

JOINT STOCK COMPANY "PATA SALDUS"

ANNUAL REPORT

for the 12 months period started on 1 January 2020 and ended 31 December 2020

Saldus, 2021

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The Annual Report is prepared as a unitary document and includes the Report of the Management, the Financial Statements and the Independent Auditor's Report.

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INFORMATION ON THE COMPANY

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 street 86C, Saldus District Saldus, LV-3801 Latvia
Type of operations	Forestry, commercial timber preparation and related services; production of board lumber, etc. NACE 2.0 red. 1610 - sawmilling and planing of wood
Members of the Board	Gatis Zommers - Chairman of the board Jānis Mierkalns - member of the board Ilze Bukulde - 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 Inga Jākobsone - member of the Council
Shareholders holding 5% or more of the voting shares	SIA "Saldus MRU" 44.38% 343 666 shares SIA "Kubit" 27.82% 215 394 shares SIA "PATA" 22.93% 177 516 shares
Subsidiaries	
1. Name of the company	PAKULI SPORTS PREMISES (PAKUĻU SPORTA BĀZE) (100%)
Legal status of the company	Limited Liability Company
Number, place and date of registration	48503009010, November 21, 2002
Address	"Mežvidi", Novadnieku pag., Saldus novads, LV-3801
The main areas of activities of the company	Other sports activities
Owner of the company	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – December 31, 2020
2. Name of the company	Woodworking Centre No.3 (Деревообрабатывающий комбинат № 3) (100%)
Legal status of the company	Limited Liability Company (ООО - Общество с ограниченной ответственностью)
Number, place and date of registration	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 – December 31, 2020

AKCIJU SABIEDRĪBA "PATA SILDUS"

Vienotais reģistrācijas numurs Nr. 40003020121, Kuldīgas iela 86C, Saldus, Saldus novads, LV-3801
GADA PĀRSKATS par 12 mēnešu periodu no 2020.gada 1.janvāra līdz 2020.gada 31.decembrim

Parent company	
1. Name of the company	PATA (PATA) (67%)
Legal status of the company	Limited Liability Company
Number, place and date of registration	40003448619, June 10, 1999
Address	Miera iela 2 (Miera iela 2), Incukalns (Inčukalns), LV-1004
The main areas of activities of the company	Wholesale of wood, silviculture and other forestry activities.
Owner of the company	Uldis Mierkalns (Uldis Mierkalns) – 100%
Financial year	1 January, 2019 - 31 December, 2020
Name and address of the Auditor	Nexia Audit Advice LLC Certified Auditor's Licence No. 134 Number of registration No. 40003858822 Baznīcas street 31-14, Rīga, LV-1010 Latvia Certified Auditor Svetlana Šemele-Baikova LZRA Certificate No. 212

Management Report

Type of operations

Principal activities of the Company are forestry and primary wood processing - lumber production for construction, furniture and for the production of packaging. Starting from 2020 the range of finished products has been supplemented by production of all different types of planed and calibrated lumber. Within the framework of economic activity, the necessary forestry work shall be carried out to ensure reforestation, maintenance and enhancement of the forest by means of environmentally friendly, non-degrading forest management, working in accordance with the requirements and recommendations of forest management and wood supply chain certificates. In the process of wood processing JSC PATA Saldus shall operate in accordance with the requirements of the certificate of the energy management system (LVS EN ISO 50'001:2012). In order to meet these requirements, the Company shall regularly take the appropriate monitoring and improvement measures, but the proportion of these costs in the cost of production is not relevant.

Performance of the Company during the financial year

JSC PATA Saldus profit from operating activities in 2020 was EUR 5 400 420 with a net turnover of EUR 57 617 808, which represents profit per weighted average share issued of 6.52 EUR.

At the beginning of year 2020 the Company, due to Covid-19, was very unpredictable. At the latter half of the year for exploitation was assigned a new lumber planning line, which gave the opportunity for the sale of planed and calibrated lumber and expand the value of finished products. Offered materials let the company conquer new outlets, develop alternative sales channels, which, in turn, reduces the risk of exporting and smooths out fluctuations in the timber market. In result the production of products left a positive impression on the Company's activity during 2020.

The Company's financial statements have been prepared based on the information available to the 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 financial statements shows, that statement of financial position total is EUR 41 196 046. Non-current assets comprise 49% of the statement of financial position total, of which 92% (EUR 18 377 643) comprise of property, plant and equipment. Equity comprises 46% (EUR 18 940 821) of the statement of financial position total. Non-current liabilities comprise 32% (EUR 13 350 319) of the statement of financial position total, while current liabilities comprise 22% (EUR 8 904 906).

The analysis of the Company's statement of comprehensive income shows, that the revenue of the Company for 2020 is EUR 57 617 808, the cost of sales is EUR 51 459 322, so that the gross profit amount is EUR 6 158 486 and net profit amount is EUR 5 400 420.

Calculation of financial results

Items of the Company's statement of comprehensive income	2020 EUR	2019 EUR
Revenue	57 617 808	57 387 266
Gross profit/loss	6 158 486	(870 808)
Profit for the year/loss	5 400 420	(1 865 259)

Items of the Company's statement of financial position	31.12.2020 EUR	31.12.2019 EUR
Current assets	21 124 144	17 255 582
Total assets	41 196 046	38 569 876
Equity	18 940 821	13 432 590
Current liabilities	8 904 906	9 352 762
Total liabilities	22 255 225	25 569 876

Company's financial ratios**2020****2019**

Profitability analysis - profitability ratios analyse the effectiveness of the Company's management decisions to fulfil financial tasks.

Gross margin (Gross profit / Revenue) 10.69% -1.52%

The gross margin ratio shows the ratio of sales to direct costs. The Company uses this indicator to calculate the extent to which changes in revenue affect gross profit.

Commercial profitability ratio (Profit for the year / Revenue) 9.37% -3.25%

The Company uses this ratio to determine the Company's ability to generate profits.

2020**2019**

Return on Equity (Profit for the year / Equity) 28.51% -13.87%

The return on equity shows how effectively the capital invested by the Company's owners is used. The Company uses this indicator to determine how much a potential investor will earn from each of its invested euro.

Return on Assets (Profit for the year / Total assets) 13.11% -4.84%

The Company uses this ratio to calculate the return on total assets used by the Company for its economic activities.

31.12.2020**31.12.2019**

Capital structure analysis - capital structure indicators analyze the Company's capital structure and show how many additional liabilities the Company is able to assume.

Financial Balance Rate (Total assets / Equity) 2.17 2.87

The Company uses this ratio to determine the proportion of cash invested by the Company's owners in the Company's assets.

Liabilities to Equity (Total liabilities / Equity) 1.17 1.87

The Company uses this ratio to determine to what extent the Company is dependent on borrowed capital.

Debt to assets ratio (Total liabilities / Total assets) 0.54 0.65

The Company uses this ratio to determine the Company's long-term and short-term liabilities to total assets.

Liquidity analysis - Liquidity indicators consider the Company's short-term financial performance and liquidity and give an idea of whether the Company is able to settle its current liabilities in a timely and complete manner.

Current liquidity ratio (Current assets / Current liabilities) 2.37 1.84

The Company uses this ratio to calculate the extent to which the Company's current assets are capable of covering short-term liabilities.

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.

Investment programme

In 2020 the company implemented strategically important developments and continued already started research projects. In result of these activities there were developed new planed products and for exploitation assigned a new lumber planning line. The Company will continue already started research projects on enhancing the process of drying lumber and search of new outlets. That lets Company create new products and enlarge the added value of the products produced.

