

# **JOINT STOCK COMPANY „PATA SALDUS”**

(UNIFIED REGISTRATION NUMBER 40003020121)

**FINANCIAL REPORT FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)**

PREPARED IN ACCORDANCE WITH

THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

**Saldus, 2017**

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## Information about the Company

Name of the Company	<b>PATA Saldus (PATA Saldus)</b>
Legal status of the Company	Joint Stock Company
Registration number, place, and date	40003020121 August 26, 1991, Riga
Address	Kuldigas iela 86C, Saldus, Saldus novads, LV 3801
The main areas of activities of the Company NACE code	Forestry, commercial timber preparation and related services; production of board lumber, etc. 022; 494; 521
Members of the Board: name, surname, position	Andris Krastins ( <i>Andris Krastiņš</i> )- Chancellor of the Board Janis Mierkalns ( <i>Jānis Mierkalns</i> )- member of the Board Ilze Bukulde ( <i>Ilze Bukulde</i> ) - member of the Board Gatis Zommers ( <i>Gatis Zommers</i> ) - member of the Board
Members of the Council: name, surname, position	Uldis Mierkalns ( <i>Uldis Mierkalns</i> ) – Chairman of the Council Janis Bertrāns ( <i>Jānis Bertrāns</i> ) - Deputy Chairman of the Board Inga Mierkalna ( <i>Inga Mierkalna</i> )- member of the Council Atis Kalnins ( <i>Atis Kalniņš</i> )- member of the Council (is released September 22, 2017) Ieva Sniedze ( <i>Ieva Sniedze</i> )- member of the Council
Subsidiary enterprise	
1. Name of the company	<i>Pakuli Sports Premises (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
The main areas of activities of the company	Hunting and related services. Organisation of training and competitive shooting using hunting weapons.
Owner of the company	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – September 30, 2017
2. Name of the company	Woodworking Centre No.3 ( <i>Деревообрабатывающий комбинат № 3</i> ) (100%)
Legal status of the company	Limited Liability Company ( <i>ООО - Общество с ограниченной ответственностью</i> )
Registration number, date, 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	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – September 30, 2017

Associated enterprise

1. Name of the company	Saldus enerģija ( <i>Saldus enerģija</i> ) (20%)
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE COMMERCIAL REGISTER	40103265702 December 22, 2009
Address	Mukusalas iela( <i>Mūkusalas iela</i> ) 41B-8, Rīga ( <i>Rīga</i> ), LV-1004
The main areas of activities of the company	Production of electricity, activities of holding companies.
Owner of the company	PATA Saldus (PATA Saldus), JSC – 20%
Reporting year	January 1 - September 30, 2017

Parent company

Name of the company	PATA ( <i>PATA</i> ) (65%)
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( <i>Miera iela 2</i> ), Incukalns ( <i>Incūkalns</i> ), LV-1004
The main areas of activities of the company	Wholesale of wood, silviculture and other forestry activities.
Owner of the company	Uldis Mierkalns ( <i>Uldis Mierkalns</i> ) – 100%
Reporting year	January 1 – September 30, 2017

Name and address of the Auditor	The Auditor will be approved by Board of the Company in the extraordinary Shareholder's meeting at December 4, 2017.
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**Changes of the commercial company and its subsidiaries that are made during the reporting period**

According to the Register of Enterprises of the Republic of Latvia decision Nr.6-12 /125673/1 of 22.09.2017. JSC Saldus PATA has recorded the following changes in the Board

- Released member of the Council – Atis Kalnins (*Atis Kalniņš*)

## Management announcement

### *To Report of economic activity for the 9 month period of 2017*

#### **Type of operations**

Principal activities of the Company are forestry and primary wood processing - lumber production. The company complies with FSC 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.

#### **Performance of the Company during the financial year**

JSC PATA Saldus profit from operating activities for the 9 month 2017 was 1 892 303 EUR with a net turnover of 37 618 139 euros, which represents earnings per share issued of 4.57 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 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.

#### **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 Company.

#### **Future prospects**

In 2017 the Company will continue to develop and expand environmentally friendly forestry business in accordance with the FSC forest management and wood flows certificate requirements.

In wood processing the Company has received the Energy Management System (LVS EN ISO 50001: 2012) certificate in 2017. Also until March 2018 it is planned to expand business by installing additional timber drying plants with recuperation, where for heating renewable energy will be used.

The company will continue to work on employee satisfaction and loyalty-development, which will allow to rise work efficiency, increase productivity, promote customer satisfaction, thus leading to the Company's overall financial performance improvements.

