

JOINT STOCK COMPANY „PATA SALDUS”

(UNIFIED REGISTRATION NUMBER 40003020121)

FINANCIAL REPORT FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2019 (UNAUDITED)

PREPARED IN ACCORDANCE WITH

THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

Saldus, 2019

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General Information

Name of the Company	Joint Stock Company “PATA Saldus”
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 planing 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)
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, 2019
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, 2019

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, 2019

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, 2019

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

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

Management Report

Type of operations

Principal activities of the Company are forestry and primary wood processing - lumber production. When carrying out forestry activities, the Company 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 Company takes appropriate monitoring and improvement actions on regular basis.

Performance of the Company during the financial year

JSC PATA Saldus loss from operating activities for the 9 months period of 2019 was EUR 563 823 with a net turnover of EUR 45 599 391, which represents losses per share issued of 0.68 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. The report contains true information.

Financial results of the Company's commercial activity and financial standing of the Company

The analysis of the Company's annual financial statements shows, that consolidated statement of financial position total is EUR 39 935 522. Non-current assets comprise 55% of the statement of financial position total, of which 91% (EUR 20 122 304) comprise of property, plant and equipment. Equity comprises 37% (EUR 14 972 779) of the statement of financial position total. Non-current liabilities comprise 41% (EUR 16 424 123) of the statement of financial position total, while current liabilities comprise 21% (EUR 8 538 620).

The analysis of the Company's income statement shows, that the revenue of the Company for the 9 months period of 2019 is EUR 45 599 391, the cost of sales is EUR 45 898 225, so that the gross loss amounts to EUR 298 834 and net loss amounts to EUR 563 823.

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

Environment protection

The core economic activity of the Company 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 Company 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 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 Company 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 2019, the Company 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 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.

Saldus, November 29, 2019

Board:

Gatis Zommers
Chairman of the Board

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

November 29, 2019

Board:

Gatis Zommers
Chairman of the Board

Jānis Mierkalns
Member of the Board

Ilze Bukulde
Member of the Board

Income Statement

	2019.09.30 EUR	2018.09.30 EUR
Revenue	45 599 391	52 536 467
Costs of goods sold or services provided	(45 898 225)	(47 635 819)
Gross profit or losses	(298 834)	4 900 648
Distribution expenses	0	(5 605)
Administrative expenses	(258 965)	(293 173)
Other operating income	771 154	636 885
Other operating expenses	(515 773)	(550 703)
Interest and similar income, incl.	0	0
a) from other parties	0	0
Interest and similar expenses, incl.	(261 405)	(239 537)
a) for other parties	(261 405)	(239 537)
Profit or loss before corporate income tax	(563 823)	4 448 515
Profit or loss after corporate income tax	(563 823)	4 448 515
Profit or loss for the period	(563 823)	4 448 515
Profit/loss on share (EUR)	(0.68)	10.74

November 29, 2019

Board:

Gatis Zommers
 Chairman of the Board

Jānis Mierkalns
 Member of the Board

Ilze Bukulde
 Member of the Board

Balance Sheet

ASSETS

	2019.09.30	2018.12.31
	EUR	EUR
NON-CURRENT ASSETS		
Intangible assets		
Concessions, patents, licences, trademarks and similar rights	9 884	17 864
Total intangible assets	9 884	17 864
Fixed assets		
Immovable properties		
a) land plots, buildings and engineering structures	5 877 894	6 063 240
Fauna and flora		
b) biological assets	767 702	767 702
Technological equipment and machinery	13 212 788	12 565 359
Other fixed assets	81 618	84 937
Fixed assets under development and construction in progress	182 302	590 078
Total fixed assets	20 122 304	20 071 316
Non-current financial investments		
Investments in group companies	1 009 149	1 009 149
Receivables from group companies	718 108	700 929
Participation in capital of associates	8 540	8 540
Deffered tax assets	288 424	288 424
Total non-current financial investments	2 024 221	2 007 042
TOTAL NON-CURRENT ASSETS	22 156 409	22 096 222
CURRENT ASSETS		
Inventories		
Raw materials and consumables	2 716 325	4 436 973
Work in progress	863 031	1 387 671
Finished goods and goods for sale	1 468 403	1 591 771
Fauna and flora		
a) biological assets	1 562 576	1 562 576
Advances for inventories	42 691	486 756
Total inventories	6 653 026	9 465 747
Account receivable		
Trade receivables	579 180	424 660
Receivables from group companies	10 015 848	8 934 184
Receivables from associates	0	451 228
Other receivables	237 358	261 891
Deferred expenses	292 806	330 383
Total receivables	11 125 192	10 402 346
Cash and cash equivalents	895	136
TOTAL CURRENT ASSETS	17 779 113	19 868 229
TOTAL ASSETS	39 935 522	41 964 451