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 not only to environmental pollution, but also 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 technical 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, incl. planned natural resource tax payments, addressing unforeseen environmental problems and reducing ecological risks at all sites.

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 of the Company 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.

The policy of financial risk management of the Company is described in the Annex 43.

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 affect financial results for the year or the financial position of the Company.

Future prospects

In 2021, the Company will continue to develop and expand nature friendly logging through environmentally friendly, non-degrading forest management, working in accordance with the requirements and recommendations of forest management and wood supply chain 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.

Report on corporate governance

The management of the Company shall be responsible for preparing the financial statements on the basis of the initial accounting records for each reporting period, which truly reflects the financial position of the company at the end of the reporting year, as well as the performance and cash flow for that period.

Management confirms that, when drawing up this report for the period ending on 31 December 2020, appropriate accounting methods were used, their application was consistent, reasonable and precautionary decisions have been taken. The management shall confirm that the relevant accounting principles of Latvia have been observed and that the financial statements have been drawn up in accordance with the principle of continuation of activity. Management shall be responsible for keeping adequate accounting records, for maintaining the funds of the company, and for preventing fraud and other unfair practices.

Report on corporate governance for 2020 is electronically publicly available on Nasdaq Riga corporate website: <http://www.nasdaqbaltic.com/market/>.

Management board and supervisory council remuneration report about 2020 is electronically publicly available on Nasdaq Riga corporate website: <http://www.nasdaqbaltic.com/market/>.

Saldus, April 30, 2021

Board:

Gatis Zommers
Chairman of the Board

Jānis Mierkalns
Member of the Board

Ilze Bukulde
Member of the Board

INCOME STATEMENT

	Notes	2020 EUR	2019 EUR
Revenue	(2)	57 617 808	57 387 266
Costs of goods sold or services provided	(3)	(51 459 322)	(58 258 074)
Gross profit or losses		6 158 486	(870 808)
Distribution expenses	(4)	(9 336)	(50)
Administrative expenses	(5)	(345 992)	(353 244)
Other operating income	(6)	871 021	952 533
Other operating expenses	(7)	(772 122)	(911 629)
Interest and similar income incl. <i>a) from group companies</i> <i>a) from other parties</i>	(8)	4 104 2 858 1 246	2 799 2 680 119
Interest and similar expenses incl. <i>b) for other parties</i>	(9)	(500 674) (500 674)	(391 369) (391 369)
Profit or losses before corporate income tax		5 405 487	(1 571 768)
Corporate income tax for the financial year	(10)	(5 067)	(5 067)
Profit or losses after corporate income tax		5 400 420	(1 576 835)
Changes in deferred tax assets or liabilities	(10)	0	(288 424)
Profit or losses for the financial year		5 400 420	(1 865 259)
		<u>6,52</u>	<u>-2,25</u>

Notes on pages 14 to 30 are an integral part of these financial statements.

 Gatis Zommers
 Chairman of the Board

 Jānis Mierkalns
 Member of the Board

 Inga Siliņa
 Chief Accountant

 Ilze Bukulde
 Member of the Board

Saldus, 30 April 2021

BALANCE SHEET

		31.12.2020. EUR	31.12.2019. EUR
	Notes		
<u>ASSETS</u>			
Non-current assets			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights	(11)	42 750	34 997
Total intangible assets:		42 750	34 997
Fixed assets:			
Immovable properties			
a) land plots, buildings and engineering structures	(12)	5 523 012	5 698 660
Fauna and flora:			
b) biological assets	(12)	707 589	710 194
Technological equipment and machinery	(12)	11 856 273	12 872 087
Other fixed assets	(12)	57 809	83 425
Fixed assets under development and construction in progress	(12)	232 960	232 204
Total fixed assets:		18 377 643	19 596 570
Non-current financial investments:			
Investments in group companies	(13)	956 739	956 739
Receivables from group companies	(19)	686 230	717 448
Other securities and investments	(13)	8 540	8 540
Total non-current financial investments:		1 651 509	1 682 727
Total non-current assets:		20 071 902	21 314 294
Current assets			
Inventories:			
Raw materials and consumables	(14)	1 216 814	1 951 591
Work in progress	(15)	1 709 119	1 184 158
Finished goods and goods for sale	(16)	991 933	1 829 479
Fauna and flora			
b) biological assets		1 510 937	1 319 691
Advances for inventories	(17)	170 942	18 052
Total inventories:		5 599 745	6 302 971
Account receivable:			
Trade receivables	(18)	594 893	863 344
Receivables from group companies	(19)	14 399 131	9 768 146
Other receivables	(21)	286 030	106 510
Deferred expenses	(22)	240 244	213 349
Total receivables:		15 520 298	10 951 349
Cash and bank:	(23)	4 101	1 262
Total current assets:		21 124 144	17 255 582
<u>Total assets</u>		41 196 046	38 569 876

Notes on pages 14 to 30 are an integral part of these financial statements.

BALANCE SHEET

		31.12.2020. EUR	31.12.2019. EUR
	Notes		
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital			
Share premium	(24)	579 916	579 916
Non-current investments revaluation reserve		2 828	2 828
Reserves:	(12)	1 477 868	1 370 057
f) other reserves			
f) other reserves	(25)	3 741 168	3 741 168
Retained earnings or uncovered losses brought forward from previous years		7 738 621	9 603 880
Current year profit or losses		5 400 420	(1 865 259)
Total equity:		18 940 821	13 432 590
Liabilities:			
Non-current liabilities:			
Loans from banks	(27)	10 046 427	11 654 743
Other borrowings	(28)	1 549 571	2 091 280
Deferred income	(34)	1 754 321	2 038 501
Total non-current liabilities:		13 350 319	15 784 524
Current liabilities:			
Loans from banks	(27)	1 967 791	1 446 265
Other borrowings	(28)	420 044	484 044
Advances from customers	(29)	57 000	37 410
Trade payables	(30)	3 838 096	5 473 385
Payables to group companies	(31)	1 206 312	789 005
Taxes and state social insurance payments	(32)	422 240	220 000
Other creditors	(33)	258 361	211 911
Deferred income	(34)	284 180	284 180
Accrued liabilities	(35)	450 882	406 562
Total current liabilities:		8 904 906	9 352 762
Total liabilities:		22 255 225	25 137 286
<u>Total equity, provisions and liabilities</u>		<u>41 196 046</u>	<u>38 569 876</u>

Notes on pages 14 to 30 are an integral part of these financial statements.

 Gatis Zommers
 Chairman of the Board

 Inga Siliņa
 Chief Accountant

Saldus, 30 April 2021

 Jānis Mierkalns
 Member of the Board
 Ilze Bukulde
 Member of the Board

STATEMENT OF CHANGES IN EQUITY

	2020 EUR	2019 EUR
Notes		
Share capital		
Opening balance	579 916	579 916
Closing balance	<u>579 916</u>	<u>579 916</u>
Stock (share) premium account		
Opening balance	2 828	2 828
Closing balance	<u>2 828</u>	<u>2 828</u>
Non-current investment revaluation reserve		
Opening balance	1 370 057	1 370 057
Increase/decrease of non-current investment revaluation reserve	107 811	0
Closing balance	<u>1 477 868</u>	<u>1 370 057</u>
Reserves		
Opening balance	3 741 168	3 741 168
Closing balance	<u>3 741 168</u>	<u>3 741 168</u>
Retained earnings		
Opening balance	7 738 621	9 962 010
Increase/decrease in retained earnings for the financial year	5 400 420	(2 223 389)
Closing balance	<u>13 139 041</u>	<u>7 738 621</u>
Equity		
Opening balance	13 432 590	15 655 979
Closing balance	<u><u>18 940 821</u></u>	<u><u>13 432 590</u></u>

Notes on pages 14 to 30 are an integral part of these financial statements.

