

JOINT-STOCK COMPANY „PATA SLDUS” AND ITS SUBSIDIARIES

(REGISTRATION NUMBER 40003020121)

**UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2018**

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS
ADOPTED BY THE EUROPEAN UNION

Saldus, 2018

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General Information

Name of the Group	Joint-stock company “PATA Saldus”
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. 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
Subsidiaries	
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 novads, LV-3801
Core business activities of the company	Other sports activities
Interest of the Parent 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, place	1066027046337, October 9, 2006
Address	Russia: 180005, Россия, г. Псков, Зональное шоссе, д. 44-А
Core business activities of the company	Woodworking, production of board lumber
Interest of the Parent company	JSC “PATA Saldus” – 100%
Reporting period	January 1 – March 31, 2018

Joint-stock company „PATA Saldus” and its subsidiaries
Address: Kuldīgas street 86c, Saldus, Saldus District,
LV-3801, Republic of Latvia
Registration number: 40003020121

Financial information for the period
for the period ended 31 of March 2018
(Unaudited)

Associates

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
Core business activities of the company	Production of electricity, activities of holding companies.
Interest of the Parent company	JSC “PATA Saldus” – 20%
Reporting period	January 1 – March 31, 2018

Ultimate Parent company that controls JSC “PATA Saldus”

Name of the ultimate Parent company	SIA “PATA” (67%)
Legal status of the ultimate Parent company	Limited Liability Company
Number and date of registration in the commercial register	40003448619, June 10, 1999
Address	Miera iela 2, Inčukalns, Inčukalna nov., LV-2141
Core business activities of the ultimate Parent company	Wholesale of wood, silviculture and other forestry activities
Interest of the ultimate Parent company	SIA “PATA” – direct holding – 23%, indirect holding – 44%
Owner of the ultimate Parent company	Uldis Mierkalns – 100%
Reporting period	January 1 – March 31, 2018

Name and address of the Auditor	Marija Jansone Certified Auditor of the Republic of Latvia Certificate No. 25	SIA “Nexia Audit Advice” Registration No. 40003858822 Grēcinieku iela 9-3, Rīga, LV-1050, Latvia Licence No. 134
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Management Report

To Consolidated report of economic activity for the 3 month period of 2018

Type of operations

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

JSC PATA Saldus profit from operating activities for the 3 month period of 2018 was EUR 1 271 349 with a net turnover of EUR 15 550 644, which represents earnings per share issued of 3.07 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 2018 the Group 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 Group 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 Group.

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 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 Report contains truthful information on Group's development and results of its operations.

Financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

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

May 31, 2018

Board:

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Chairman of the Board

Jānis Mierkalns
Member of the Board

Gatis Zommers
Member of the Board

Ilze Bukulde
Member of the Board

Consolidated Statement of Comprehensive income

	2018.03.31 EUR	2017.03.31 EUR
Revenue	15 550 644	12 138 169
Cost of sales	-14 081 705	-11 820 499
Gross profit	1 468 939	317 670
Distribution costs	-3 041	-5 764
Administrative expenses	-104 707	-125 724
Other operating income	170 609	193 539
Other operating expense	-191 792	-143 845
Operating profit or loss	1 340 008	235 876
Finance income	10 654	41 168
Finance costs	-79 313	-84 060
Profit or loss before tax	1 271 349	192 984
Profit or loss for the period	1 271 349	192 984
 Profit/loss on share	 3.07	 0.47
EUR per share		

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
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Consolidated Statement of Financial Position

ASSETS

	2018.03.31 EUR	2017.12.31 EUR
NON-CURRENT ASSETS		
Intangible assets		
Concessions, patents, licences and similar costs	22 307	19 502
TOTAL	22 307	19 502
Property, plant and equipment		
Land, buildings and perennial plantations	6 531 089	6 625 459
Technological equipment and machinery	11 475 860	11 813 674
Other fixed assets	82 068	70 983
Construction in progress	2 380 203	2 013 401
TOTAL	20 469 220	20 523 517
Biological assets	862 816	862 816
Long-term financial investments		
Investment in associated companies	8 540	8 540
Deferred income tax asset	384 565	384 565
TOTAL	393 105	393 105
TOTAL NON-CURRENT ASSETS	21 747 448	21 798 940
CURRENT ASSETS		
Inventories		
Raw materials, basic materials and consumables	3 132 940	2 180 187
Biological assets	1 085 082	1 085 082
Unfinished production	1 693 673	1 603 943
Finished production and goods for sale	1 411 683	1 122 470
Advance payments for goods	45 751	51 004
TOTAL	7 369 129	6 042 686
Receivables		
Trade receivables	233 919	179 719
Receivables from related companies	6 268 074	5 630 868
Receivables from associated companies	57 914	20 729
Other receivables	147 679	181 156
Prepaid expenses	314 514	270 058
TOTAL	7 022 100	6 282 530
Cash and cash equivalents	100 370	116 455
TOTAL CURRENT ASSETS	14 491 599	12 441 671
TOTAL ASSETS	36 239 047	34 240 611

