FSC and PEFC Forest Management and Wood Flow Certificate requirements.

In 2018 it is planned to expand its activities by installing additional timber drying plants with recuperation, where for heating renewable energy will be used.

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.

November 30, 2018

Board:

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Andris Krastiņš  
Chairman of the Board

Jānis Mierkalns  
Member of the Board

Gatis Zommers  
Member of the Board

Ilze Bukulde  
Member of the Board

## 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 2018, 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 30, 2018

Board:

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Chairman of the Board

Jānis Mierkalns  
Member of the Board

Gatis Zommers  
Member of the Board

Ilze Bukulde  
Member of the Board

## Consolidated Statement of Comprehensive income

	2018.09.30 EUR	2017.09.30 EUR
Revenue	52 541 315	37 621 659
Cost of sales	-47 636 287	-35 532 888
<b>Gross profit</b>	<b>4 905 028</b>	<b>2 088 771</b>
Distribution costs	-5 605	-15 916
Administrative expenses	-305 161	-375 958
Other operating income	718 268	911 704
Other operating expense	-745 248	-570 424
<b>Operating profit or loss</b>	<b>4 567 282</b>	<b>2 038 177</b>
Finance income	0	69
Finance costs	-248 391	-256 158
<b>Profit or loss before tax</b>	<b>4 318 891</b>	<b>1 782 088</b>
<b>Profit or loss for the period</b>	<b>4 318 891</b>	<b>1 782 088</b>
<b>Profit/loss on share</b>	<b>10,43</b>	<b>4,30</b>
EUR per share		

November 30, 2018

Board:

Andris Krastiņš Chairman of the Board	Jānis Mierkalns Member of the Board	Gatis Zommers Member of the Board	Ilze Bukulde Member of the Board
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## Consolidated Statement of Financial Position

### ASSETS

	2018.09.30 EUR	2017.12.31 EUR
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>		
Concessions, patents, licences and similar costs	22 539	19 502
TOTAL	<b>22 539</b>	<b>19 502</b>
<b>Property, plant and equipment</b>		
Land, buildings and perennial plantations	6 520 750	6 625 459
Technological equipment and machinery	12 839 064	11 813 674
Other fixed assets	86 447	70 983
Construction in progress	301 720	2 013 401
TOTAL	<b>19 747 981</b>	<b>20 523 517</b>
<b>Biological assets</b>		
	<b>862 816</b>	<b>862 816</b>
<b>Long-term financial investments</b>		
Investment in associated companies	8 540	8 540
Deferred income tax asset	384 565	384 565
TOTAL	<b>393 105</b>	<b>393 105</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>21 026 441</b>	<b>21 798 940</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Raw materials, basic materials and consumables	2 456 785	2 180 187
Biological assets	994 259	1 085 082
Unfinished production	1 251 222	1 603 943
Finished production and goods for sale	1 175 355	1 122 470
Advance payments for goods	288 406	51 004
TOTAL	<b>6 166 027</b>	<b>6 042 686</b>
<b>Receivables</b>		
Trade receivables	402 568	179 719
Receivables from related companies	9 597 713	5 630 868
Receivables from associated companies	89 945	20 729
Other receivables	214 815	181 156
Prepaid expenses	304 251	270 058
TOTAL	<b>10 609 292</b>	<b>6 282 530</b>
<b>Cash and cash equivalents</b>		
	161 413	116 455
<b>TOTAL CURRENT ASSETS</b>	<b>16 936 732</b>	<b>12 441 671</b>
<b>TOTAL ASSETS</b>	<b>37 963 173</b>	<b>34 240 611</b>

November 30, 2018

Board:

Andris Krastiņš Chairman of the Board	Jānis Mierkalns Member of the Board	Gatis Zommers Member of the Board	Ilze Bukulde Member of the Board
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## Consolidated Statement of Financial Position (continued)