 Gatis Zommers
 Chairman of the Board

 Inga Siliņa
 Chief Accountant

Saldus, 30 April 2021

 Jānis Mierkalns
 Member of the Board
 Ilze Bukulde
 Member of the Board

CASH FLOW STATEMENT

	2020 EUR	2019 EUR
Notes		
Cash flow from operating activities		
Profit or losses before corporate income tax	5 405 487	(1 571 768)
<u>Adjustments for:</u>		
depreciation and impairment of fixed assets	1 991 517	2 173 493
depreciation and impairment of intangible assets	15 484	22 209
gain or losses from fluctuations of foreign currency rates	31 555	(14 315)
impairment adjustments for non-current and current financial investments	0	52 410
net gain or loss on sale or liquidation of non-current investments	(104 876)	103 278
interest and similar revenue	(4 104)	(2 790)
project co-financing	(284 180)	(267 455)
interest and similar expenses	499 249	391 369
Profit or loss prior to working capital adjustments	7 550 132	886 431
Increase or decrease of account receivable	(4 565 182)	(546 156)
Increase or decrease of inventory	703 226	3 162 776
Increase or decrease of account payables and other liabilities	(938 228)	(1 275 918)
Gross cash flow generated from operating activities	2 749 948	2 227 133
Interest payments	(501 392)	(392 981)
Corporate income tax payments	(5 067)	(5 067)
Net cash flow generated from operating activities	2 243 489	1 829 085
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(166 580)	(384 655)
Revenue from sale of fixed assets and intangible investments	161 182	0
Advance payments for fixed assets, costs of creating fixed assets	(494 688)	(1 438 815)
Loans issued	0	(2 261)
Net cash flow generated from investing activities	(500 086)	(1 825 731)
Cash flow from financing activities		
Loans received	0	1 288 000
Subsidies, grants, gifts or donations received	22 115	334 500
Repayment of loans	(1 738 395)	(1 718 993)
Changes in credit lines	153 512	620 055
Finance lease payments	(177 796)	(167 660)
Dividends paid	0	(358 130)
Net cash flow generated from financing activities	(1 740 564)	(2 228)
Net cash flow in the financial year	2 839	1 126
Cash and cash equivalents at the beginning of the financial year	1 262	136
Cash and cash equivalents at the end of the financial year	4 101	1 262

Notes on pages 14 to 30 are an integral part of these financial statements.

Gatis Zommers
Chairman of the Board

Inga Siliņa
Chief Accountant

Saldus, 30 April 2021

Jānis Mierkalns
Member of the Board
Ilze Bukulde
Member of the Board

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of accounting policies

General principles

Financial report has been prepared in accordance with Latvian law "On Accounting" and Law of annual financial statements and annual consolidated financial statements (the Law), as well as in accordance with Cabinet of Ministers rules No. 775 "rules of annual financial statements and consolidated annual financial statements law application." Derogating from the principles of the Law of annual financial statements and annual consolidated financial statements, the Company recognizes, values, presents biological assets in the financial statements in accordance with International Accounting Standard No. 41 "Agriculture", deferred tax assets - No. 12 "Income Taxes".

The financial statements have been prepared according to the historical cost accounting principle. The income statement is prepared in accordance with the function of expense method. The cash flow statement has been prepared under indirect cash flow method. The financial statements provide a true and fair view of the Company's assets, liabilities, financial position and profit or loss.

General accounting principles

Financial statement items are valued according to the following accounting principles:

- a) it is assumed that the Company will continue its activities;
- b) unless specified separately, the same valuation methods are used as in the previous year;
- c) valuation is made with sufficient precaution, meaning that:
 - profit is recognized only if earned before the end of financial year;
 - all known and foreseeable liabilities and losses occurred before the end of the financial year shall be considered, including when they were revealed during the period between the end of the financial year and the day of preparation of the financial statement;
 - all asset impairment losses and depreciation are considered, regardless of whether the financial year is closed with profit or loss.
- d) unless specified separately, revenues and expenses are recognized according to accruals method, that is, considering the moment of occurrence regardless of the day of payment or day when invoice/receipt was issued. Expenses are reconciled with the revenues of the financial year.
- e) Sections related to Asset and Equity, Provision and Liability items are evaluated and classified separately. Income and expenses are classified and disclosed separately except the gains or losses from sale of non-current assets and from similar transactions (e.g., the result of currency exchange rate fluctuation or the result of sale or purchase of foreign currency), which are offset.
- f) Transactions in the financial statement are represented according to their economic substance and matter rather than according to their legal form.
- g) Items in the balance sheet and profit and loss account shall be valued at acquisition cost or production cost.

Foreign currency conversion in euro

This financial statement is prepared in euro (EUR), which is the functional currency of the Company and the official currency of the Republic of Latvia.

All transactions denominated in foreign currencies are converted into euro at the exchange rate set by the European Central Bank on the day of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro in accordance with the official exchange rate set by European Central Bank for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

	31.12.2020.	31.12.2019.
	EUR	EUR
1 USD	0,8149	0,8902
1 RUB	0,0109	0,0143
1 SEK	0,0997	0,0957

Income recognition and revenue

Revenue contains the total value of goods and services sold during the year excluding discounts and value added tax.

Income is recognized according to the following principles:

- Sales of goods - after significant ownership risk and rewards have been passed to the buyer;
- Rendering of services - under the percentage of completion method;
- Income from fines and penalties - at the moment when payment is received;
- Interest income - on an accrual basis;
- Dividends - at the moment of acquiring legal rights to receive them.

AKCIJU SABIEDRĪBA "PATA SILDUS"

Vienotais reģistrācijas numurs Nr. 40003020121, Kuldīgas iela 86C, Saldus, Saldus novads, LV-3801

GADA PĀRSKATS par 12 mēnešu periodu no 2020.gada 1.janvāra līdz 2020.gada 31.decembrim

Intangible investments and fixed assets are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of intangible and fixed assets. In financial statements intangible and fixed assets are recognized at purchase cost or revalued amount less depreciation.

The difference arising from revaluation is recognized in equity under "Non-current investment revaluation reserve", however value reduction is written-off from value increase that was recognised in reserve during prior years. Surplus is included in income statement. In case of disposal or liquidation of fixed assets, the reserves are written-off to the Income statement in full amount.

Depreciation is calculated on a straight-line basis applying following rates of depreciation set by the management, which are based on the estimated useful life of fixed assets:

	Depreciation % per annum
Intangible assets	2-5
Buildings	10-20
Technological equipment	2-15
Other machinery and equipment, transport vehicles	2-10

The Company capitalizes its fixed assets valued over EUR 142 with useful life exceeding 1 year. 100% Depreciation is applied after commissioning for improvements and other low costs items with the value less than EUR 142 .

If sufficient evidence is acquired that the future economic benefit associated with subsequent repair or reconstruction costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the fixed asset. By capitalizing the cost of replaced parts, the carrying amount of the part replaced is derecognized and charged to the income statement. All other repair and maintenance costs are charged to the income statement during the financial period in which they have incurred.

Net gains or losses from disposal of fixed assets is calculated as the difference between the carrying amount of fixed asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal has incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of fixed or intangible assets could exceed its recoverable value, value of fixed or intangible asset is decreased to its recoverable value. Recoverable value is calculated as the highest of fair value less costs to sell this asset or value in use.

