

**JOINT STOCK COMPANY „PATA SALDUS”**

(UNIFIED REGISTRATION NUMBER 40003020121)

**FINANCIAL REPORT FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2017 (UNAUDITED)**

PREPARED IN ACCORDANCE WITH

THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

**Saldus, 2017**

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## Information about the Company

Name of the Company	<b>PATA Saldus (PATA Saldus)</b>
Legal status of the Company	Joint Stock Company
Registration number, place, and date	40003020121 August 26, 1991, Riga
Address	Kuldigas iela 86C, Saldus, Saldus novads, LV 3801
The main areas of activities of the Company NACE code	Forestry, commercial timber preparation and related services; production of board lumber, etc. 022; 494; 521
Members of the Board: name, surname, position	Andris Krastins ( <i>Andris Krastiņš</i> )- Chancellor of the Board Janis Mierkalns ( <i>Jānis Mierkalns</i> )- member of the Board Ilze Bukulde ( <i>Ilze Bukulde</i> ) - member of the Board Gatis Zommers ( <i>Gatis Zommers</i> ) - member of the Board
Members of the Council: name, surname, position	Uldis Mierkalns ( <i>Uldis Mierkalns</i> ) – Chairman of the Council Janis Bertrāns ( <i>Jānis Bertrāns</i> ) - Deputy Chairman of the Board Inga Mierkalna ( <i>Inga Mierkalna</i> )- member of the Council Atis Kalniņš ( <i>Atis Kalniņš</i> )- member of the Council Ieva Sniedze ( <i>Ieva Sniedze</i> )- member of the Council
Subsidiary enterprise	
1. Name of the company	<i>Pakuli Sports Premises (Pakuļu sporta bāze) (100%)</i>
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE COMMERCIAL REGISTER	48503009010 November 21, 2002
Address	“Mežvidi”, Novadnieku pag. Saldus rajons LV 3801
The main areas of activities of the company	Hunting and related services. Organisation of training and competitive shooting using hunting weapons.
Owner of the company	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – March 31, 2017
2. Name of the company	Woodworking Centre No.3 ( <i>Деревообрабатывающий комбинат № 3</i> ) (100%)
Legal status of the company	Limited Liability Company ( <i>ООО - Общество с ограниченной ответственностью</i> )
Registration number, date, place	1066027046337 October 9, 2006
Address	Russia: 180005, Россия, г. Псков, Зональное шоссе, д. 44-А
The main areas of activities of the company	Woodworking, production of board lumber
Owner of the company	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – March 31, 2017

Associated enterprise

1. Name of the company	Saldus energija ( <i>Saldus enerģija</i> ) (20%)
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE COMMERCIAL REGISTER	40103265702 December 22, 2009
Address	Mukusalas iela( <i>Mūkusalas iela</i> ) 41B-8, Rīga ( <i>Rīga</i> ), LV-1004
The main areas of activities of the company	Production of electricity, activities of holding companies.
Owner of the company	PATA Saldus (PATA Saldus), JSC – 20%
Reporting year	January 1 - March 31, 2017

Parent company

Name of the company	PATA ( <i>PATA</i> ) (65%)*
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE COMMERCIAL REGISTER	40003448619, June 10, 1999
Address	Miera iela 2( <i>Miera iela 2</i> ), Incukalns ( <i>Inčukalns</i> ), LV-1004
The main areas of activities of the company	Wholesale of wood, silviculture and other forestry activities.
Owner of the company	Uldis Mierkalns ( <i>Uldis Mierkalns</i> ) – 100%
Reporting year	January 1 – March 31, 2017

\* Direct participation. Previously (period of 2015, 3months of 2016) reported control

Name and address of the Auditor	Certified Auditor Svetlana Koļesņikova, Certificate No. 22 Self-employed persons reg.No. 0058404 Liepājas iela 2-29A Rīga, LV-1004 Latvia
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## Management announcement

### *To Report of economic activity for the 3 month period of 2017*

#### **Type of operations**

Principal activities of the Company are forestry and primary wood processing - lumber production. The company complies with FSC and all other environmental requirements. In order to comply with these requirements the Company takes appropriate monitoring and improvement actions on regular basis, however costs for these actions are relatively low with respect to overall production costs.

