

**JOINT STOCK COMPANY „PATA SALDUS”**

(UNIFIED REGISTRATION NUMBER 40003020121)

**FINANCIAL REPORT FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

PREPARED IN ACCORDANCE WITH

THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

**Saldus, 2018**

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## General Information

Name of the Company	<b>Joint Stock Company “PATA Saldus”</b>
Legal status of the Company	Joint Stock Company
Number, place and date of registration	40003020121, August 26, 1991, Riga
Address	Kuldīgas iela 86C, Saldus, Saldus novads, LV-3801
Type of operations	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
Subsidiary enterprises	
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 rajons LV 3801
The main areas of activities of the Company	Other sports activities
Owner of the 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 and place	1066027046337 October 9, 2006
Address	Russia: 180005, Россия, г. Псков, Зональное шоссе, д. 44-А
The main areas of activities of the Company	Woodworking, production of board lumber
Owner of the Company	JSC “PATA Saldus” – 100%
Reporting period	January 1 – September 30, 2018

Associated enterprise

1. 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
The main areas of activities of the Company	Production of electricity, activities of holding companies.
Owner of the Company	JSC “PATA Saldus” – 20%
Reporting period	January 1 - September 30, 2018

Parent Company

Name of the Company	SIA “PATA” (67%)
Legal status of the Company	Limited Liability Company
Number and date of registration in the commercial register	40003448619, June 10, 1999
Address	Miera iela 2, Incukalns, Inčukalna nov., LV-2141
The main areas of activities of the Company	Wholesale of wood, silviculture and other forestry activities
Owner of the Company	Uldis Mierkalns – 100%
Reporting period	January 1 – September 30, 2018

Name and address of the Auditor

SIA “Nexia Audit Advice”  
Certified Auditor's Licence No. 134  
Number of registration No. 40003858822  
Grēcinieku iela 9-3, Rīga,  
LV-1004, Latvia

Certified Auditor Marija Jansone  
LZRA Certificate No. 25

## Management Report

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

#### **Type of operations**

Principal activities of the Company are forestry and primary wood processing – lumber production.

The Company complies with FSC, PEFC and all other environmental requirements. In order to comply with these requirements the Company takes appropriate monitoring and improvement actions on regular basis, however costs for these actions are relatively low with respect to overall production costs.

JSC „PATA Saldus” profit from operating activities for the 9 month period of 2018 are 4 448 515 EUR with the net turnover of 52 536 467 EUR, which represents earnings per share issued of 10.74 EUR.

The Company'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 Company and consolidated group. It is in interest of the Company to take care of their employees' social protection and well-being, because only then the development of the Company can be sustainable.

#### **Financial risk management**

Main financial instruments of the Company are loans, finance and operating leases, cash and cash equivalents. The purpose of these financial instruments is to provide the Company 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 Company 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 company on regular basis by setting a customised credit rating for the entity.

#### **Future prospects**

In 2018, the Company 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 Company 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 Company.

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 company'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 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 company's resources conservation as well as fraud prevention and prevention of other irregularities.

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

## Income Statement

	2018.09.30 EUR	2017.09.30 EUR
Revenue	52 536 467	37 618 139
Costs of goods sold or services provided	-47 635 819	-35 532 167
<b>Gross profit or losses</b>	<b>4 900 648</b>	<b>2 085 972</b>
Distribution expenses	-5 605	-175
Administrative expenses	-293 173	-354 620
Other operating income	636 885	842 774
Other operating expenses	-550 703	-434 421
Interest and similar income, incl.	0	69
a) from other parties	0	69
Interest and similar expenses, incl.	-239 537	-247 296
a) for other parties	-239 537	-247 296
<b>Profit or loss before corporate income tax</b>	<b>4 448 515</b>	<b>1 892 303</b>
<b>Profit or loss after corporate income tax</b>	<b>4 448 515</b>	<b>1 892 303</b>
<b>Profit or loss for the period</b>	<b>4 448 515</b>	<b>1 892 303</b>
<b>Profit/loss on share (EUR)</b>	<b>10.74</b>	<b>4.57</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

## Balance Sheet

### ASSETS

	2018.09.30	2017.12.31
	EUR	EUR
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>		
Concessions, patents, licences, trademarks and similar rights	22 539	19 502
<b>Total intangible assets</b>	<b>22 539</b>	<b>19 502</b>
<b>Fixed assets</b>		
Immovable properties		
a) land plots, buildings and engineering structures	6 163 464	6 228 830
Fauna and flora		
b) biological assets	862 816	862 816
Technological equipment and machinery	12 809 037	11 766 742
Other fixed assets	86 447	70 983
Fixed assets under development and construction in progress	26 902	1 722 773
<b>Total fixed assets</b>	<b>19 948 666</b>	<b>20 652 144</b>
<b>Non-current financial investments</b>		
Investments in group companies	1 009 149	1 009 149
Receivables from group companies	695 571	696 250
Participation in capital of associates	8 540	8 540
Deffered tax assets	384 565	384 565
<b>Total non-current financial investments</b>	<b>2 097 825</b>	<b>2 098 504</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>22 069 030</b>	<b>22 770 150</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Raw materials and consumables	2 356 072	2 069 681
Work in progress	1 251 222	1 603 943
Finished goods and goods for sale	1 134 640	1 077 796
Fauna and flora		
a) biological assets	994 259	1 085 082
Advances for inventories	288 406	51 004
<b>Total inventories</b>	<b>6 024 599</b>	<b>5 887 506</b>
<b>Account receivable</b>		
Trade receivables	399 178	177 087
Receivables from group companies	9 980 093	6 019 719
Receivables from associates	89 945	20 729
Other receivables	211 212	176 804
Deferred expenses	304 251	270 058
<b>Total receivables</b>	<b>10 984 679</b>	<b>6 664 397</b>
<b>Cash and cash equivalents</b>	157 130	114 483
<b>TOTAL CURRENT ASSETS</b>	<b>17 166 408</b>	<b>12 666 386</b>
<b>TOTAL ASSETS</b>	<b>39 235 438</b>	<b>35 436 536</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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## Balance Sheet (continued)