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
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Consolidated Statement of Financial Position (continued)

EQUITY AND LIABILITIES

	2018.03.31	2017.12.31
Equity	EUR	EUR
Share capital	579 916	579 916
Share premium	2 828	2 828
Foreign currency exchange fluctuations	-311 174	-314 323
Revaluation reserve of non-current assets	1 370 057	1 370 057
Other reserves	3 741 168	3 741 168
Retained earnings of the previous years	3 552 287	852 908
Retained earnings of the reporting year	1 271 349	2 677 059
TOTAL EQUITY	10 206 431	8 909 613
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	12 589 079	12 526 539
Other loans	2 969 083	3 005 546
Deferred revenue	1 633 459	1 689 105
TOTAL	17 191 621	17 221 190
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	5 264 665	4 263 045
Payable to related companies	0	155 467
Accrued liabilities	470 774	449 711
Taxes and statutory social insurance contributions	298 121	249 154
Other payables	246 000	189 104
Deferred revenue	222 583	222 583
TOTAL	8 840 995	8 109 808
TOTAL LIABILITIES	26 032 616	25 330 998
TOTAL EQUITY AND LIABILITIES	36 239 047	34 240 611

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

Consolidated Statement of Cash Flow

	3 Month of 2018	3 Month of 2017
	EUR	EUR
Cash flow from operating activities		
Profit (+) or loss (-) before tax	1 271 349	192 984
Adjustments for:		
Depreciation of property plant and equipment	476 039	481 663
Deprecation of intangible assets	2 750	4 184
Profit (-) or loss (+) from fluctuations of exchange rate	40 540	-38 772
Non-current and current financial investment value adjustments	-55 646	-55 647
Interest and similar costs	74 588	80 816
Interest and similar income	10 654	0
Operating cash flow before working capital changes	1 798 966	665 228
Adjustments for:		
Increase / decrease in trade and other receivables	-728 916	383 826
Increase / decrease in inventories	-1 329 717	763 195
Increase / decrease in trade and other payables	702 699	-1 150 708
Cash generated from operations	443 032	661 541
Interest paid	-77 400	-83 710
Net cash flow generated from operating activities	365 632	577 831
Cash flow from investing activities		
Income from sales of fixed assets, intangible assets, biological assets	0	2 305
Purchase of property, plant and equipment and intangible assets	-33 196	-9 194
Prepayments for fixed assets under development and construction in progress	-359 152	-6 000
Net cash flow generated from investing activities	-392 348	-12 889
Cash flow from financing activities		
Loans recieved	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 period	-16 085	2 005
Cash and cash equivalents at the beginning of the financial period	116 455	459
Cash and cash equivalents at the end of the financial period	100 370	2 464

Cash flow statement is prepared using the indirect method in accordance with IAS 7.

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
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Consolidated Statement of Changes in Equity

	Share capital	Revaluation reserve of non-current assets	Foreign currency exchange fluctuations	Share premium	Other reserves	Retained earnings of the previous years	Retained earnings of the reporting year	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2016	579 916	1 570 057	-262 768	2 828	3 741 168	-401 450	851 625	6 081 376
Fluctuation of exchange rate	0	0	14 382	0	0	-66 908	0	-52 527
Distribution of profit of the year 2016	0	0	0	0	0	851 625	-851 625	0
Profit for the period	0	0	0	0	0	0	192 984	192 984
Balance as at 31 March 2017	579 916	1 570 057	-248 387	2 828	3 741 168	383 267	192 984	6 221 833
Balance as at 31 December 2017	579 916	1 370 057	-314 323	2 828	3 741 168	852 908	2 677 059	8 909 613
Fluctuation of exchange rate	0	0	3 149	0	0	22 320	0	25 469
Distribution of profit of the year 2017	0	0	0	0	0	2 677 059	-2 677 059	0
Profit for the period	0	0	0	0	0	0	1 271 349	1 271 349
Balance as at 31 March 2018	579 916	1 370 057	-311 174	2 828	3 741 168	3 552 287	1 271 349	10 206 431

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
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