Biological assets

The Company has decided, that forest stands should be considered as biological assets. Biological assets are accounted and evaluated in accordance with IAS 41 "Agriculture" requirements. Forest stands initially are recognised in their cost value, however after primary developments remaining part is recognised in its fair value. Fair value is determined by expressing net present value of biological asset as at 2020 by applying 8% discount rate. Average price for purchased felling site m3 in 2020 was calculated by taking into consideration cost of felling site m3 and costs associated to purchase it. Difference between carrying value and value set after revaluation is recognised as income or expenses depending whether value of asset is increased or decreased after revaluation. Result is disclosed in profit or loss statement under cost of goods sold. Biological assets that can't be developed within a year are disclosed in balance sheet under Fixed asset in separate position, that is called Biological assets. Biological assets that are predicted to be developed within a year are disclosed under Inventories in separate position, that is called Biological assets.

Capitalization of borrowing and other costs

The cost of asset under development is increased by borrowing costs and other direct costs during the period of time that is required to complete and prepare the asset for its intended use. The cost of asset is not increased by borrowing costs during period with no active development of asset.

Research and development costs

Research costs are recognized in the income statement when incurred. Development costs that relate to development of asset intended for sale or own use, are capitalized and recognized as intangible assets and amortized on a straight-line basis starting from the beginning of commercial production of the respective product over the period when the return on this asset is expected.

Investments in subsidiaries, associates and other entities

Participation in capital of subsidiaries, associates and other entities, is recognized at their cost less impairment losses.

Inventories

Inventories are recognized at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value. The costs of materials and other expenses, that are directly related to production of particular item, are included in production cost of inventories. Selling expenses are not included in cost. Inventories are accounted for using the perpetual inventory method. Balance value of inventories is calculated by applying the FIFO method. If net realizable value of inventories is lower than its costs, then the difference is recognized as provisions for the decrease of value.

Account receivable

Trade receivables are recognized at invoiced amounts. After the initial recognition account receivables are measured at net amount less provisions for doubtful debts. Provisions for doubtful receivables are recognized when the management of the Company considers that it is probable that the total amount of receivables will not be collected in full.

Prepaid expenses and deferred income

Payments made before the balance sheet date, but relating to subsequent years, are shown under "Prepaid expenses". Payments received before the balance sheet date, but relating to the following year or subsequent years, are shown as deferred income.

Borrowings and loans

Loans and borrowings are initially recognized at their initial value, which is determined by adding to the fair value of the loan or borrowing amount the costs related to the receipt of the loan or deducting the costs related to the issue of the loan. Borrowings are recognized in the value of funds received, net of transaction costs incurred.

Subsequently, borrowings are stated at amortized costs using the actual interest method. Any difference between the original amount borrowed net of transaction costs and the redemption value is recognized gradually in the income statement during the loan use period or in accordance with accounting policy capitalized at the value of construction in progress.

Provisions, contingent liabilities and assets

Provisions are liabilities related to events from current or previous years and at the preparation of financial statements it is probable that an outflow of resources will be required to settle the obligations and their amounts can be reliably estimated. Provisions are valued at present value of expenditures expected to settle corresponding obligation.

Contingent liabilities are not recognized. These could be classified as liabilities only when a probability of resource outflow becomes sufficiently well-grounded. Similarly, contingent assets are not recognized until probability that the Company will gain economic benefits related to a transaction becomes virtually certain.

Accrued liabilities

Accrued liabilities recognize clearly known amounts of liabilities to suppliers and contractors for goods or services received during the reporting year for which for other reasons the corresponding source document (invoice) for payment has not yet been received at the balance sheet date.

Accrued liabilities for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying average salary day rate of employees for last six months of financial year with amount of accrued but unused annual leave days at the end of reporting year.

Grants and government assistance

Grants received for the acquisition of fixed assets or other non-current assets are recorded as deferred income and recognized as an income in income statement on straight-line basis over the useful life of acquired assets. Other grants and financial support to cover the expenses are recognized as an income in the period when the respective funding has been received and all material conditions in respect to the grants received has been fulfilled (when the grants are received).

Lease-to-buy (financial lease) - the Company is the lessee

In cases when leased assets are received with lease-to-buy (financial lease) conditions, under which all risks and rewards of ownership are transferred to the Company, they are recognized as Company's assets. Assets under the finance lease are recognized at the inception of lease at the lower of fair value of the leased assets or present value of minimum lease payments. Lease interest payments are included in income statement when incurred.

Lease without redemption rights (operating lease) - the Company is the lessee

In cases when assets are leased under conditions without redemption rights, lease payments and prepayment for lease are included in income statement when they arise. Lease classification whether it is financial or operating lease, is determined by substance and essence of the lease, rather than just legal form of lease. Lease is classified as a financial lease also if lease term covers majority of leased asset's useful life. This applies even if the ownership rights are not transferred to lessee at the end of the lease term or in case if the asset is so specific, that without a substantial modification it could not be used by other parties.

a) Corporate income tax for the financial year

Corporate income tax for the financial year is included in financial statements based on the management's calculations prepared in accordance with the tax legislation of the Republic of Latvia.

Deferred tax

In the context of the change in corporate tax regulations, the procedure for calculating corporate income tax has completely changed and the basis for calculating deferred tax assets has disappeared. In order to ensure compliance with the requirement of a true and fair view of the law, the impact of corporate income tax reform in the financial report is reflected by the company as follows:

- preparing an annual report for the reporting year in which it became known that in the next reporting year the new corporate income tax regulation as a result of the corporate income tax reform would continue to apply insofar as this would not be in conflict with the Company's annual report preparation rules and taking into account the new corporate income tax regulations the provisions for covering uncovered losses of previous years is gradually written off from the balance of deferred tax asset balances calculated on the basis of the provisions of the previous corporate income tax provisions for covering tax losses. The amounts of deferred tax assets excluded from the balance sheet are shown in the income statement line "Revenue or charges from changes in deferred tax assets or liabilities".

Share premium

If the new issued shares are sold at a value higher than their nominal value, the Company will receive a positive mark-up. If they are sold at a lower value, the Company shows the negative value in the same item with a minus sign.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

Group companies

Subsidiaries of the group or the parent company of the group, or other subsidiaries of the group, or subsidiaries of the subsidiaries of the group are regarded as the group companies.

Associates

An associated company is an entity within a significant influence of other company, which is provided by holding no less than 20% and no more than 50% of the voting rights.

Related parties

Related parties are considered Group companies, Board and Council members, their close family members and entities, in which the previously mentioned persons or companies have significant influence or control.