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

JSC PATA Saldus profit from operating activities for the 3 month 2017 was 168 839 EUR with a net turnover of 12 136 949 euros, which represents earnings per share issued of 0.41 EUR. The Company's financial statements have been prepared based on the information available to board, existing laws and regulations, that gives a true and fair view of assets, liabilities, financial position and profit or loss that is generated by the Company and consolidated group. It is in interest of the Company to take care of their employees' social protection and well-being, because only then the development of the Company can be sustainable.

#### **Financial risk management**

Main financial instruments of the Company are loans, finance and operating leases, cash and cash equivalents. The purpose of these financial instruments is to provide the Company with necessary financial depth. The Group has also other financial instruments, such as trade receivables and payables, that are generated through operational activities. The main financial risks arising from use of financial instruments are interest, credit and liquidity risks. In order to reduce financial risks, the Company performs planning of budget and cash flows, with various scenarios applied. Management performs monitoring and control of commercial activities and actual flow of finances for group companies on regular basis. An additional guarantee for proper risk evaluation are credit institutions, that assess credit risk of the company on regular basis by setting a customised credit rating for the entity.

#### **Subsequent events**

In the time period between the last day of the financial year and the date of signing the financial statements there have been no significant events that would significantly effect financial results for the year or the financial position of the Company.

#### **Future prospects**

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

Wood processing company has initiated a certification process of the Energy Management System (LVS EN ISO 50001: 2012), also until March 2018 it is planned to expand business by installing additional timber drying plants with recuperation, where for hearing renewable energy will be used.

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

May 31, 2017

Board:

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Andris Krastiņš Chancellor of the Board	Jānis Mierkalns member of the Board	Gatis Zommers member of the Board	Ilze Bukulde member of the Board
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## Statement of Management Responsibility

Management is responsible for preparing financial statements based on the initial accounting records of each year of account, which truly reflects the company's financial position at the end of the year of account, as well as results of operations and cash flows for the period.

The Management confirms that, in preparing this report for the period ending on 31 March 2017, proper accounting methods were used, their application was consistent, reasonable and prudent decisions were taken. The Management confirms that the relevant International Accounting Standards have been observed and the financial statements have been prepared in accordance with the principle of continuation. The Management is responsible for keeping proper accounting records, the company's resources conservation as well as fraud prevention and prevention of other irregularities.

May 31, 2017

Board:

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Andris Krastiņš  
Chancellor of the Board

Jānis Mierkalns  
member of the Board

Gatis Zommers  
member of the Board

Ilze Bukulde  
member of the Board

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## Profit or loss calculation

	2017.03.31 EUR	2016.03.31 EUR
Net turnover	12 136 949	10 296 761
Production costs of the sold production	-11 820 499	-10 473 961
<b>Gross profit</b>	<b>316 450</b>	<b>-177 200</b>
Selling costs	0	-360
General administration costs	-119 996	-135 994
Other income from company's economic activity	193 539	245 189
Other expenditures from company's economic activity	-139 996	-116 865
Other interest income and the like income	7	85
a) from other persons	7	85
Other interest payments and the like payments	-81 165	-83 540
a) to other persons	-81 165	-83 540
<b>Profit or loss before extraordinary items and taxes</b>	<b>168 839</b>	<b>-268 685</b>
<b>Profit or loss after extraordinary items and taxes</b>	<b>168 839</b>	<b>-268 685</b>
<b>Profit or (loss)</b>	<b>168 839</b>	<b>-268 685</b>
<b>Profit/loss on share (EUR)</b>	<b>0,41</b>	<b>-0,69</b>

May 31, 2017

Board:

