

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

(REGISTRATION NUMBER 40003020121)

**UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2017**

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

Saldus, 2017

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Information about the Group

Name of the Group	PATA Saldus(PATA Saldus)
Legal status of the Group	Joint Stock Company
Registration number, place, and date	40003020121 August 26, 1991, Riga
Address	Kuldīgas iela 86C, Saldus, Saldus novads, LV 3801
The main areas of activities of the Group	Forestry, commercial timber preparation and related services; production of board lumber, etc.
Members of the Board: name, surname, position	Andris Krastins (<i>Andris Krastiņš</i>)- Chancellor of the Board Janis Mierkalns (<i>Jānis Mierkalns</i>)- member of the Board Ilze Bukulde (<i>Ilze Bukulde</i>) - member of the Board Gatis Zommers (<i>Gatis Zommers</i>) - member of the Board
Members of the Council: name, surname, position	Uldis Mierkalns (<i>Uldis Mierkalns</i>) – Chairman of the Council Janis Bertrāns (<i>Jānis Bertrāns</i>) - Deputy Chairman of the Board Inga Mierkalna (<i>Inga Mierkalna</i>)- member of the Council Atis Kalnins (<i>Atis Kalniņš</i>)- member of the Council Ieva Sniedze (<i>Ieva Sniedze</i>)- member of the Council
Subsidiary enterprise	
1. Name of the Group	<i>Pakuli Sports Premises (Pakuļu sporta bāze) (100%)</i>
Legal status of the Group	Limited Liability Company
Number and date of registration in the commercial register	48503009010 November 21, 2002
Address	“Mežvidi”, Novadnieku pag. Saldus rajons LV 3801
The main areas of activities of the Group	Hunting and related services. Organisation of training and competitive shooting using hunting weapons.
Owner of the Group	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – March 31, 2017
2. Name of the Group	Woodworking Centre No.3 (<i>Деревообрабатывающий комбинат № 3</i>) (100%)
Legal status of the Group	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 Group	Woodworking, production of board lumber
Owner of the Group	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – March 31, 2017

Associated enterprise

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

Parent Group

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

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

Name and address of the Auditor	Certified Auditor Svetlana Kolesnikova (<i>Svetlana Koļesņikova</i>) Certificate No. 22 Self-employed persons reg.No. 0058404 Liepājas iela 2-29A Rīga, LV-1004 Latvia
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Management announcement

To Consolidated report of economic activity for the 3 month period of 2017

Type of operations

Principal activities of the Group are forestry and primary wood processing - lumber production. The Group complies with FSC and all other environmental requirements. In order to comply with these requirements the Group takes appropriate monitoring and improvement actions on regular basis.

Performance of the Group during the financial year

JSC PATA Saldus profit from operating activities for the 3 month period of 2017 was EUR 192 984 with a net turnover of EUR 12 138 169, which represents earnings per share issued of 0.47 EUR. The Group's financial statements have been prepared based on the information available to board, existing laws and regulations, that gives a true and fair view of assets, liabilities, financial position and profit or loss that is generated by the Group and consolidated group. It is in interest of the Group to take care of their employees' social protection and well-being, because only then the development of the Group can be sustainable.

Financial risk management

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

Subsequent events

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

Future prospects

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

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

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 of Management Responsibility

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

The Management confirms that, in preparing this report for the period ending on 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 Group's resources conservation as well as fraud prevention and prevention of other irregularities.

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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Consolidated income statement

	2017.03.31	2016.03.31
	EUR	EUR
Net turnover	12 138 169	10 437 278
Production costs of the sold production	-11 820 499	-10 473 961
Gross profit	317 670	-36 683
Selling costs	-5 764	-5 539
General administration costs	-125 724	-141 266
Other income from Group's economic activity	193 539	99 398
Other expenditures from Groups economic activity	-143 845	-132 837
Profit or loss from economic activity	235 876	-216 927
Other interest income and the like income	41 168	39 634
Other interest payments and the like payments	-84 060	-85 856
Profit or loss before extraordinary items and taxes	192 984	-263 149
Profit or (loss)	192 984	-263 149
Profit/loss on share	0.47	-0.68
EUR per share		

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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Consolidated balance sheet

ASSETS

	2017.03.31 EUR	2016.12.31 EUR
LONG-TERM INVESTMENTS		
Intangible investments		
Concessions, patents, licences, trademarks and the like items	16 619	19 125
TOTAL	16 619	19 125
Fixed assets		
Land, premises and buildings	6 946 085	7 026 277
Equipment and machinery	12 770 439	13 130 454
Other fixed assets	52 998	55 817
Unfinished constructions	323 494	307 767
TOTAL	20 093 016	20 520 315
Biological assets		
	765 836	765 836
Long-term financial investments		
Investment in associated companies	8 540	8 540
Deferred tax assets	480 706	480 706
TOTAL	489 246	489 246
TOTAL LONG-TERM INVESTMENTS	21 364 717	21 794 522
CURRENT ASSETS		
Stocks		
Raw materials, direct materials, auxiliary materials	1 858 767	1 949 655
Biological assets	635 755	635 755
Unfinished production	1 247 209	1 824 568
Finished production and goods for sale	1 234 522	1 324 268
Advance payments for goods	69 859	63 991
TOTAL	5 046 112	5 798 237
Noncurrent assets held for sale		
Fixed assets held for sale	274 997	274 997
Debtors		
Debts of buyers and customers	189 965	154 906
Debts of subsidiaries	2 956 213	3 388 545
Debts of associated companies	164 914	184 482
Other debtors	244 019	253 906
Expenditures of the next periods	227 048	165 165
TOTAL	3 782 159	4 147 004
Money and its equivalents		
	2 464	459
TOTAL CURRENT ASSETS	9 105 732	10 220 697
TOTAL ASSETS	30 470 449	32 015 219

