

(This is a translation of the official Swedish version)

Year-end report 2014

- Completion of a change in accounting principles and a transition to IFRS
- The carrying value of land and forest assets totaled EUR 16,136,000
- Equity amounted to EUR 1.05 per share corresponding to some SEK 9.90 per share
- Property holdings amounted to 7,449 (2,962) hectares
- The total standing timber volume was estimated to amount to 573,000 (216,000) cubic meters
- Revenue totaled EUR 369,400 (336,300)
- The operating loss totaled EUR 125,600 (17,900)
- The value change in forest assets amounted to EUR 2,604,000 (1,149,000)
- Profit after tax totaled EUR 2,116,000 (977,000)
- Costs in conjunction with acquisitions and the transition to IFRS had an adverse effect on earnings
- Unfavorable weather conditions affected harvesting volumes during Q4 2014
- A number of harvesting and pre-commercial thinning programs, involving an approximate minimum of 450 hectares, are planned for 2015

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

This is the Latvian Forest Company

The Latvian Forest Company AB (publ) is a Swedish listed company that invests in favorably valued forest holdings in Latvia. In addition to forestland being an attractive real asset that grows naturally, the three core foundations for operations are:

- An anticipated price increase for Latvian forest and agricultural holdings,
- Creation of value through active forest management,
- Creation of value via the consolidation of major property holdings.

Financing is carried out in pace with the acquisition of properties and operational growth. The Latvian Forest Company shareholders are part owners in many properties rather than in a single plot of land – thereby gaining favorable risk diversification. Operations conducted in ongoing forestry create the revenue required to cover the company's costs over time and creates a surplus in the long term.

The Latvian Forest Company AB has the Euro as its reporting currency and all reporting is done in Euro. Trading in the share on the Aktietorget exchange is conducted in Swedish kronor (SEK).

Transition to IFRS

As reported earlier, a change in accounting principles and a transition to IFRS (International Financial Reporting Standards) was performed in connection with the year-end report for 2014. The purpose of the transition was to be better able to report actual values and value changes through the growth in forest assets. Previously, land

and forest assets were reported only at their historic acquisition value. This report is the first in which the Latvian Forest Co reports in accordance with the new accounting principles.

The transition was conducted in close cooperation with the company's auditors and other experts in the area, and the calculation models used are in line with what other industry players apply in Sweden and internationally. The major change from previous years is that a division has been made between land assets and biological assets, that is forest holdings. Land (both agricultural and forest land) has been assigned part of the original acquisition value. The value of forest assets is subsequently calculated as a discounted present value of the estimated future revenue, taking into account the costs of management and other expenses. A similar division will apply to future property acquisitions.

The most significant assumptions in connection with the calculation applies, of course, to estimated growth, management costs, revenue and the selection of the discount interest rate, cost trend and inflation. Since operations have been pursued for more than five years, there is historical data available in terms of actual costs and revenue.

As regards the assumptions underlying cost trends and inflation, these are based on what is viewed as reasonable on the basis of current conditions and knowledge and on what is used by other players in the sector and in other sectors to a certain extent. The assumed cost trend in the calculation is 2 percent per year and the assumed price increase for products sold, that is revenue from harvesting, is 1.5 percent annually. The assumed rate of inflation is 2 percent. The discount interest rate is set at 7.25 percent. This is slightly higher than that normally applied by players in Sweden, for example, but is designed to reflect a higher specific risk that could be associated with the Baltic countries.

The calculated present value is based on a 100-year cycle, which in turn means that all forest holdings are harvested at least once during the period encompassed by the model. For precautionary reasons, the assumed average growth has been set at 5 cubic meters per hectare annually. In other contexts, the Latvian Forest Co applies an assumed average growth of 6 cubic meters. For similar reasons, the assumed management costs are assumed to be higher than what they have historically been and the average revenue from harvesting in the model have been set at a lower value than actually reported.