Andris Krastiņš  
Chancellor of the Board

Jānis Mierkalns  
member of the Board

Gatis Zommers  
member of the Board

Iļze Bukulde  
member of the Board

## Balance sheet

### ASSETS

	31.03.2017	31.12.2016
	EUR	EUR
<b>1. LONG-TERM INVESTMENTS</b>		
<b>I Intangible investments</b>		
Concessions, patents, licences, trademarks and the like items	16 619	19 125
<b>I TOTAL</b>	<b>16 619</b>	<b>19 125</b>
<b>II Fixed assets</b>		
1. Real estate		
land, premises and buildings	6 487 028	6 587 990
2. Animals and plants		
biological assets	765 836	765 836
3. Equipment and machinery	12 699 588	13 058 594
4. Other fixed assets and requisites	52 998	55 817
5. Fixed assets formation and unfinished constructions	6 000	3 000
<b>II TOTAL</b>	<b>20 011 450</b>	<b>20 471 237</b>
<b>III Long-term financial investments</b>		
1. Participation in the capital of related companies	1 009 149	1 009 149
2. Loans to the related companies	1 001 827	988 518
3. Investment in associated companies	8 540	8 540
4. Tax assets	480 706	480 706
<b>III TOTAL</b>	<b>2 500 222</b>	<b>2 486 913</b>
<b>TOTAL OF 1 SECTION</b>	<b>22 528 291</b>	<b>22 977 275</b>
<b>2. CURRENT ASSETS</b>		
<b>1. Stocks</b>		
1. Raw materials, direct materials, auxiliary materials	1 731 620	1 830 391
2. Unfinished production and orders	1 247 209	1 824 568
3. Finished production and goods for sale	1 183 121	1 276 054
4. Animals and plants		
biological assets	635 755	635 755
5. Fixed assets held for sale	274 997	274 997
6. Advance payments for goods	69 859	63 991
<b>I TOTAL</b>	<b>5 142 561</b>	<b>5 905 756</b>
<b>II Debtors</b>		
1. Debts of buyers and customers	187 949	153 325
2. Debts of subsidiaries	3 358 066	3 782 696
3. Debts of associated companies	164 914	184 482
4. Other debtors	240 213	249 897
5. Expenditures of the next periods	227 048	165 165
<b>II TOTAL</b>	<b>4 178 190</b>	<b>4 535 565</b>
<b>III Money</b>		
	1 430	311
<b>TOTAL OF 2 SECTION</b>	<b>9 322 181</b>	<b>10 441 632</b>

### BALANCE SHEET

**31 850 472**      **33 418 907**

May 31, 2017

Board:

Andris Krastiņš  
 Chancellor of the Board

Jānis Mierkalns  
 member of the Board

Gatis Zommers  
 member of the Board

Ilze Bukulde  
 member of the Board



## Balance sheet (continuation)

### LIABILITIES

	31.03.2017	31.12.2016
	EUR	EUR
<b>1. SHAREHOLDERS EQUITY</b>		
1. Share capital	579 916	579 916
2. Increase of price of the issue of shares	2 828	2 828
3. Reserves from revaluation of long-term investments	1 570 057	1 570 057
4. Reserves		
other reserves	3 741 168	3 741 168
5. Retaining earnings		
a) retained earnings from the previous year	2 008 402	1 234 618
b) retained earnings from the year of account	168 839	773 784
<b>TOTAL OF 1 SECTION</b>	<b>8 071 210</b>	<b>7 902 371</b>
<b>2. CREDITORS</b>		
<b>I Long-term CREDITORS</b>		
1. Loans from credit institutions	12 004 552	12 488 093
2. Other loans	3 234 050	3 285 957
3. Incomes from next periods	1 856 042	1 911 689
<b>I TOTAL</b>	<b>17 094 644</b>	<b>17 685 739</b>
<b>II Short-term creditors</b>		
1. Loans from credit institutions	1 517 139	1 545 858
2. Other loans	1 164 842	1 202 928
3. Advances from customers	475	475
4. Debts to suppliers and contractors	2 871 681	3 820 327
5. Debts to subsidiaries	0	153 726
6. Taxes payable	258 408	289 355
7. Other creditors	181 617	179 763
8. Incomes from the next periods	222 583	222 583
9. Accrued liabilities	467 873	415 782
<b>II TOTAL</b>	<b>6 684 618</b>	<b>7 830 797</b>
<b>TOTAL OF 3 SECTION</b>	<b>23 779 262</b>	<b>25 516 536</b>
<b>BALANCE SHEET</b>	<b>31 850 472</b>	<b>33 418 907</b>

May 31, 2017

Board:

Andris Krastiņš Chancellor of the Board	Jānis Mierkalns member of the Board	Gatis Zommers member of the Board	Ilze Bukulde member of the Board
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## Cash flow statement

