

Translation from Swedish of the

Interim Report, January – March, 2013

- Property holdings at the end of the first quarter totaled 2,363 (1,351) hectares
- The total standing timber volume amounted to 161,200 (99,000) cubic meters.
- Revenue for the period totaled SEK 1,230,000 (408,000)
- Operating profit amounted to SEK 804,000 (58,000)
- Profit after financial items totaled SEK 629,000 (loss: 92,000)
- Net asset value was estimated at SEK 9.75 (9.60) per share at the end of the period.
- Property holdings increased to 2.531 hectares after the close of the period
- The total standing timber volume increased to 176,000 cubic meters after the end of the period
- Net asset value after the close of the period was estimated to have increased to SEK 10.35 per share

(Information in parentheses refers to the year-earlier period)

This is the Latvian Forest Company

The Latvian Forest Company AB (publ) offers the potential to invest in favorably valued forest holdings in Latvia via a Swedish listed company. In addition to forest land being an attractive real asset that grows naturally, the three core foundations for operations is confidence in higher prices for Latvian forest and agricultural holdings, the creation of value for shareholders by means of active forest management, and the creation of value via the consolidation of major property holdings. Expansion is financed through successive share issues in pace with the acquisition of properties and operational growth. Consequently, shareholders are part owners in many properties rather than in a single plot of land – thereby gaining favorable risk diversification.

Status & property holdings

At the end of the first quarter of 2013, the Latvian Forest Company had been financed in a total of approximately SEK 29.3 M via new share issues. Investments have been undertaken continuously since start-up and holdings at the end of the period totaled 2,363 (1,351) hectares. Of this total, 1,590 (870) were forest land, 604 (212) agricultural land, and the remainder was other land. Meanwhile, the standing timber volume was estimated to be approximately 161,200 (99,000) cubic meters.

A total of some SEK 24 M was invested in properties since autumn 2009 up to the end of the first quarter. Approximately SEK 4.3 M was invested during the first quarter. The disposable cash available for acquisitions totaled some 2.2 M at the end of the period, with the number of individual properties amounting to 130 (64). During the first quarter, properties with a total area of about 354 hectares and a timber volume of some 21,500 cubic meters were acquired.

During the first quarter, a total of 5,200 cubic meters were harvested. At the end of the period, Valid harvesting permits represent a total volume of approximately 7,300 cubic meters. However, these will only be utilized if market conditions and other factors (such as weather conditions) are favorable.

The average historic acquisition price per cubic meter is about SEK 150. If the value of agricultural land is also taken into account, the average acquisition price is approximately SEK 117 per cubic meter. The average price per hectare acquired has been about SEK 10,200. The average acquisition price in Sweden (in comparable zones) was about SEK 540 per cubic meter during 2012.

Within the framework of available EU financing, subsidies were granted for the precommercial thinning of some 45 hectares. Precommercial thinning will be conducted during the second and third quarters. Precommercial thinning ensures that the future growth and value of the properties increase considerably, while the subsidies also provide a net income per

thinned hectare. Income and costs involved in precommercial thinning are reported directly via the income statement and thus the book value of the property is not directly affected, even though the market value is generally regarded as having increased following the completion of precommercial thinning.

Financing

No share issues were undertaken during the first quarter. A credit line totaling approximately SEK 15 M has been agreed with a number of the company's major shareholders as part of efforts to permit major acquisitions in the short term. If the credit line is utilized, the intention is to conduct new share issues in order to repay all or part of the credit. The goal is to maintain a high equity/assets ratio and low borrowings. During the first quarter, the entire loan of SEK 5.0 M utilized during 2012 was repaid. The loan is based on commercial terms and conditions, and unutilized portions of the credit line do not involve costs charged to earnings.

Book value of properties

The book value of properties is the price at which they were purchased. No adjustments of the book value have been made in respect of the net growth attained since acquisitions, value increases as a result of various management measures, such as precommercial thinning, or value increases due to a general rise in the price of forest and agricultural holdings in Latvia.