### EQUITY AND LIABILITIES

EQUITY	2018.09.30 EUR	2017.12.31 EUR
Share capital	579 916	579 916
Share premium	2 828	2 828
Revaluation reserve of non-current investments	1 370 057	1 370 057
Reserves:		
f) other reserves	3 741 168	3 741 168
Retained earnings:		
a) retained earnings from the previous year	4 807 159	2 008 402
b) current year profit or losses	4 448 515	2 798 757
<b>TOTAL EQUITY</b>	<b>14 949 643</b>	<b>10 501 128</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans from credit institutions	11 136 737	12 526 539
Other loans	2 652 375	2 972 289
Deferred income	2 059 225	1 689 105
<b>Total non-current liabilities</b>	<b>15 848 337</b>	<b>17 187 933</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	4 363 266	3 902 548
Payables to group companies	0	155 467
Taxes and state social insurance payments	399 888	247 318
Other creditors	277 059	189 104
Deferred income	261 880	222 583
Accrued liabilities	597 458	449 711
<b>Total current liabilities</b>	<b>8 437 458</b>	<b>7 747 475</b>
<b>TOTAL LIABILITIES</b>	<b>24 285 795</b>	<b>24 935 408</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>39 235 438</b>	<b>35 436 536</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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## Cash Flow Statement

	9 Month of 2018	9 Month of 2017
	EUR	EUR
<b>Cash flow from operating activities</b>		
<b>Profit (+) or loss (-) before corporate income tax</b>	<b>4 448 515</b>	<b>1 892 303</b>
Adjustments for:		
Depreciation and impairment of fixed assets	1 460 336	1 413 671
Depreciation and impairment of intangible assets	11 055	12 710
Profit (-) or loss (+) from fluctuations of foreign currency rates	21 276	7 482
Impairment of non-current and current financial investments	-180 034	-166 938
Interest and similar expenses	242 349	243 851
<b>Profit or loss prior to changes in current assets and current liabilities</b>	<b>6 003 497</b>	<b>3 403 079</b>
Adjustments for:		
Increase (+) or decrease (-) of account receivable	-4 329 848	-2 321 636
Increase (+) or decrease (-) of inventory	-137 093	1 041 152
Increase (+) or decrease (-) of account payables and other liabilities	705 062	-95 466
<b>Gross cash flow from operating activities</b>	<b>2 241 618</b>	<b>2 027 129</b>
Interest payments	-239 537	-246 745
<b>Net cash flow generated from operating activities</b>	<b>2 002 081</b>	<b>1 780 384</b>
<b>Cash flow from investing activities</b>		
Income from selling fixed assets and intangible assets	0	1 066 713
Acquisition of fixed assets and intangible assets	-769 641	-163 902
Prepayments for fixed assets under development and construction in progress	-375 976	-1 130 689
Loans issued	-11 031	-21 817
<b>Net cash flow generated from investing activities</b>	<b>-1 156 648</b>	<b>-249 695</b>
<b>Cash flow from financing activities</b>		
Loans received	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 year</b>	<b>42 647</b>	<b>136 381</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>114 483</b>	<b>311</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>157 130</b>	<b>136 692</b>

Cash flow statement is prepared using the indirect method in accordance with Rules of The Cabinet of Ministers No. 775

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

## Statement of Changes in Equity

	Share capital	Share premium	Revaluation reserves of non-current investments	Other reserves	Retained earnings from the previous year	Current year profit or losses	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>December 31, 2016</b>	<b>579 916</b>	<b>2 828</b>	<b>1 570 057</b>	<b>3 741 168</b>	<b>1 234 618</b>	<b>773 784</b>	<b>7 902 371</b>
Distribution of profit of the year 2016	0	0	0	0	773 784	-773 784	0
Current year profit or losses	0	0	0	0	0	1 892 303	1 892 303
<b>September 30, 2017</b>	<b>579 916</b>	<b>2 828</b>	<b>1 570 057</b>	<b>3 741 168</b>	<b>2 008 402</b>	<b>1 892 303</b>	<b>9 794 674</b>
<b>December 31, 2017</b>	<b>579 916</b>	<b>2 828</b>	<b>1 370 057</b>	<b>3 741 168</b>	<b>2 008 402</b>	<b>2 798 757</b>	<b>10 501 128</b>
Distribution of profit of the year 2017	0	0	0	0	2 798 757	-2 798 757	0
Current year profit or losses	0	0	0	0	0	4 448 515	4 448 515
<b>September 30, 2018</b>	<b>579 916</b>	<b>2 828</b>	<b>1 370 057</b>	<b>3 741 168</b>	<b>4 807 159</b>	<b>4 448 515</b>	<b>14 949 643</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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