

**JOINT-STOCK COMPANY „PATA SALDUS” AND ITS SUBSIDIARY COMPANIES**

(REGISTRATION NUMBER 40003020121)

**UNAUDITED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

**DRAWN-UP IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS  
ADOPTED BY THE EUROPEAN UNION**

**Saldus, 2017**

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## Information about the Group

Name of the Group	<b>PATA Saldus(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.
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 Group	<i>Pakuli Sports Premises (Pakuļu sporta bāze) (100%)</i>
Legal status of the Group	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 Group	Hunting and related services. Organisation of training and competitive shooting using hunting weapons.
Owner of the Group	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – September 30, 2017
2. Name of the Group	Woodworking Centre No.3 ( <i>Деревообрабатывающий комбинат № 3</i> ) (100%)
Legal status of the Group	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
The main areas of activities of the Group	Woodworking, production of board lumber
Owner of the Group	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – September 30, 2017

Joint-stock company „PATA Saldus” and its subsidiary companies  
Address: Kuldīgas iela 86c, Saldus LV-3801,  
Saldus District, Republic of Latvia  
Single registration number: 40003020121

Financial information for the period  
ended 30 of September 2017  
(Unaudited)

Associated enterprise

Name of the Group	Saldus energija ( <i>Saldus enerģija</i> ) (20%)
Legal status of the Group	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 Group	Production of electricity, activities of holding companies.
Owner of the Group	PATA Saldus (PATA Saldus), JSC – 20%
Reporting year	January 1 – September 30, 2017

Parent Group

Name of the Group	PATA (PATA) (65.%)
Legal status of the Group	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> ), Īncukalns ( <i>Īnčukalns</i> ), LV-1004
The main areas of activities of the Group	Wholesale of wood, silviculture and other forestry activities
Owner of the Group	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 Consolidated report of economic activity for the 9 month period of 2017*

#### Type of operations

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

JSC PATA Saldus profit from operating activities for the 9 month period of 2017 was EUR 1 782 088 with a net turnover of EUR 37 621 659 which represents earnings per share issued of 4.30 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 2017 the Group 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 Group 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 hearing renewable energy will be used.

The Group 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 Group's overall financial performance improvements.

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 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 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 Group'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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## Consolidated income statement

	2017.09.30 EUR	2016.09.30 EUR
Net turnover	37 621 659	32 207 729
Production costs of the sold production	-35 532 888	-31 117 778
<b>Gross profit</b>	<b>2 088 771</b>	<b>1 089 951</b>
Selling costs	-15 916	-23 919
General administration costs	-375 958	-434 800
Other income from Group's economic activity	911 704	231 099
Other expenditures from Groups economic activity	-570 424	-382 302
<b>Profit or loss from economic activity</b>	<b>2 038 177</b>	<b>480 029</b>
Other interest income and the like income	69	115 158
Other interest payments and the like payments	-256 158	-307 113
<b>Profit or loss before extraordinary items and taxes</b>	<b>1 782 088</b>	<b>288 074</b>
<b>Profit or (loss)</b>	<b>1 782 088</b>	<b>288 074</b>
 <b>Profit/loss on share</b>	 <b>4.30</b>	 <b>0.74</b>
EUR per share		

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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## Consolidated balance sheet

### ASSETS

	2017.09.30 EUR	2016.12.31 EUR
<b>LONG-TERM INVESTMENTS</b>		
<b>Intangible investments</b>		
Concessions, patents, licences, trademarks and the like items	16 229	19 125
<b>TOTAL</b>	<b>16 229</b>	<b>19 125</b>
<b>Fixed assets</b>		
Land, premises and buildings	6 713 876	7 026 277
Equipment and machinery	12 148 225	13 130 454
Other fixed assets	69 210	55 817
Unfinished constructions	365 874	307 767
<b>TOTAL</b>	<b>19 297 185</b>	<b>20 520 315</b>
<b>Biological assets</b>	<b>765 836</b>	<b>765 836</b>
<b>Long-term financial investments</b>		
Investment in associated companies	8 540	8 540
Deferred tax assets	480 706	480 706
<b>TOTAL</b>	<b>489 246</b>	<b>489 246</b>
<b>TOTAL LONG-TERM INVESTMENTS</b>	<b>20 568 496</b>	<b>21 794 522</b>
<b>CURRENT ASSETS</b>		
<b>Stocks</b>		
Raw materials, direct materials, auxiliary materials	1 696 847	1 949 655
Biological assets	635 755	635 755
Unfinished production	1 235 715	1 824 568
Finished production and goods for sale	1 124 453	1 324 268
Advance payments for goods	54 619	63 991
<b>TOTAL</b>	<b>4 747 389</b>	<b>5 798 237</b>
<b>Noncurrent assets held for sale</b>		
Fixed assets held for sale	274 997	274 997
<b>Debtors</b>		
Debts of buyers and customers	379 774	154 906
Debts of subsidiaries	4 947 965	3 388 545
Debts of associated companies	102 230	184 482
Other debtors	807 678	253 906
Expenditures of the next periods	237 171	165 165
<b>TOTAL</b>	<b>6 474 818</b>	<b>4 147 004</b>
<b>Money and its equivalents</b>	137 449	459
<b>TOTAL CURRENT ASSETS</b>	<b>11 634 653</b>	<b>10 220 697</b>
<b>TOTAL ASSETS</b>	<b>32 203 149</b>	<b>32 015 219</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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## Consolidate balance sheet (continuation)