Estimated net asset value

Based on the acquisitions conducted, plus estimates of standing timber volume and market prices for timber and land, the net asset value was estimated to be about SEK 9.75 (9.60) at the end of the period. At the close of the previous period, the net asset value was estimated to be some SEK 9.20. A weak Euro during 2012 and early 2013 meant the net asset was adversely impacted and did not develop in pace with the increasing investment volume. With a share price of SEK 7.00, and based on the assumption of a similar land price as used in the calculation of the net asset value, each cubic meter was valued at some SEK 97 at the end of the period.

Revenue and profit

Revenue for the period totaled SEK 1,230,400 (407,700) and was mainly attributable to harvesting, which generated net revenue of some SEK 230 per cubic meter.

Operating costs continued to develop as planned. Operating profit amounted to SEK 804,000 (57,800). A continued weakening of the Euro (to which the Latvian Laten is pegged) early in the year resulted in unrealized currency effects and translation differences that negatively affected profit in the amount of SEK 58,300 (negative: 152,000) in financial expenses. Profit after financial items for the period was SEK 628,700 (loss: 92,300).

The cost of goods sold includes costs related to precommercial thinning, property-related expenses, such as new taxations (meaning the taking of inventory of stands before harvesting, etc.). External costs consist mainly of other purchased consulting services such as accounting, auditing, legal advice, travel, rents and transport, etc. Variable costs for purchasing commissions and so forth have to a certain extent been reported as part of the acquisition cost for the individual properties and were thus not charged to earnings. Other variable remuneration, for example for management and precommercial thinning, is booked under external costs.

The share

At the end of the first quarter, the share capital totaled SEK 4,685,709, distributed among 80,000 Series-A shares and 4,605,709 Series-B shares. Series-A shares represent ten votes and Series-B share one vote each. At the end of the period the five largest owners in terms of votes controlled 21.3 % of the capital and 31.8 % of the votes.

The market

The general assessment is that price levels for forest and agricultural holdings, especially at auctions, continue to rise continually. Financial concerns in Europe and volatile financial markets have led to increased demand for stable, real assets such as forest and agricultural land, which is clearly visible in the Latvian market. Among other effects, auctions are better attended, resulting in rising starting prices.

Expectations of rising subsidy levels for agricultural land in connection with the new EU budget have also continued to contribute to upward pressure on property prices, especially in the case of properties that include agricultural land. Rising domestic and international demand for biomass for energy purposes is frequently noted as a driving factor underlying the increased demand for forest and agricultural land.

May 24, 2013



However, thanks to a well-established local network, the Latvian Forest Company has managed well in acquiring properties at favorable prices that in some cases are considerably below what is to be expected at public auctions.

The market for pulpwood continued to remain relatively weak during the beginning of the year. Local sawlog prices remain stable and the local timber market continues to show relative strength.

Significant events after the end of the period

Additional acquisitions were conducted at the beginning of the second quarter, and the total holdings on the date of this report amounted to 2,531 hectares, of which 1,715 were forest, and the remainder consisted of agricultural and other land. The total standing timber volume amounted to approximately 176,700 cubic meters. The estimated net asset value totaled SEK 10.35 per share. With a share price of SEK 7.00, and based on the assumption of a similar land price as in conjunction with the calculation of the net asset value, each cubic meter was valued at approximately SEK 92 on the same date.

During early May, a smaller harvesting was carried out, resulting in net revenue of some SEK 95,000. A total of about 375 cubic meters were harvested and the net revenue per cubic meter was about SEK 250. Also, at the end of April, SEK 2.5 M of the credit line available to the company was utilized for property acquisitions.

Next report

The interim report for the period January-June 2013 is planned for publication on August 23, 2013.

Accounting principles

This interim report was prepared in accordance with the Swedish Annual Accounts Act and the general recommendations of the Swedish Accounting Standards Board. Unless otherwise stated, the principles are similar to those applied in the latest Annual Report.

About this report

This interim report was not the subject of a special review by the company's auditor.