Subsequent events

Subsequent events that provide additional information about the Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

(2) Revenue	2020 EUR	2019 EUR
a) By operating activities		
Income from forestry (NACE2 02.20)	5 684 964	5 471 000
Income from timber processing (NACE2 16.10)	48 029 918	48 424 981
Income from freight forwarding (NACE2 49.41)	3 376 654	2 883 774
Income from equipment, premises and territory management (NACE2 81.10)	526 272	607 511
	<u>57 617 808</u>	<u>57 387 266</u>
b) By location		
Income from sales of goods/services in Latvia	57 617 808	57 387 266
	<u>57 617 808</u>	<u>57 387 266</u>

(3) Costs of goods sold or services provided	2020 EUR	2019 EUR
Purchase of costs of goods sold	1 217 647	1 648 498
Raw materials and consumables	1 669 664	2 028 451
Purchase of felling rights	32 768 985	37 655 790
Correction for unfinished production inventory	(457 492)	222 636
Subcontractors' services, outsourced works and services	3 045 608	2 414 768
Woodworking equipment maintenance costs	562 701	703 645
Woodworking and forest equipment maintenance costs	853 754	912 894
Fuel costs	1 047 218	1 179 690
Revaluation of biological assets	(219 162)	247 143
Utility expenses	1 892 590	2 228 075
Salary expenses	4 160 939	3 945 692
State mandatory social insurance contributions	1 079 127	1 065 068
Accrual for unused vacations	390 743	382 245
Depreciation of intangible and fixed assets	1 959 298	2 088 269
Real estate tax	38 771	20 540
Lease payment for wood processing, forestry machinery and equipment	1 000 579	#####
Other payment for rented wood processing and forestry machinery	75 667	84 642
Other services received	372 685	410 786
	<u>51 459 322</u>	<u>58 258 074</u>

(4) Distribution expenses	2020 EUR	2019 EUR
Advertising, market research and marketing costs	9 336	50
	<u>9 336</u>	<u>50</u>

(5) Administrative expenses	2020 EUR	2019 EUR
Salary expenses	78 550	87 213
State mandatory social insurance contributions	19 801	22 690
Accrual for unused vacations	6 835	7 997
Office expenses	32 783	36 223
Bank services	26 564	40 596
Depreciation of intangible and fixed assets	45 098	49 925
Real estate tax	2 157	2 157
Financial statement audit expenses	9 950	9 950
Administration department vehicle expenses	6 385	8 167
Other administrative expenses	64 599	75 016
Legal services	53 270	13 310
	345 992	353 244

(6) Other operating income	2020 EUR	2019 EUR
Income from disposal of intangible and fixed assets	104 876	13 614
Rental income	86 249	85 993
Depreciation of deferred income (see also Note 34)	284 180	267 455
Co-financing from Rural Support Service and EU structural funds	22 115	35 317
Net gain from fluctuations of currency exchange rates	0	14 003
Other income	373 601	536 151
	871 021	952 533

Object of long-term investment	Balance sheet value at the time of exclusion	Proceeds of disposal	Gross profit or losses	Profit or losses from disposal object
Technological equipment	12 333	68 000	55 667	55 667
Other fixed assets	0	1 500	1 500	1 500
Technological equipment	43 241	90 000	46 759	46 759
Other fixed assets	0	350	350	350
Other fixed assets	0	300	300	300
Other fixed assets	0	300	300	300
Other fixed assets	732	732	0	0
Total	56 306	161 182	104 876	104 876

(7) Other operating expenses	2020 EUR	2019 EUR
Rent on real estate	4 122	4 183
Low-value inventory	7 092	15 771
Net losses from currency exchange rate fluctuations	31 926	0
Security service costs	141 741	132 950
Utilities and maintenance costs	158 382	156 313
Insurance payments	42 272	40 646
Employee training expenses	16 635	16 297
Labor protection costs	60 333	58 342
Health Insurance	56 440	57 818
Penalties paid	24 449	20 153
Provisioning for doubtful debtors	0	27 671
Expenditure on decommissioning of fixed assets	0	103 278
Staff sustainability costs	14 672	12 577
Donations	300	1 000
Participation in associated	0	52 410
Other expenses	213 758	212 220
	772 122	911 629

(8) Interest and similar income

a) from group companies

	2020 EUR	2019 EUR
Other interest income	2 858	2 680
	<u>2 858</u>	<u>2 680</u>

b) from other parties

Other interest income	1 246	119
	<u>1 246</u>	<u>119</u>
Total interest and similar expenses	<u><u>4 104</u></u>	<u><u>2 799</u></u>

(9) Interest and similar expenses

b) from other parties

Interest charge	500 674	391 369
	<u>500 674</u>	<u>391 369</u>
Total interest and similar expenses	<u><u>500 674</u></u>	<u><u>391 369</u></u>

(10) Corporate income tax

a) Components of corporate income tax

	2020 EUR	2019 EUR
Corporate income tax according to the tax return	5 067	5 067
	<u>5 067</u>	<u>5 067</u>

AKCIJU SABIEDRĪBA "PATA SILDUS"

Vienotais reģistrācijas numurs Nr. 40003020121, Kuldīgas iela 86C, Saldus, Saldus novads, LV-3801

GADA PĀRSKATS par 12 mēnešu periodu no 2020.gada 1.janvāra līdz 2020.gada 31.decembrim

b) Movement and components of deferred tax

Deferred tax liabilities (asset) at the beginning of the financial year	0	288 424
Deferred tax charged to the income statement	0	(288 424)
Deferred tax liabilities (asset) at the end of the financial year	0	0

(11) Intangible assets

	Concessions, patents, licenses, trade marks and similar rights	Total		Concessions, patents, licenses, trade marks and similar rights	Total
	EUR	EUR		EUR	
Initial cost			Initial cost		
31.12.2019	121 032	121 032	31.12.2018	82 183	82 183
Purchase	23 237	23 237	Purchase	31 307	31 307
Disposals	0	0	Disposals	(754)	(754)
Reclassification between other assets items		0			
31.12.2020	144 269	144 269	31.12.2019	121 032	121 032
Depreciation			Depreciation		
31.12.2019	(86 035)	(86 035)	31.12.2018	(64 319)	(64 319)
Calculated	(15 484)	(15 484)	Calculated	(22 209)	(22 209)
Disposals	0	0	Disposals	493	493
31.12.2020	(101 519)	(101 519)	31.12.2019	(86 035)	(86 035)
Net carrying amount 31.12.2019	34 997	34 997	Net carrying amount 31.12.2018	17 864	17 864
Net carrying amount 31.12.2020	42 750	42 750	Net carrying amount 31.12.2019	34 997	34 997

(12) Fixed assets, investment property and biological assets

	Land plots, buildings and engineering structures	Biological Assets	Technological equipment and machinery	Other fixed assets	Fixed assets under development and construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Initial cost						
31.12.2018	9 603 958	767 702	24 293 443	335 501	590 078	35 590 682
Purchase/ increased value	115 328	0	209 097	47 351	1 453 730	1 825 506
Disposals	(453 734)	(57 508)	(504 819)	(16 726)	0	(1 032 787)
Reclassification between other asset items	42 862	0	1 760 446	0	(1 811 604)	(8 296)
31.12.2019	9 308 414	710 194	23 997 721	366 126	232 204	36 375 105
Depreciation						
31.12.2018	(3 540 718)	0	(11 728 084)	(250 564)	0	(15 519 366)
Calculated	(413 641)	0	(1 653 901)	(48 443)	0	(2 115 985)
Disposals	344 605	0	495 905	16 306	0	856 816
31.12.2019	(3 609 754)	0	(12 886 080)	(282 701)	0	(16 778 535)
Net carrying amount 31.12.2018	6 063 240	767 702	12 565 359	84 937	590 078	20 071 316
Net carrying amount 31.12.2019	5 698 660	710 194	12 872 087	83 425	232 204	19 596 570

	Land plots, buildings and engineering structures	Biological Assets	Technological equipment and machinery	Other fixed assets	Fixed assets under development and construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Initial cost						
31.12.2019.	9 308 414	710 194	25 758 167	366 126	232 204	36 375 105
Purchase/ increased value	322 113	0	126 408	16 255	517 680	982 456
Disposals	(183 445)	(2 605)	(527 083)	(25 353)	0	(738 486)
Reclassification between other asset items	0	0	516 924	0	(516 924)	0
31.12.2020.	9 447 082	707 589	25 874 416	357 028	232 960	36 619 075
Depreciation						
31.12.2019.	(3 609 754)	0	(12 886 080)	(282 701)	0	(16 778 535)
Calculated	(344 201)	0	(1 603 571)	(41 140)	0	(1 988 912)
Disposals	29 885	0	471 508	24 622	0	526 015
31.12.2020.	(3 924 070)	0	(14 018 143)	(299 219)	0	(18 241 432)
Net carrying amount 31.12.2019	5 698 660	710 194	12 872 087	83 425	232 204	19 596 570
Net carrying amount 31.12.2020	5 523 012	707 589	11 856 273	57 809	232 960	18 377 643

Cadastral value of fixed assets

The Company's management, assessing the market situation, land disposal price trends, estimates that the carrying amount of revalued property, plant and equipment corresponds to their market value on 31.12.2020.