### LIABILITIES

	2017.09.30	2016.12.31
	EUR	EUR
<b>Shareholders'equity</b>		
Share capital	579 916	579 916
Increase of price of the issue of shares	2 828	2 828
Fluctation of exchange rate	-289 186	-262 768
Reserves from revaluation of long-term investments	1 570 057	1 570 057
Other reserves	3 741 168	3 741 168
Retained earnings from the previos year	522 312	-401 450
Retained earnings from the year of accunt	1 782 088	851 625
<b>Total shareholders'equity</b>	<b>7 909 183</b>	<b>6 081 376</b>
<b>CREDITORS</b>		
<b>Long-term liabilities</b>		
Long-term loans from credit institutions	11 332 890	12 488 093
Other loans	3 190 115	3 319 379
Long-term part of incomes from next periods	1 744 751	1 911 689
<b>TOTAL</b>	<b>16 267 756</b>	<b>17 719 161</b>
<b>Short-term liabilities</b>		
Short-term loans from credit institutions	1 459 702	1 545 858
Other loans	1 176 539	1 202 928
Advances from customers	523	0
Debts to suppliers and contractors	4 237 993	4 200 881
Debts to subsidiaries	0	153 726
Accured liabilities	415 301	415 783
Taxes payable	308 420	292 478
Other creditors	205 149	180 445
Incomes from the next periods short-term part	222 583	222 583
<b>TOTAL</b>	<b>8 026 210</b>	<b>8 214 682</b>
<b>Total liabilities</b>	<b>24 293 966</b>	<b>25 933 843</b>
<b>Total shareholders'equity and liabilities</b>	<b>32 203 149</b>	<b>32 015 219</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

## Consolidated cash flow statement

	9 Month of 2017	9 Month of 2016
	EUR	EUR
<b>I. Cash flow from basic activity</b>		
<b>1. Profit (+) or loss (-) before extraordinary items and taxes:</b>	<b>1 782 088</b>	<b>288 074</b>
Corrections:		
Value adjustments of fixed assets	1 438 671	1 287 064
Deprecation of intangible assets	12 710	10 326
Revaluation of long-term investments	0	-30 000
Profit (-) or loss (+) from fluctuations of exchange rate	44 980	-128 561
Long-term and short-term financial investment value adjustments	-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>3 355 362</b>	<b>1 506 601</b>
Corrections:		
increase (+) or decrease (-) of debtors debt	-2 327 814	-1 824 083
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	-62 779	1 858 182
<b>3. Gross cash flow from basic activity</b>	<b>2 005 921</b>	<b>1 062 926</b>
4. Expenditures to pay interest payments	-246 745	-246 636
<b>5. Net cash flow from basic activity</b>	<b>1 759 176</b>	<b>816 290</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. Expenditures for advance payments for fixed assets and unfinished constructions	-1 130 689	-319 919
<b>4. Net cash flow from investments</b>	<b>-227 878</b>	<b>-428 302</b>
<b>III. Cash flow from financing activities</b>		
1. Received loans	0	333 436
2. Received 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>5. 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>136 990</b>	<b>47 154</b>
<b>VI. Money and its equivalents balance at the beginning of the period of account</b>	<b>459</b>	<b>5 522</b>
<b>VII. Money and its equivalents balance at the end of the period of account</b>	<b>137 449</b>	<b>52 676</b>

Cash flow statement is prepared according to indirect method in accordance with SGS Nr.7.  
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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## Statement on the changes in own capital

	Share capital	Reserves from revaluation of long-term investments	Currency fluctuations due to the reestimation of foreign currency	Share premium	Other reserves	Previous years retained earnings	Retained profit/loss of the year of account	Total own capital
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>December 31, 2015</b>	<b>541 990</b>	<b>1 600 057</b>	<b>-353 525</b>	<b>2 828</b>	<b>3 741 168</b>	<b>1 549 507</b>	<b>-1 737 130</b>	<b>5 344 895</b>
Fluctuation of exchange rate	0	0	40 224	0	0	-96 957	0	-56 733
Distribution of profit of the year 2015	0	0	0	0	0	-1 737 130	1 737 130	0
Share capital	37 926	0	0	0	0	0	0	37 926
Reserves from revaluation of long-term investments	0	-30 000	0	0	0	0	0	-30 000
Previous years retained earnings	0	0	0	0	0	-37 926	0	-37 926
Profit of the year of account	0	0	0	0	0	0	288 074	288 074
<b>September 30, 2016</b>	<b>579 916</b>	<b>1 570 057</b>	<b>-313 301</b>	<b>2 828</b>	<b>3 741 168</b>	<b>-322 506</b>	<b>288 074</b>	<b>5 546 236</b>
<b>December 31, 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 of the year of account	0	0	0	0	0	0	1 782 088	1 782 088
<b>September 30, 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>

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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