### EQUITY AND LIABILITIES

	2018.09.30	2017.12.31
Equity	EUR	EUR
Share capital	579 916	579 916
Share premium	2 828	2 828
Foreign currency exchange fluctuations	-327 381	-314 323
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	3 630 444	852 908
Retained earnings of the reporting year	4 318 891	2 677 059
<b>TOTAL EQUITY</b>	<b>13 315 923</b>	<b>8 909 613</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans from credit institutions	11 136 737	12 526 539
Other loans	2 685 448	3 005 546
Deferred revenue	2 059 225	1 689 105
TOTAL	<b>15 881 410</b>	<b>17 221 190</b>
<b>Current liabilities</b>		
Loans from credit institutions	1 758 107	1 421 411
Other loans	779 391	1 158 353
Prepayments received from customers	409	980
Trade payables	4 689 250	4 263 045
Payable to related companies	0	155 467
Accrued liabilities	597 458	449 711
Taxes and statutory social insurance contributions	402 049	249 154
Other payables	277 296	189 104
Deferred revenue	261 880	222 583
TOTAL	<b>8 765 840</b>	<b>8 109 808</b>
<b>TOTAL LIABILITIES</b>	<b>24 647 250</b>	<b>25 330 998</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>37 963 173</b>	<b>34 240 611</b>

November 30, 2018

Board:

Andris Krastiņš  
 Chairman of the Board

Jānis Mierkalns  
 Member of the Board

Gatis Zommers  
 Member of the Board

Ilze Bukulde  
 Member of the Board

## Consolidated Statement of Cash Flow

	9 Month of 2018	9 Month of 2017
	EUR	EUR
<b>Cash flow from operating activities</b>		
<b>Profit (+) or loss (-) before tax</b>	<b>4 318 891</b>	<b>1 782 088</b>
Adjustments for:		
Depreciation of property plant and equipment	1 482 840	1 438 671
Deprecation of intangible assets	11 055	12 710
Profit (-) or loss (+) from fluctuations of exchange rate	148 091	44 980
Non-current and current financial investment value adjustments	-180 037	-166 938
Interest and similar costs	251 203	243 851
<b>Operating cash flow before working capital changes</b>	<b>6 032 043</b>	<b>3 355 362</b>
Adjustments for:		
Increase / decrease in trade and other receivables	-4 330 476	-2 327 814
Increase / decrease in inventories	-137 093	1 041 152
Increase / decrease in trade and other payables	677 278	-62 779
<b>Cash generated from operations</b>	<b>2 241 752</b>	<b>2 005 921</b>
Interest paid	-248 391	-246 745
<b>Net cash flow generated from operating activities</b>	<b>1 993 361</b>	<b>1 759 176</b>
<b>Cash flow from investing activities</b>		
Income from sales of fixed assets, intangible assets, biological assets	0	1 066 713
Purchase of property, plant and equipment and intangible assets	-769 641	-163 902
Prepayments for fixed assets under development and construction in progress	-375 976	-1 130 689
<b>Net cash flow generated from investing activities</b>	<b>-1 145 617</b>	<b>-227 878</b>
<b>Cash flow from financing activities</b>		
Loans recieved	736 762	0
Received subsidies and grants	589 454	0
Repayment of loans	-1 646 378	-774 214
Finance lease payments	-129 134	-152 949
Changes of creditlines	-353 490	-467 145
<b>Net cash flow generated from financing activities</b>	<b>-802 786</b>	<b>-1 394 308</b>
<b>Net cash flow in the financial period</b>	<b>44 958</b>	<b>136 990</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>116 455</b>	<b>459</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>161 413</b>	<b>137 449</b>

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

November 30, 2018

Board:

Andris Krastiņš Chairman of the Board	Jānis Mierkalns Member of the Board	Gatis Zommers Member of the Board	Ilze Bukulde Member of the Board
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## 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 2016</b>	<b>579 916</b>	<b>1 570 057</b>	<b>-262 768</b>	<b>2 828</b>	<b>3 741 168</b>	<b>-401 450</b>	<b>851 625</b>	<b>6 081 376</b>
Fluctuation of exchange rate	0	0	-26 418	0	0	72 137	0	45 719
Distribution of profit of the year 2016	0	0	0	0	0	851 625	-851 625	0
Profit for the period	0	0	0	0	0	0	1 782 088	1 782 088
<b>Balance as at 30 September 2017</b>	<b>579 916</b>	<b>1 570 057</b>	<b>-289 186</b>	<b>2 828</b>	<b>3 741 168</b>	<b>522 312</b>	<b>1 782 088</b>	<b>7 909 183</b>
<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>

November 30, 2018

Board:

Andris Krastiņš Chairman of the Board	Jānis Mierkalns Member of the Board	Gatis Zommers Member of the Board	Ilze Bukulde Member of the Board
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