In 2020, land revaluation was performed. The revaluation was performed by a certified company SIA "Latio", certificate No.3.

Changes in the revaluation reserve for property, plant and equipment during the reporting year by property, plant and equipment are as follows:

	Revaluation reserves 31.12.2020	Revaluation reserves 31.12.2019
	EUR	
Real estate		
a) land plots, buildings and engineering structures	1 477 868	1 370 057
TOTAL	1 477 868	1 370 057

In case if the revaluation had not been made, the value of the land plot would be as follows:

	31.12.2020. EUR	31.12.2019. EUR
Cost	1 857 121	1 852 471
Net carrying amount	1 857 121	1 852 471

AKCIJU SABIEDRĪBA "PATA SILDUS"

Vienotais reģistrācijas numurs Nr. 40003020121, Kuldīgas iela 86C, Saldus, Saldus novads, LV-3801

GADA PĀRSKATS par 12 mēnešu periodu no 2020.gada 1.janvāra līdz 2020.gada 31.decembrim

(13) Participation in the capital

a) movement of participation

	Participation in the equity of group companies EUR	Non-current Participation in the equity of associates EUR	Total EUR
Initial cost			
31.12.2019.	956 739	8 540	965 279
31.12.2020.	956 739	8 540	965 279
Net carrying amount 31.12.2019	956 739	8 540	965 279
Net carrying amount 31.12.2020	956 739	8 540	965 279

b) participation in the equity of subsidiaries

Name	Address	Participating interest		Equity		Profit or loss	
		31.12.2019. %	31.12.2020. %	31.12.2019. EUR	31.12.2020. EUR	2019 EUR	2020 EUR
SIA PAKUĻU SPORTA BĀZE	"Mežvidi", Novadnieku pag., Saldus novads, LV-3801	100	100	236 720	263 328	-111 419	26 608
Деревообрабатывающие	180005, Россия, г. Псков, Зональное	100	100	(966 628)	(1 033 085)	(543)	(293 786)

c) other securities and investment

Name	Address	31.12.2019.	31.12.2020.
SIA SILDUS ENERĢIJA	Cēsu iela 14, Rīga, LV-1012	19,54%	19,54%

(14) Raw materials and consumables

	31.12.2020. EUR	31.12.2019. EUR
Materials, spare parts, Inventories:	248 491	272 800
Raw materials (logs in forest and sawmill)	968 323	1 678 791
	1 216 814	1 951 591

(15) Work in progress	31.12.2020.	31.12.2019.
	EUR	EUR
Forestry work in progress	268 432	170 189
Sawn timber in production	1 440 687	1 013 969
	<u>1 709 119</u>	<u>1 184 158</u>
(16) Finished goods and goods for sale	31.12.2020.	31.12.2019.
	EUR	EUR
Finished goods saw timber	991 933	1 829 479
	<u>991 933</u>	<u>1 829 479</u>
(17) Advances for inventories	31.12.2020.	31.12.2019.
	EUR	EUR
Advances for inventories	170 942	18 052
	<u>170 942</u>	<u>18 052</u>
(18) Trade receivables	31.12.2020.	31.12.2019.
	EUR	EUR
Book value of trade receivables	645 604	914 156
(Provisions for bad and doubtful debts)	(50 712)	(50 812)
	<u>594 893</u>	<u>863 344</u>
Provisions for bad and doubtful debts have been made in 100 % of their book value.		
(19) Receivables from group companies	31.12.2020.	31.12.2019.
	EUR	EUR
Non-current		
Loans to ООО Деревообрабатывающий комбинат № 3	686 230	717 448
	<u>686 230</u>	<u>717 448</u>
Current		
Receivables from the group companies for the goods delivered and services provided	14 957 448	10 323 945
Accrual for doubtful debts	(558 317)	(555 799)
	<u>14 399 131</u>	<u>9 768 146</u>

In the reporting year JSC PATA Saldus has not lent money to ООО Деревообрабатывающий комбинат №3. Loan term for long-term loans is set until year 2021.

(21) Other receivables	31.12.2020. EUR	31.12.2019. EUR
VAT overpaid	274 794	101 410
Paid guarantee fees	5 003	4 668
Other receivables	6 233	432
	<u>286 030</u>	<u>106 510</u>

(22) Deferred expenses	31.12.2020. EUR	31.12.2019. EUR
Insurance payments	12 603	16 638
Prepayment for office rent	44	38
Subscription fees	8 591	8 344
1st lease installment	96 939	130 145
Other expenses	122 067	58 184
	<u>240 244</u>	<u>213 349</u>

(23) Cash and bank	31.12.2020. EUR	31.12.2019. EUR
Cash at bank in checking accounts	4 101	1 262
	<u>4 101</u>	<u>1 262</u>

(24) Share capital

The company is a joint stock company. The share capital of the Company is EUR 579 916. Value per share is EUR 0.70 (zero euro 70 euro cents). 774 272 shares are public bearer shares and are dematerialized, however 54 180 of shares are personal registered shares. The Board and Council members do not own voting shares.

The parent of the Company is SIA PATA with the legal address Miera iela 2, Inčukalns, Inčukalna pagasts, Inčukalna novads LV-2141. Consolidated annual report of the Group is prepared by SIA PATA. A copy of the consolidated annual report is available at the Register of Enterprises of the Republic of Latvia.

(25) Reserves

According to the Latvian statutory requirements the Company created reserves in the previous periods. This legal requirement is no more effective in the financial year. These reserves are expected to be reclassified to retained earnings.

(26) Distribution of the Company's profit

The Company's Board proposes to divert the retained earnings for development of the Company.

(27) Loans from banks	31.12.2020. EUR	31.12.2019. EUR
Non-current (repayment term in the period from 2 to 5 years)		
Luminor Bank AS (2013-104-OD)	9 532 134	9 352 964
Luminor Bank AS (2012-85-A)	0	86 504
Luminor Bank AS (2012-84-A)	0	292 397
Luminor Bank AS (2006/202/A)	0	4 876
Luminor Bank AS (2014-169-A)	0	109 638
Luminor Bank AS (2017-42-A-CFLA)	514 293	850 989
Luminor Bank AS (196K/18T-CFLA)	0	957 375
	10 046 427	11 654 743
Current		
Luminor Bank AS (2010-139-OD)	0	25 658
Luminor Bank AS (2012-85-A)	86 504	86 504
Luminor Bank AS (2012-84-A)	292 397	292 397
Luminor Bank AS (2006/202/A)	0	58 510
Luminor Bank AS (2014-169-A)	294 819	480 000
Luminor Bank AS (2017-42-A-CFLA)	336 696	336 696
Luminor Bank AS (196K/18T-CFLA)	957 375	166 500
	1 967 791	1 446 265

Agreement No. 2013-104-OD - Subject of the pledge: All commercial pledgor's property as a whole at the moment of pledging, as well as the future components of the pledge. Registered mortgage on the real estate owned by the Company at the address Kuldīgas Street 86A, Saldus, Saldus district. The maximum amount of the secured claim is EUR 12 398 100.