Stockholm, May 24, 2013
Board of Directors

For further information, contact:

Fredrik Zetterström, CEO

+46 735 44 97 30

info@latvianforest.se

Or visit our website: www.latvianforest.se

CONSOLIDATED**INCOME STATEMENT (SEK 000s)**

	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012	Jan-Dec 2011
Net revenue	1 230,4	407,7	972,0	337,7
Costs of goods sold (incl. costs for properties sold)	-102,9	-72,6	-297,3	-119,5
Other external costs	-152,7	-119,7	-662,3	-641,5
Personnel costs	-160,8	-151,2	-617,7	-398,0
Depreciation	-10,0	-6,4	-37,6	-3,8
Total operating expenses	-426,4	-349,9	-1 614,9	-1 162,8
Operating profit/loss	804,0	57,8	-642,9	-825,1
Result from financial items				
Financial income	-	3,1	19,3	14,5
Financial costs	-175,3	-153,2	-228,4	-43,1
Net financial income	-175,3	-150,1	-209,1	-28,6
Profit/loss after financial items	628,7	-92,3	-852,0	-853,7
Tax	-	-	-	-
NET PROFIT/LOSS FOR THE PERIOD	628,7	-92,3	-852,0	-853,7

CONSOLIDATED CHANGES**IN SHAREHOLDERS' EQUITY (SEK 000s)**

	Share capital	Share premium reserve	Profit/loss incl. Period result	Total
Shareholders' equity January 1, 2012	2 744,1	12 493,5	-1 317,8	13 919,8
Profit/loss	-	-	-936,8	-936,8
Translation differences foreign subsidiary	-	-	88,1	88,1
Total revenue and expenses for the period	-	-	-848,7	-848,7
New share issues	399,0	2 593,9	-	2 992,9
New share issue in progress	-	10 798,1	-	10 798,1
Capital acquisition costs	-	-1 438,9	-	-1 438,9
Shareholders' equity december 31, 2012	3 143,1	24 446,6	-2 166,5	25 423,2
Shareholders' equity January 1, 2013	3 143,1	24 446,6	-2 166,5	25 423,2
Profit/loss	-	-	639,9	639,9
Translation differences foreign subsidiary	-	-	-11,2	-11,2
Total revenue and expenses for the period	-	-	628,7	628,7
New share issues	1 542,6	9 255,5	-	10 798,1
New share issue in progress	-	-10 798,1	-	-10 798,1
Capital acquisition costs	-	-37,2	-	-37,2
Shareholders' equity March 31, 2013	4 685,7	22 866,8	-1 537,8	26 014,7

CONSOLIDATED**BALANCE SHEET (SEK 000s)**

	2013-03-31	2012-03-31	2012-21-31	2011-12-31
ASSETS				
Properties	23 833,2	12 377,3	19 612,9	11 017,5
Equipment	148,9	373,6	158,9	179,9
Financial assets	-	-	-	-
Total fixed assets	23 982,1	12 750,9	19 771,8	11 197,4
Accounts receivable - trade	41,5	30,0	164,8	30,0
Short-term receivables	305,9	164,3	11 592,4	289,9
Cash and bank balances	2 219,6	2 323,6	677,7	2 686,5
Total current assets	2 567,0	2 517,9	12 434,9	3 006,4
TOTAL ASSETS	26 549,1	15 268,8	32 206,7	14 203,8

SHAREHOLDERS' EQUITY AND LIABILITIES

Equity	26 014,7	14 957,4	25 423,2	13 905,5
Long-term liabilities	75,0	109,7	84,0	114,0
Short-term liabilities	25,1	22,0	5 026,0	25,6
Other debt	181,0	84,1	1 368,4	50,3
accrued expenses	253,3	95,6	305,1	108,4
Total liabilities	534,4	311,4	6 783,5	298,3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	26 549,1	15 268,8	32 206,7	14 203,8
Equity/assets ratio	98,0%	98,0%	78,9%	97,9%
General collateral in assets	-	-	5 000,0	-
Net indebtedness	pos.	pos.	pos.	pos.