November 30, 2017

Board:

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Andris Krastiņš  
Chancellor 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 2017, 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, 2017

Board:

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Andris Krastiņš  
Chancellor 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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## Profit or loss calculation

	2017.09.30 EUR	2016.09.30 EUR
Net turnover	37 618 139	32 198 496
Production costs of the sold production	-35 532 167	-31 117 206
<b>Gross profit</b>	<b>2 085 972</b>	<b>1 081 290</b>
Selling costs	-175	-9 194
General administration costs	-354 620	-419 794
Other income from company's economic activity	842 774	231 099
Other expenditures from company's economic activity	-434 421	-358 480
Other interest income and the like income	69	23 410
a) from other persons	69	23 410
Other interest payments and the like payments	-247 296	-298 752
a) to other persons	-247 296	-298 752
<b>Profit or loss before extraordinary items and taxes</b>	<b>1 892 303</b>	<b>249 579</b>
<b>Profit or loss after extraordinary items and taxes</b>	<b>1 892 303</b>	<b>249 579</b>
<b>Profit or (loss)</b>	<b>1 892 303</b>	<b>249 579</b>
 <b>Profit/loss on share (EUR)</b>	 <b>4,57</b>	 <b>0,64</b>

November 30, 2017

Board:

Andris Krastiņš Chancellor 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

### ASSETS

	2017.09.30 EUR	2016.12.31 EUR
<b>1. LONG-TERM INVESTMENTS</b>		
<b>I Intangible investments</b>		
Concessions, patents, licences, trademarks and the like items	16 229	19 125
<b>I TOTAL</b>	<b>16 229</b>	<b>19 125</b>
<b>II Fixed assets</b>		
1. Real estate		
land, premises and buildings	6 308 069	6 587 990
2. Animals and plants		
biological assets	765 836	765 836
3. Equipment and machinery	12 095 543	13 058 594
4. Other fixed assets and requisites	69 210	55 817
5. Fixed assets formation and unfinished constructions	72 255	3 000
<b>II TOTAL</b>	<b>19 310 913</b>	<b>20 471 237</b>
<b>III Long-term financial investments</b>		
1. Participation in the capital of related companies	1 009 149	1 009 149
2. Loans to the related companies	1 002 853	988 518
3. Investment in associated companies	8 540	8 540
4. Tax assets	480 706	480 706
<b>III TOTAL</b>	<b>2 501 248</b>	<b>2 486 913</b>
<b>TOTAL OF 1 SECTION</b>	<b>21 828 390</b>	<b>22 977 275</b>
<b>2. CURRENT ASSETS</b>		
<b>1. Stocks</b>		
1. Raw materials, direct materials, auxiliary materials	1 584 488	1 830 391
2. Unfinished production and orders	1 235 715	1 824 568
3. Finished production and goods for sale	1 079 030	1 276 054
4. Animals and plants		
biological assets	635 755	635 755
5. Fixed assets held for sale	274 997	274 997
6. Advance payments for goods	54 619	63 991
<b>I TOTAL</b>	<b>4 864 604</b>	<b>5 905 756</b>
<b>II Debtors</b>		
1. Debts of buyers and customers	376 844	153 325
2. Debts of subsidiaries	5 336 652	3 782 696
3. Debts of associated companies	102 230	184 482
4. Other debtors	804 304	249 897
5. Expenditures of the next periods	237 171	165 165
<b>II TOTAL</b>	<b>6 857 201</b>	<b>4 535 565</b>
<b>III Money</b>	136 692	311
<b>TOTAL OF 2 SECTION</b>	<b>11 858 497</b>	<b>10 441 632</b>

### BALANCE SHEET

**33 686 887**      **33 418 907**

November 30, 2017

Board:

Andris Krastiņš  
Chancellor of the Board

Jānis Mierkalns  
member of the Board

Gatis Zommers  
member of the Board

Ilze Bukulde  
member of the Board



## Balance sheet (continuation)

### LIABILITIES

	2017.09.30 EUR	2016.12.31 EUR
<b>1. SHAREHOLDERS EQUITY</b>		
1. Share capital	579 916	579 916
2. Increase of price of the issue of shares	2 828	2 828
3. Reserves from revaluation of long-term investments	1 570 057	1 570 057
4. Reserves		
other reserves	3 741 168	3 741 168
5. Retaining earnings		
a) retained earnings from the previous year	2 008 402	1 234 618
b) retained earnings from the year of account	1 892 303	773 784
<b>TOTAL OF 1 SECTION</b>	<b>9 794 674</b>	<b>7 902 371</b>
<b>2. CREDITORS</b>		
<b>I Long-term CREDITORS</b>		
1. Loans from credit institutions	11 332 890	12 488 093
2. Other loans	3 156 823	3 285 957
3. Incomes from next periods	1 744 751	1 911 689
<b>I TOTAL</b>	<b>16 234 464</b>	<b>17 685 739</b>
<b>II Short-term creditors</b>		
1. Loans from credit institutions	1 459 702	1 545 858
2. Other loans	1 176 539	1 202 928
3. Advances from customers	523	475
4. Debts to suppliers and contractors	3 872 637	3 820 327
5. Debts to subsidiaries	0	153 726
6. Taxes payable	305 543	289 355
7. Other creditors	204 921	179 763
8. Incomes from the next periods	222 583	222 583
9. Accrued liabilities	415 301	415 782
<b>II TOTAL</b>	<b>7 657 749</b>	<b>7 830 797</b>
<b>TOTAL OF 3 SECTION</b>	<b>23 892 213</b>	<b>25 516 536</b>
<b>BALANCE SHEET</b>	<b>33 686 887</b>	<b>33 418 907</b>