Agreement No. 196K/18T - Subject of the pledge: Property, plant and equipment. The maximum amount of the secured claim is EUR 1 950 000.

Agreement No.2017-42-A - Subject of the pledge: Property, plant and equipment. The maximum amount of the secured claim is EUR 3 090 703.

Mezzanine loan agreement No.MA/12/14 - Subject of the pledge: Property, plant and equipment. The maximum amount of the secured claim is EUR 2 065 800.

Agreement No.2014-169-A - Subject of the pledge: Property, plant and equipment. The maximum amount of the secured claim is EUR 3 120 000.

Agreement No.2012-85-A - Subject of the pledge: All commercial pledgor's property as a whole at the moment of pledging, as well as the future components of the pledge. The maximum amount of the secured claim is EUR 832 380.01.

Agreement No.2012-84-A - Subject of the pledge: All commercial pledgor's property as a whole at the moment of pledging, as well as the future components of the pledge. The maximum amount of the secured claim is EUR 3 699 466.71.

Ovedraft and Guarantee Line Agreement No.2011-494-ODGA - Subject of the pledge: All commercial pledgor's property as a whole at the moment of pledging, as well as the future components of the pledge. The maximum amount of the secured claim is EUR 1 820 137.62.

Ovedraft agreement No.2011-150-OD - Subject of the pledge: All commercial pledgor's property as a whole at the moment of pledging, as well as the future components of the pledge. The maximum amount of the secured claim is EUR 1 942 220.02.

The Company's liabilities to the credit institution are strengthened by a guarantee of a related company.

Loan repayment terms are until 31.05.2022

(28) Other borrowings	31.12.2020. EUR	31.12.2019. EUR
Non-current		
Other loans (from private individuals)	648 000	828 333
JSC Attīstības finanšu institūcija Altum	847 299	1 165 059
Liabilities according to the finance lease agreements	54 272	97 888
	1 549 571	2 091 280
Current		
JSC Attīstības finanšu institūcija Altum	317 760	317 760
Liabilities according to the finance lease agreements	102 284	166 284
	420 044	484 044

Loan from AS Attīstības finanšu institūcijas Altum is dedicated to the purchase, supply and installation of sawing and finished product sorting equipment and for the construction of a sawmill. Real estate serves as collateral. The loan repayment date is until August 26, 2024.

The amount of repayment of the AS Attīstības finanšu institūcijas Altum after 5 years is EUR 0.

Finance lease liabilities

As disclosed in Note 28, the Company has acquired fixed assets under finance lease. Total finance lease liabilities as at December 31, 2019 is EUR 264 172.

The future minimum finance lease payments are:

	31.12.2020. EUR	31.12.2019. EUR
Payable within 1 year	105 057	171 258
Payable from 2 to 5 years	56 085	101 528
Finance lease gross liabilities	<u>161 142</u>	<u>272 786</u>
Future finance costs	(4 585)	(8 614)
Present value of finance lease liabilities	<u><u>156 557</u></u>	<u><u>264 172</u></u>

(29) Advances from customers

	31.12.2020. EUR	31.12.2019. EUR
Current		
Advances of sawn timber	57 000	37 410
	<u><u>57 000</u></u>	<u><u>37 410</u></u>

(30) Trade payables

	31.12.2020. EUR	31.12.2019. EUR
Current		
Payables for supplies of goods and services supplied	3 838 096	5 473 385
	<u><u>3 838 096</u></u>	<u><u>5 473 385</u></u>

(31) Payables to group companies

	31.12.2020. EUR	31.12.2019. EUR
Current		
Payables for supplies of goods and services supplied	1 206 312	789 005
	<u><u>1 206 312</u></u>	<u><u>789 005</u></u>

(32) Taxes and social insurance payments

	31.12.2020. EUR	31.12.2019. EUR
Current		
Personal income tax	136 013	107 329
State mandatory social insurance contributions	278 346	105 897
Real estate tax	438	438
Natural resources tax	2 311	1 269
Corporate income tax	5 067	5 067
Business risk state duty	65	0
	<u><u>422 240</u></u>	<u><u>220 000</u></u>

(33) Other creditors

	31.12.2020. EUR	31.12.2019. EUR
Current		
Salaries	254 143	208 748
Other liabilities	4 218	3 163
	<u><u>258 361</u></u>	<u><u>211 911</u></u>

(34) Deferred income	31.12.2020. EUR	31.12.2019. EUR
Non-current		
EU co-financing for the acquisition of assets - non-current portion	1 754 321	2 038 501
	1 754 321	2 038 501
Current		
EU co-financing for the acquisition of assets - current portion	284 180	284 180
	284 180	284 180

Deferred income includes: 1. V/A Latvian Investment and Development Agency (LIDA) program funding according to project No. APV/2.1.2.4.0/13/03/030 with an agreement No.L-APV-14-0114, that was received in 2015 in amount of EUR 462 735 and is intended for acquisition and development of fixed assets; 2. V/A Latvian Investment and Development Agency program funding according to project No.APV/2.1.2.4.0/09/01/034 with an agreement No.L-APV-10-0015, that was received in time period between 2010 and 2013 in amount of EUR 3 339 616, and was intended for acquisition and development of fixed assets. 3. Financing of the program of the Central Finance and Contracts Agency according to the project / contract on the implementation of the European Union fund project No. 4.1.1.0/17/A/007 "To ensure significant energy savings for JSC PATA Saldus" received from 2018 in the amount of EUR 589 454 for the acquisition and establishment of fixed assets. 4. Financing of the program of the Central Finance and Contracts Agency according to the project / contract on the implementation of the European Union fund project No. 4.1.1.0/18/A/017 "To ensure significant energy savings for JSC PATA Saldus number 2", received from 2019 in the amount of EUR 334 500 for the acquisition and establishment of fixed assets. Deferred income from LIDA funding are recognized as income in the income statement of purchased assets during the useful life of 10-15 years, respectively.

For 5 years since receipt of funding the Group has an obligation to comply with co-funding agreement terms about use of the acquired asset in project place and intended project aims, by avoiding asset alienation and use of third parties, by insuring the asset and by complying with other obligations. In non – compliance case with agreement conditions the Group could be required to repay the funds. According to management's assessment, this scenario is very unlikely.

(35) Accrued liabilities	31.12.2020. EUR	31.12.2019. EUR
Accrued trade payables	64 085	61 401
Accrued unused annual leave expenses	386 797	345 161
	450 882	406 562

(36) Fees paid to auditors	2020 EUR	2019 EUR
For the audit of financial statements	9 950	9 950
	9 950	9 950

(37) Average number of employees	2020	2019
Members of the Council	1	1
Other employees	1	1
Average number of employees during the financial year	235	236
	237	238

(38) Remuneration to personnel	2020 EUR	2019 EUR
Remuneration for work	4 238 514	4 032 905
State mandatory social insurance contributions	1 097 905	1 086 730
Business risk state duty	1 023	1 028
	5 337 442	5 120 663

(39) Remuneration to the management	2020 EUR	2019 EUR
Remuneration for Chairman of the Board	48 090	2 063
State mandatory social insurance contributions for Chairman of the Board	5 290	497
	53 380	2 560

A member of the Board and a member of the Council perform their duties without compensation.

