

JOINT STOCK COMPANY „PATA SALDUS”

(UNIFIED REGISTRATION NUMBER 40003020121)

FINANCIAL REPORT FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

PREPARED IN ACCORDANCE WITH

THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

Saldus, 2018

CONTENTS

General Information	3
Management Report	5
Statement of Management Responsibility	6
Income Statement	7
Balance Sheet	8
Cash Flow Statement	10
Statement of Changes in Equity	11

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 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 – March 31, 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 – March 31, 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 - March 31, 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 – March 31, 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 3 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 3 month period of 2018 are 1 312 423 EUR with the net turnover of 15 549 553 EUR, which represents earnings per share issued of 3.17 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.

May 31, 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 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 31 March 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.

May 31, 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
--	--	--------------------------------------	-------------------------------------

Income Statement

	2018.03.31 EUR	2017.03.31 EUR
Revenue	15 549 553	12 136 949
Costs of goods sold or services provided	-14 073 154	-11 820 499
Gross profit or losses	1 476 399	316 450
Distribution expenses	-3 041	0
Administrative expenses	-99 999	-119 996
Other operating income	170 524	193 539
Other operating expenses	-155 064	-139 996
Interest and similar income, incl.	0	7
a) from other parties	0	7
Interest and similar expenses, incl.	-76 396	-81 165
a) for other parties	-76 396	-81 165
Profit or loss before corporate income tax	1 312 423	168 839
Profit or loss after corporate income tax	1 312 423	168 839
Profit or loss for the period	1 312 423	168 839
Profit/loss on share (EUR)	3.17	0.41

May 31, 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

	2018.03.31 EUR	2017.12.31 EUR
NON-CURRENT ASSETS		
Intangible assets		
Concessions, patents, licences, trademarks and similar rights	22 307	19 502
Total intangible assets	22 307	19 502
Fixed assets		
Immovable properties		
a) land plots, buildings and engineering structures	6 144 997	6 228 830
Fauna and flora		
b) biological assets	862 816	862 816
Technological equipment and machinery	11 434 482	11 766 742
Other fixed assets	82 068	70 983
Fixed assets under development and construction in progress	2 093 338	1 722 773
Total fixed assets	20 617 701	20 652 144
Non-current financial investments		
Investments in group companies	1 009 149	1 009 149
Receivables from group companies	698 727	696 250
Participation in capital of associates	8 540	8 540
Deferred tax assets	384 565	384 565
Total non-current financial investments	2 100 981	2 098 504
TOTAL NON-CURRENT ASSETS	22 740 989	22 770 150
CURRENT ASSETS		
Inventories		
Raw materials and consumables	3 024 765	2 069 681
Work in progress	1 693 673	1 603 943
Finished goods and goods for sale	1 367 952	1 077 796
Fauna and flora		
a) biological assets	1 085 082	1 085 082
Advances for inventories	45 751	51 004
Total inventories	7 217 223	5 887 506
Account receivable		
Trade receivables	232 329	177 087
Receivables from group companies	6 654 651	6 019 719
Receivables from associates	57 914	20 729
Other receivables	143 386	176 804
Deferred expenses	314 514	270 058
Total receivables	7 402 794	6 664 397
Cash and cash equivalents	98 096	114 483
TOTAL CURRENT ASSETS	14 718 113	12 666 386
TOTAL ASSETS	37 459 102	35 436 536

May 31, 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 (continued)

EQUITY AND LIABILITIES

EQUITY	2018.03.31 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	1 312 423	2 798 757
TOTAL EQUITY	11 813 551	10 501 128
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	12 589 079	12 526 539
Other loans	2 935 870	2 972 289
Deferred income	1 633 459	1 689 105
Total non-current liabilities	17 158 408	17 187 933
Current liabilities		
Loans from credit institutions	1 421 411	1 421 411
Other loans	917 032	1 158 353
Prepayments received from customers	409	980
Trade payables	4 913 284	3 902 548
Payables to group companies	0	155 467
Taxes and state social insurance payments	295 785	247 318
Other creditors	245 865	189 104
Deferred income	222 583	222 583
Accrued liabilities	470 774	449 711
Total current liabilities	8 487 143	7 747 475
TOTAL LIABILITIES	25 645 551	24 935 408
TOTAL EQUITY AND LIABILITIES	37 459 102	35 436 536

May 31, 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
--	--	--------------------------------------	-------------------------------------

Cash Flow Statement

	3 Month of 2018	3 Month of 2017
	EUR	EUR
Cash flow from operating activities		
Profit (+) or loss (-) before corporate income tax	1 312 423	168 839
Adjustments for:		
Depreciation and impairment of fixed assets	467 982	471 852
Depreciation and impairment of intangible assets	2 750	4 184
Profit (-) or loss (+) from fluctuations of foreign currency rates	4 726	-6 594
Impairment of non-current and current financial investments	-55 643	166 936
Interest and similar expenses	71 671	80 816
Profit or loss prior to changes in current assets and current liabilities	1 803 909	886 033
Adjustments for:		
Increase (+) or decrease (-) of account receivable	-740 671	357 375
Increase (+) or decrease (-) of inventory	-1 329 717	763 195
Increase (+) or decrease (-) of account payables and other liabilities	711 221	-1 339 233
Gross cash flow from operating activities	444 742	667 370
Interest payments	-74 483	-83 710
Net cash flow generated from operating activities	370 259	583 660
Cash flow from investing activities		
Income from selling fixed assets and intangible assets	0	2 305
Acquisition of fixed assets and intangible assets	-33 196	-9 194
Prepayments for fixed assets under development and construction in progress	-359 152	-6 000
Loans issued	-4 929	-6 715
Net cash flow generated from investing activities	-397 277	-19 604
Cash flow from financing activities		
Loans received	344 733	0
Repayment of loans	-282 194	-512 260
Finance lease payments	-51 908	-50 677
Net cash flow generated from financing activities	10 631	-562 937
Net cash flow in the financial year	-16 387	1 119
Cash and cash equivalents at the beginning of the financial period	114 483	311
Cash and cash equivalents at the end of the financial period	98 096	1 430

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

May 31, 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
December 31, 2016	579 9169	2 828	1 570 057	3 741 168	1 234 618	773 784	7 902 371
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	168 839	168 839
March 31, 2017	579 916	2 828	1 570 057	3 741 168	2 008 402	168 839	8 071 210
December 31, 2017	579 916	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	1 312 423	1 312 423
March 31, 2018	579 916	2 828	1 370 057	3 741 168	4 807 159	1 312 423	11 813 551

May 31, 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
--	--	--------------------------------------	-------------------------------------