A sensitivity analysis shows that if the return requirement is reduced by 0.5 %, the value of forest holdings increases by EUR 1,227,000. If the rate of price gains is decreased by 0.5 %, the value of forest holdings decreases by EUR 1,626,000 and if costs increase by 0.5 percent, the value of forest holdings decreases by EUR 741,000.

Overall, the effects of the transition to IFRS is that the carrying values for land and forest assets at the end of 2014 amounted to EUR 16,136,000, of which the carrying value of forest assets amounts to EUR 9,843,900. Shareholders' equity amounted to EUR 13,365,000, which entails shareholders' equity per share of EUR 1.05, corresponding to some SEK 9.90 per share. A recalculation was also completed of the corresponding figures for previous years in an effort to create grounds for comparison among the years.

Tax effects

There is a deficit in the Parent Company and certain subsidiaries of the Latvian Forest Co. Considering the valuation of land and forest assets, and in view of the general market trend for forest and agricultural land, it is likely to prove possible to utilize the deficits. Thus, these have been calculated for the Parent Company at 22% (corporate tax in Sweden) and at 15% (corporate tax in Latvia) of the deficits. They are reported in the amount of EUR 123.600.

During 2014, the Latvian Forest Co acquired the shares in Forest Holding Latvia AB, which owned the subsidiaries Baltic Forest I – III and the shares in Baltic Forest IV for a price exceeding the carrying value. The excess value was assigned to properties. On the date of sale of the properties, these excess values will emerge and will then be taxed. Thus, the share acquisition means that the excess value is included in the balance sheet, but that taxation has not yet been triggered. Consequently, a calculation of deferred tax liability must be applied. At the end of 2014, the liability amounted to EUR 255,000.

Since a calculation of the value of forest holdings has been conducted in order to show the real value, an appropriation to the deferred tax liability is also required. This is because the value has not been realized but will be triggered on the date of sale of forest holdings. At year-end, the calculated excess value amounted to EUR 5,647,000, and all excess values calculated in this manner have been taxed in the calculation at 15 percent, that is, the tax rate in Latvia. The deferred tax liability at year-end 2014 amounted to EUR 847,000 for the difference between the real value and carrying value.

Effects on the Parent Company

No recalculation of fixed assets was conducted in the Parent Company. However, deferred tax liabilities were included. These are attributable to the deficit for tax purposes accumulated in the company. The deferred prepaid tax amounted to EUR 95,900 at year-end 2014.

Status & property holdings

Investments in forest properties are conducted continually and the holdings at the end of the period totaled 7,449 (2,962) hectares. Of these, 5,231 hectares (2,034) were forest holdings and 1,703 (712) agricultural land and the remainder consisted of other types of land. Meanwhile, the total standing timber volume was estimated at about 573,000 cubic meters (216,000) following harvesting and property sales.

During the year, a total of some EUR 6,841,000 was invested, and 4,547 hectares with standing timber volume of some 342,100 cubic meters was acquired. The disposable cash available for acquisitions amounted to about EUR 597,000 at the end of the fourth quarter.

During the year, about 12,800 cubic meters were harvested. The average net revenue from harvesting during the year was EUR 23.5 per cubic meter. The highest net revenue received per harvesting operation was EUR 44 per cubic meter and the lowest was EUR 15 per cubic meter. Current and requested harvesting permits amounted at the end of the period to a combined volume of about 30,000 cubic meters.

The average historical acquisition per cubic meter was about EUR 18.7 at the end of the period, assuming that the value of forest and agricultural land is zero. If the value of agricultural land is taken into account, the average historic acquisition price was approximately EUR 15.7 per cubic meter. The historical average price per acquired hectare was some EUR 1,372. The average acquisition price in Sweden (in comparable growth zones) was approximately EUR 57 per cubic meter 2014. The increase in the average historic acquisition price compared with previous periods is entirely attributable to the two major property portfolios acquired during the second half of the year.