	3 Month of 2017	3 Month of 2016
<b>I. Cash flow from basic activity</b>	<b>EUR</b>	<b>EUR</b>
<b>1. Profit (+) or loss (-) before extraordinary items and taxes:</b>	<b>168 839</b>	<b>-268 685</b>
Corrections:		
Value adjustments of fixed assets	471 852	391 162
Deprecation of intangible assets	4 184	3 389
Accruals (except accruals for doubtful debts )	0	20 216
Profit (-) or loss (+) from fluctuations of exchange rate	-6 594	-9 172
Long-term and short-term financial investment value adjustments	166 936	-55 646
Interest income	0	-9 265
Interest expenditure	80 816	85 817
<b>2. Profit or loss before the corrections of the impact of balance changes of current assets and short-term liabilities</b>	<b>886 033</b>	<b>157 816</b>
Corrections:		
increase (+) or decrease (-) of debtors debt	357 375	-1 179 222
increase (+) or decrease (-) of the reserves of accruals	763 195	-249 244
increase (+) or decrease (-) of the remainder of debts payable to suppliers, contractors and other creditors	-1 339 233	1 427 215
<b>3. Gross cash flow from basic activity</b>	<b>667 370</b>	<b>156 565</b>
4. Expenditures to pay interest payments	-83 710	-85 817
<b>5. Net cash flow from basic activity</b>	<b>583 660</b>	<b>70 748</b>
<b>II. Cash flow from investments</b>		
1. Income from selling fixed assets and intangible investments	2 305	36 500
2. Acquisition of fixed assets and intangible investments	-9 194	-52 870
3. Advance payments for construction in progress assets and intangible assets	-6 000	-239 595
4. Loans issued	-6 715	0
<b>Net cash flow from investments</b>	<b>-19 604</b>	<b>-255 965</b>
<b>III. Cash flow from financing activities</b>		
1. Received loans	0	229 605
2. Received subsidies and grants	0	51 414
3. Expenditures for paying back loans	-512 260	-3 866
4. Expenditures for the leased asset ransom	-50 677	-20 660
<b>5. Cash flow from financing activities</b>	<b>-562 937</b>	<b>256 493</b>
<b>IV. Fluctuations of exchange rate</b>	<b>0</b>	<b>0</b>
<b>V. Net cash flow of the year of account increase (+), decrease (-)</b>	<b>1 119</b>	<b>71 276</b>
<b>VI. Money and its equivalents balance at the beginning of the period of account</b>	<b>311</b>	<b>4 925</b>
<b>VII. Money and its equivalents balance at the end of the period of account</b>	<b>1 430</b>	<b>76 201</b>

Cash flow statement is prepared according to indirect method in accordance with rules of The Cabinet of Ministers no. 481.  
 May 31, 2017

Board:

Andris Krastiņš  
 Chancellor of the Board

Jānis Mierkalns  
 member of the Board

Gatis Zommers  
 member of the Board

Ilze Bukulde  
 member of the Board

## Statement on the changes in own capital

	Share capital	Share premium	Reserves from revaluation of long-term investments	Other reserves	Previous years retained earnings	Retained profit/loss of the year of account	Total own capital
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>December 31, 2015</b>	<b>541 990</b>	<b>2 828</b>	<b>1 600 057</b>	<b>3 741 168</b>	<b>2 772 875</b>	<b>-1 500 332</b>	<b>7 158 587</b>
Distribution of profit of the year 2015	0	0	0	0	-1 500 332	1 500 332	0
Profit of the year of account	0	0	0	0	0	-268 685	-268 685
<b>March 31, 2016</b>	<b>541 990</b>	<b>2 828</b>	<b>1 600 057</b>	<b>3 741 168</b>	<b>1 272 543</b>	<b>-268 685</b>	<b>6 889 901</b>
<b>December 31, 2016</b>	<b>579 916</b>	<b>2 828</b>	<b>1 570 057</b>	<b>3 741 168</b>	<b>1 234 618</b>	<b>773 784</b>	<b>7 902 371</b>
Distribution of profit of the year 2016	0	0	0	0	773 784	-773 784	0
Profit of the year of account	0	0	0	0	0	168 839	168 839
<b>March 31, 2017</b>	<b>579 916</b>	<b>2 828</b>	<b>1 570 057</b>	<b>3 741 168</b>	<b>2 008 402</b>	<b>168 839</b>	<b>8 071 210</b>

May 31, 2017

Board:

Andris Krastiņš Chancellor of the Board	Jānis Mierkalns member of the Board	Gatis Zommers member of the Board	Ilze Bukulde member of the Board
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