(40) Transactions with related parties

The main shareholder of the Company, who owns 67 % of shares of the Company, is SIA PATA (Latvia), reg.No.40003448619. The ultimate parent company is SIA PATA (Latvia)

In 2020, the Company had a transactions with the following group companies that are directly or indirectly subsidiaries of SIA PATA. The Company had also transactions with companies owned by its subsidiaries and with related entity SIA SALDUS ENERĢIJA (Latvia), that is not part of the Group. During the financial year the Company has not entered into transactions with the Management Board and Council members, with the exception of salaries paid for the job.

a) claims and liabilities

	31.12.2020.		31.12.2019.	
	Receivables EUR	Payables EUR	Receivables EUR	Payables EUR
Group companies				
Parent company	14 393 992	1 206 312	8 976 351	0
Subsidiaries	5 139	0	5 355	0
	<u>14 399 131</u>	<u>1 206 312</u>	<u>8 981 706</u>	<u>0</u>
Other related parties				
Directors and officers		588 333		588 333
	<u>0</u>	<u>588 333</u>	<u>0</u>	<u>588 333</u>
	<u>14 399 131</u>	<u>1 794 645</u>	<u>8 981 706</u>	<u>588 333</u>

b) transactions

	Sales to related parties		Purchases from related parties	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Group companies				
Goods for sale	50 247 455	50 951 304	11 166 714	11 129 827
	<u>50 247 455</u>	<u>50 951 304</u>	<u>11 166 714</u>	<u>11 129 827</u>
Other related parties				
Goods for sale	170 011	0	879 935	1 043 807
	<u>170 011</u>	<u>0</u>	<u>879 935</u>	<u>1 043 807</u>
	<u>50 417 466</u>	<u>50 951 304</u>	<u>12 046 649</u>	<u>12 173 634</u>

(41) Financial commitments

b) Operating lease commitments

The Company uses forestry industrial equipment, as well as cars for administration needs that have been received under operating lease agreements. Lease expenses recognized in financial statement are EUR 1 000 579.

The Company has the following non-cancellable lease liabilities:

	31.12.2020. EUR	31.12.2019. EUR
Payable within 1 year	937 838	958 389
Payable from 2 to 5 years	602 017	1 539 855
	<u>1 539 855</u>	<u>2 498 244</u>

(42) Financial risk management

Financial risks related to the financial instruments of the Company are mainly the interest rate risk, the liquidity risk and the credit risk. The Management of the Company seeks to minimize potential adverse effects of the financial risks on the Company's financial position. The Company does not use derivative financial instruments to hedge certain risk exposures.

Market risk - Interest rate risks

The Company is subject to the interest rate risk, mainly with respect to its variable interest rate borrowings. The management of the Company considers a possibility to apply risk hedging instruments in order to minimize the effect of variable interest rates / to switch over to a fixed interest rates.

Credit risk

The Company is subject to the credit risk with respect to the trade receivables, issued short-term loans, cash and cash equivalents. The Company manages its credit risk by constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company also is constantly monitoring the balances of trade receivables to decrease the risk of non-recoverability of debts. The Company has a significant concentration of credit risk with one business partner - SIA PATA.

Liquidity risk

The Company manages its liquidity risk, maintaining the appropriate amount of cash and cash equivalents and also by using the bank credit line facilities. See also Note 43 in respect of the use of going concern assumption.

(43) Use of going concern assumption

The Company has finished the financial year, which was closed on 31 December 2020, with profit of EUR 5 400 420. As of this date, the Company's current assets exceeded current liabilities by EUR 13 010 123, and total assets exceeded total liabilities by EUR 18 940 821.

Financial results of 2020 are in accordance with going concern assumption, as well as a going concern is dependent of financial results in next periods.

(44) Subsequent events

Since the last date of the financial year until the date of signing of financial statements, there haven't been any subsequent events, which would have a significant effect on the financial position of the Company as at 31 December 2020.

Gatis Zommers
Chairman of the Board

Jānis Mierkalns
Member of the Board

Inga Siliņa
Chief Accountant

Ilze Bukulde
Member of the Board

Saldus, 30 April 2021

The annual report has been approved by the general meeting of stockholders _____ 2021

INDEPENDENT AUDITOR'S REPORT

**To the stockholders of
Joint Stock Company "PATA Saldus"**

Report on the Audit of the Financial Statements

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of AS "PATA Saldus", reg.No. 40003020121 ("the Company") set out on pages 9 to 30 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2020,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AS "PATA Saldus" as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report:

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Key audit matter	Our response
Existence and valuation of inventories	
<i>The Company's balance sheet as at 31 December 2020 includes inventories with carrying amount of EUR 5 428.8 thousand, which represents 13.18% of total assets of the Company.</i> <i>We refer to Notes 14 to 16 to the financial statements of the Company.</i> Taking into account the specifics of the forestry, primary processing of timber - the lumber industry and the volume of inventories in the Company's financial statements, it is essential to determine the net realizable value of the inventories, therefore we consider this issue to be significant in the context of the audit.	Our procedures included, among others: • we evaluated the results of internal control activities in inventory count and other control measures; • we considered the results of the inventory count; • we participated in warehouse inventories count, observing the inventory count procedures and progress; • we tested the purchase value of inventories on a sampling basis; • we performed analytical and detailed procedures and reviewed calculations of the net realizable value of inventories; • assessed the accuracy and completeness of the information presented in the notes to the financial statements regarding the Company's inventories.

Reporting on Other Information

The Company management is responsible for the other information. The other information comprises:

- information about the Company, as set out on pages 3-4 of the accompanying Annual Report,
- the Management Report, which contains the Statement on Management Responsibility as set out on pages 5-8 of the accompanying Annual Report,
- the Statement on Corporate Governance, prepared as a separate part of the annual report, indicating in the Management Report the website address on the Internet, where the Statement on Corporate Governance is available to the public in electronic form,
- the Remuneration Report, published at the website address on the Internet indicated in the Management Report, where the Remuneration Report is available to the public in electronic form.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material

misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement on Corporate Governance includes the information required in section 56.¹, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.², second paragraph, clause 5 and if it includes the information stipulated in section 56.² second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement on Corporate Governance includes the information required in section 56.¹, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.², second paragraph, clause 5 and it includes the information stipulated in section 56.² second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information required in section 59.⁴ of the Financial Instruments Market Law, and whether material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the annual report.

In our opinion, the Remuneration Report includes the information required in section 59.⁴ of the Financial Instruments Market Law, and no material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the annual report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse

consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities

We were appointed by stockholders on 30 July 2020 to audit the financial statements of AS "PATA Saldus" for the year ended 31 December 2020. Our total uninterrupted period of engagement is 4 years, covering the period ending 31 December 2017 to 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Council of the Company, which performs functions of the Audit Committee;
- as referred to in paragraph 37.⁶ of the Law on Audit Services of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to in the Article 5 Paragraph 1 of the EU Regulation (EU) No. 537/2014. We also remained independent of the audited entity in conducting the audit.

The responsible certified auditor on the audit resulting in this independent auditors' report is Svetlana Šemele-Baikova.

SIA "Nexia Audit Advice"
The Firm of Sworn Auditors, Licence No. 134



Svetlana Šemele-Baikova
The responsible Certified Auditor,
Certificate No. 212

Riga, Latvia
April 30, 2021



Andrejs Ponomarjovs
Chairman of the Board,
Director General