SHARE DATA

	2013-03-31	2012-03-31	2012-21-31	2011-12-31
Average number of issued shares	4 651 429	2 775 947	3 002 450	2 066 868
Number of issued shares	4 685 709	2 906 125	3 143 125	2 744 065
Resultat per share, SEK (before and after dilution)	0,14	-0,03	-0,31	-0,41
Shareholders' equity per share, SEK	5,55	5,15	8,07*	9,26
Cash flow from operating activities per share, SEK	2,32	0,03	0,03	-0,45

* Including the after 2012 registered shares in the during December on-going share issue, the shareholders' equity per share was 5,41 SEK.

**CONSOLIDATED CASH FLOW
STATEMENT (SEK 000s)**

	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012	Jan-Dec 2011
Operating activities				
Result after financial items	628,7	-92,3	-852,0	-853,7
Adjustments for non-cash items				
- Unrealized translation differences foreign currency	47,1	152,0	130,9	43,1
- Depreciation of fixed assets	10,0	6,4	37,6	3,8
- Translation difference for profit/loss in foreign currency	11,2	0,1	-20,1	1,8
Cash flow from operating activities before changes in working capital	697,0	66,2	-703,6	-805
Cash flow from changes in working capital	10 102,4	17,8	-10 015,7	-128,3
Cash flow from operating activities	10 799,4	84,0	-10 719,3	-933,3
Investing activities				
Deposits made	-	-696,4	-	-88,1
Investments in equipment and machinery	-	-218,6	-16,6	-183,7
Investments in property	-4 220,3	-501,8	-8 595,4	-7567
Cash flow from investing activities	-4 220,3	-1 416,8	-8 612,0	-7838,8
Financing operations				
New share issues	-	1 215,4	2 992,9	7868,9
New share issue in progress	-	-85,5	10 798,1	-
Costs of capital raising	-37,2	-	-1 438,9	-190,4
Changes in borrowings	-5 000,0	-160,0	4 970,4	139,6
Cash flow from financing operations	-5 037,2	969,9	17 322,5	7818,1
PERIOD CASH FLOW	1 541,9	-362,9	-2 008,8	-954
Cash and cash equivalents at period beginning	677,7	2 686,5	2 686,5	3640,5
Period cash flow, as above	1 541,9	-362,9	-2 008,8	-954
Cash and cash equivalents at period end	2 219,6	2 323,6	677,7	2686,5

PARENT COMPANY**INCOME STATEMENT (SEK 000s)**

	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012	Jan-Dec 2011
Net revenue	-	-	-	93,6
Costs of goods sold (incl. costs for properties sold)	-	-	-	-
Other external costs	-107,4	-25,4	-445,8	-405,2
Personnel costs	-111,7	-99,0	-394,7	-328,6
Depreciation	-	-	-	-
Total operating expenses	-219,1	-124,4	-840,5	-733,8
Operating profit/loss	-219,1	-124,4	-840,5	-640,2
Result from financial items				
Financial income	253,4	153,5	779,6	478,2
Financial costs	-879,0	-1,2	-655,7	-27,1
Net financial income	-625,6	152,3	123,9	451,1
Profit/loss after financial items	-844,7	27,9	-716,6	-189,1
Tax	-	-	-	-
NET PROFIT/LOSS FOR THE PERIOD	-844,7	27,9	-716,6	-189,1

PARENT COMPANY**BALANCE SHEET (SEK 000s)**

	2013-03-31	2012-03-31	2012-12-31	2011-12-31
ASSETS				
Shares in subsidiaries	1 813,3	28,3	28,3	28,3
Total fixed asstes	1 813,3	28,3	28,3	28,3
Receivables group companies	21 779,4	13 748,2	21 056,4	12 441,0
Short-term receivables	119,3	49,9	11 169,5	72,2
Cash and bank balances	1 890,2	2 070,3	573,0	2 162,5
Total current assets	23 788,9	15 868,4	32 798,9	14 675,7
TOTAL ASSETS	25 602,2	15 896,7	32 827,2	14 704,0
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity	25 373,6	15 777,8	26 255,5	14 619,9
Other liabilities	119,6	80,3	6 339,1	41,5
Accrued expenses	109,0	38,6	232,6	42,6
Total liabilities	228,6	118,9	6 571,7	84,1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	25 602,2	15 896,7	32 827,2	14 704,0
Equity/assets ratio	99,1%	99,3%	80,0%	99,4%