November 30, 2017

Board:

Andris Krastiņš Chancellor 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 2017	9 Month of 2016
<b>I. Cash flow from basic activity</b>	<b>EUR</b>	<b>EUR</b>
<b>1. Profit (+) or loss (-) before extraordinary items and taxes:</b>	<b>1 892 303</b>	<b>249 579</b>
Corrections:		
Value adjustments of fixed assets	1 413 671	1 260 490
Deprecation of intangible assets	12 710	10 326
Reserves from revaluation of long-term investments	0	-30 000
Profit (-) or loss (+) from fluctuations of exchange rate	7 482	-23 325
Income from finansation recognition	-166 938	-166 938
Interest expenditure	243 851	246 636
<b>2. Profit or loss before the corrections of the impact of balance changes of current assets and short-term liabilities</b>	<b>3 403 079</b>	<b>1 546 768</b>
Corrections:		
increase (+) or decrease (-) of debtors debt	-2 321 636	-1 823 870
increase (+) or decrease (-) of the reserves of accruals	1 041 152	-477 774
increase (+) or decrease (-) of the remainder of debts payable to suppliers, contractors and other creditors	-95 466	1 819 016
<b>3. Gross cash flow from basic activity</b>	<b>2 027 129</b>	<b>1 064 140</b>
4. Expenditures to pay interest payments	-246 745	-246 636
<b>5. Net cash flow from basic activity</b>	<b>1 780 384</b>	<b>817 504</b>
<b>II. Cash flow from investments</b>		
1. Income from selling fixed assets and intangible investments	1 066 713	75 799
2. Acquisition of fixed assets and intangible investments	-163 902	-184 182
3. Advance payments for construction in progress assets and intangible assets	-1 130 689	-319 919
4. Loans issued	-21 817	-650
<b>Net cash flow from investments</b>	<b>-249 695</b>	<b>-428 952</b>
<b>III. Cash flow from financing activities</b>		
1. Recieved loans	0	333 436
2. Recieved subsidies and grants	0	51 415
3. Expenditures for paying back loans	-774 214	-391 186
4. Expenditures for the leased asset ransom	-152 949	-131 768
5. Changes of creditlines	-467 145	-202 731
<b>6. Cash flow from financing activities</b>	<b>-1 394 308</b>	<b>-340 834</b>
<b>IV. Fluctuations of exchange rate</b>	<b>0</b>	<b>0</b>
<b>V. Net cash flow of the year of account increase (+), decrease (-)</b>	<b>136 381</b>	<b>47 718</b>
<b>VI. Money and its equivalent balance at the beginning of the period of account</b>	<b>311</b>	<b>4 925</b>
<b>VII. Money and its equivalent balance at the end of the period of account</b>	<b>136 692</b>	<b>52 643</b>

Cash flow statement is prepared according to indirect method in accordance with rules of The Cabinet of Ministers no. 481.  
November 30, 2017

Board:

Andris Krastiņš  
Chancellor of the Board

Jānis Mierkalns  
member of the Board

Gatis Zommers  
member of the Board

Ilze Bukulde  
member of the Board

## Statement on the changes in own capital

	Share capital	Share premium	Reserves from revaluation of long-term investments	Other reserves	Previous years retained earnings	Retained profit/loss of the year of account	Total own capital
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>December 31, 2015</b>	<b>541 990</b>	<b>2 828</b>	<b>1 600 057</b>	<b>3 741 168</b>	<b>2 772 876</b>	<b>-1 500 332</b>	<b>7 158 587</b>
Distribution of profit of the year 2015	0	0	0	0	-1 538 258	1 500 332	-37 926
Reserves from revaluation of long-term investments	0	0	-30 000	0	0	0	-30 000
Profit of the year of account	37 926	0	0	0	0	249 579	287 505
<b>September 30, 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>249 579</b>	<b>7 378 166</b>
<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
Profit of the year of account	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>

November 30, 2017

Board:

Andris Krastiņš Chancellor 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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