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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Consolidate balance sheet (continuation)

LIABILITIES

	2017.03.31	2016.12.31
Shareholders'equity	EUR	EUR
Share capital	579 916	579 916
Increase of price of the issue of shares	2 828	2 828
Fluctuation of exchange rate	-248 387	-262 768
Reserves from revaluation of long-term investments	1 570 057	1 570 057
Other reserves	3 741 168	3 741 168
Retained earnings from the previous year	383 267	-401 450
Retained earnings from the year of account	192 984	851 625
Total shareholders'equity	6 221 833	6 081 376
CREDITORS		
Long-term liabilities		
Long-term loans from credit institutions	12 004 552	12 488 093
Other loans	3 267 621	3 319 379
Long-term part of incomes from next periods	1 856 042	1 911 689
TOTAL	17 128 215	17 719 161
Short-term liabilities		
Short-term loans from credit institutions	1 517 139	1 545 858
Other loans	1 164 842	1 202 928
Advances from customers	475	0
Debts to suppliers and contractors	3 284 452	4 200 881
Debts to subsidiaries	19 399	153 726
Accrued liabilities	467 873	415 783
Taxes payable	261 766	292 478
Other creditors	181 872	180 445
Incomes from the next periods short-term part	222 583	222 583
TOTAL	7 120 401	8 214 682
Total liabilities	24 248 616	25 933 843
Total shareholders'equity and liabilities	30 470 449	32 015 219

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

Consolidated cash flow statement

	3 Month of 2017	3 Month of 2016
	EUR	EUR
I. Cash flow from basic activity		
1. Profit (+) or loss (-) before extraordinary items and taxes:	192 984	-263 149
Corrections:		
Value adjustments of fixed assets	481 663	399 749
Deprecation of intangible assets	4 184	3 389
Revaluation of long-term investments	0	36 500
Accruals (except accruals for doubtful debts)	0	20 216
Profit (-) or loss (+) from fluctuations of exchange rate	-38 772	-42 750
Long-term and short-term financial investment value adjustments	-55 647	-55 646
Interest expenditure	80 816	85 817
2. Profit or loss before the corrections of the impact of balance changes of current assets and short-term liabilities	665 228	184 126
Corrections:		
increase (+) or decrease (-) of debtors debt	383 826	-1 188 486
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	-1 150 708	1 446 453
3. Gross cash flow from basic activity	661 541	192 849
4. Expenditures to pay interest payments	-83 710	-85 817
5. Net cash flow from basic activity	577 831	107 032
II. Cash flow from investments		
1. Income from selling fixed assets and intangible investments	2 305	0
2. Acquisition of fixed assets and intangible investments	-9 194	-52 870
3. Expenditures for advance payments for fixed assets and unfinished constructions	-6 000	-239 595
4. Net cash flow from investments	-12 889	-292 465
III. Cash flow from financing activities		
1. Received loans	0	229 607
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
5. Cash flow from financing activities	-562 937	256 495
IV. Fluctuations of exchange rate	0	0
V. Net cash flow of the year of account increase (+), decrease (-)	2 005	71 062
VI. Money and its equivalents balance at the beginning of the period of account	459	5 522
VII. Money and its equivalents balance at the end of the period of account	2 464	76 584

Cash flow statement is prepared according to indirect method in accordance with SGS Nr.7.

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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Statement on the changes in own capital

	Share capital	Reserves from revaluation of long-term investments	Currency fluctuations due to the reestimation of foreign currency	Share premium	Other reserves	Previous years retained earnings	Retained profit/loss of the year of account	Total own capital
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
December 31, 2015	541 990	1 600 057	-353 525	2 828	3 741 168	1 549 507	-1 737 130	5 344 895
Fluctuation of exchange rate	0	0	-6 847	0	0	-11 312	0	-18 159
Distribution of profit of the year 2015	0	0	0	0	0	-1 737 130	1 737 130	0
Profit of the year of account	0	0	0	0	0	0	-263 149	-263 149
March 31, 2016	541 990	1 600 057	-360 373	2 828	3 741 168	-198 935	-263 149	5 063 586
December 31, 2016	579 916	1 570 057	-262 768	2 828	3 741 168	-401 450	851 625	6 081 376
Fluctuation of exchange rate	0	0	14 382	0	0	-66 908	0	-52 527
Distribution of profit of the year 2016	0	0	0	0	0	851 625	-851 625	0
Profit of the year of account	0	0	0	0	0	0	192 984	192 984
March 31, 2017	579 916	1 570 057	-248 387	2 828	3 741 168	383 267	192 984	6 221 833

May 31, 2017

Board:

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