November 29, 2019

Board:

Gatis Zommers
 Chairman of the Board

Jānis Mierkalns
 Member of the Board

Ilze Bukulde
 Member of the Board

Balance Sheet (continued)

EQUITY AND LIABILITIES

EQUITY	2019.09.30 EUR	2018.12.31 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	9 842 633	4 661 144
b) current year profit or losses	(563 823)	5 300 866
TOTAL EQUITY	14 972 779	15 655 979
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	12 419 327	10 510 016
Other loans	2 207 451	2 656 272
Deferred income	1 797 345	1 993 756
Total non-current liabilities	16 424 123	15 160 044
Current liabilities		
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	5 159 440	5 892 088
Payables to group companies	0	0
Payables to associates	316 039	621 352
Taxes and state social insurance payments	369 770	248 212
Other creditors	253 469	260 079
Deferred income	261 880	261 880
Accrued liabilities	355 370	570 253
Total current liabilities	8 538 620	11 148 428
TOTAL LIABILITIES	24 962 743	26 308 472
TOTAL EQUITY AND LIABILITIES	39 935 522	41 964 451

November 29, 2019

Board:

Gatis Zommers Chairman of the Board	Jānis Mierkalns Member of the Board	Ilze Bukulde Member of the Board
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Cash Flow Statement

	9 Month of 2019	9 Month of 2018
Cash flow from operating activities	EUR	EUR
Profit or losses before corporate income tax	(563 823)	4 448 515
Adjustments for:		
Depreciation and impairment of fixed assets	1 578 939	1 460 336
Depreciation and impairment of intangible assets	20 231	11 055
Profit or losses from fluctuations of foreign currency rates	(14 966)	21 276
Impairment of non-current and current financial investments	(196 411)	(180 034)
Interest and similar expenses	261 405	242 349
Profit or loss prior to changes in current assets and current liabilities	1 085 375	6 003 497
Adjustments for:		
Increase or decrease of account receivable	(722 798)	(4 329 848)
Increase or decrease of inventory	2 812 721	(137 093)
Increase or decrease of account payables and other liabilities	(1 988 044)	705 062
Gross cash flow from operating activities	1 187 254	2 241 618
Interest payments	(263 841)	(239 537)
Net cash flow generated from operating activities	923 413	2 002 081
Cash flow from investing activities		
Acquisition of fixed assets and intangible assets	(296 039)	(769 641)
Prepayments for fixed assets under development and construction in progress	(1 319 343)	(375 976)
Loans issued	(2 261)	(11 031)
Net cash flow generated from investing activities	(1 617 643)	(1 156 648)
Cash flow from financing activities		
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
Net cash flow generated from financing activities	694 989	(802 786)
Net cash flow in the financial year	759	42 647
Cash and cash equivalents at the beginning of the financial period	136	114 483
Cash and cash equivalents at the end of the financial period	895	157 130

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

November 29, 2019

Board:

Gatis Zommers
Chairman of the Board

Jānis Mierkalns
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
December 31, 2017	579 9169	2 828	1 370 057	3 741 168	2 008 402	2 798 757	10 501 128
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
September 30, 2018	579 916	2 828	1 370 057	3 741 168	4 807 159	4 448 515	14 949 643
December 31, 2018	579 916	2 828	1 370 057	3 741 168	4 661 144	5 300 866	15 655 979
Distribution of profit of the year 2018	0	0	0	0	5 181 489	(5 300 866)	(119 377)
Current year profit or losses	0	0	0	0	0	(563 823)	(563 823)
September 30, 2019	579 916	2 828	1 370 057	3 741 168	9 842 633	(563 823)	14 972 779

November 29, 2019

Board:

Gatis Zommers
 Chairman of the Board

Jānis Mierkalns
 Member of the Board

Ilze Bukulde
 Member of the Board