Revenue and earnings

Revenue for the period totaled EUR 369,400 (336,300). In addition to revenue from property sales, in the amount of approximately EUR 63,100 and in the form of various types of subsidies in the amount EUR 31,900, revenue is mostly attributable to the harvesting of a total of EUR 12,800 cubic meters. Harvesting generated average net revenue of approximately EUR 23.5 per cubic meter. The item "Raw materials and consumables" (Previously cost of goods sold) includes expenses for properties sold in the amount of EUR 42,700, that is, the original acquisition values.

Costs associated with om-going operations continued to progress in a satisfactory manner although other external expenses increased more than planned in connection with the major acquisitions conducted during the second quarter and for costs associated with the transition to IFRS during the fourth quarter. The operating loss amounted to EUR 125,600 (neg.: 17,900) and the operating loss after capital gains from property sales totaled EUR 105,200 (neg.: 8,300). Property sales amounted to 60.6 hectares. As a result of the transition to IFRS, the costs of reporting and auditing are expected to increase in the future.

The value of forest holdings amounted to a total of EUR 2,603,800 (1,149,400) and represents the difference between the book acquisition value and the calculated real value. The deferred tax of EUR 340,000 (neg.: 99,400) is calculated on the basis of the change in value.

Profit for the period amounted to EUR 2,116,400 (977,100). Excluding the costs that arose in conjunction with acquisitions during the spring and the transition to IFRS, the operating profit before changes in value is positive.

In other respects, earnings from operations were affected by normal costs for pre-commercial thinning, property-related expenses and new property taxations, inventories and the preparation of cutting rights, as well as certain expenses in connection with harvesting.

External costs consist largely of other purchased services in connection with forestry, and other consulting services such as accounting, auditing, legal advice, and costs of 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 pre-commercial thinning, is booked under "Raw materials and consumables external costs" (previously costs of goods sold).

Harvesting and thinning

Certain harvesting volumes that had been planned for December 2014 could not be completed because of unfavorable weather conditions. However, these volumes remain intact and are likely to be harvested during Q1 2015.

During the year, a total of 12.800 cubic meters were harvested, with the fourth quarter accounting for 2,640 cubic meters.

During the first half of 2015, it is planned to harvest at least about 15,000 cubic meters provided that weather and ground conditions permit. Additional volumes may be harvested during the remainder of 2015. In addition, plans exist for the harvesting of grey alder volumes. These harvesting programs do not require special permits and may be conducted whenever required. Although the net revenue for grey alder is relatively low, it nevertheless provides a positive result. Following the felling of grey alder, other more valuable stands can either be thinned or planted, thereby raising the value of the properties.

During 2014, a total of 73 hectares were thinned. 18 of these were entitled to subsidies. During 2015, the thinning of at least 450 hectares has been decided but volumes are likely to be higher, as the management planning of the portfolio acquired during the spring is progresses.

Financing

No new share issues were completed during the fourth quarter. Loans totaling some EUR 530,000 were raised in order to maintain the investment pace. Two major shareholders granted loans on commercial terms and conditions. It is intended that these loans will be repaid during the first half of 2015.

During the first quarter, a decision was made to commence the preferential rights share issue totaling EUR 1.7 million, which was fully subscribed and completed during the second quarter. The share issue was part of the financing structure established in connection with an agreement covering the acquisition of two large properties that was signed in February. The financing structure amounted to a total of about EUR 7.27 million (SEK 65.5 million) and consisted of a bank loan of EUR 1.7 million, a preferential rights share issue of EUR 1.7 million and targeted share issues of EUR 3.87 million. The total number of shares after the completion of share issues amounted to 12,685,434 of which 80,000 are A shares.

During the first quarter, loans totaling EUR 55,000 were raised as short-term financing. Parallel, two loans totaling EUR 194,000 were raised to offset the claim against new shares within the framework of the financing structure described above. The loans were on commercial terms and conditions.

Financing strategy

Following the viewpoints of and probing among various shareholders and potential investors, it was decided that future financing in the form of new share issues would primarily take place within the framework of new shares issues with preferential rights for existing shareholders. However, this does not prevent targeted share issues from being conducted in conjunction with the acquisition of property portfolios or in special situations in which targeted share issues may be required. However, the goal is that existing shareholders are to be offered equal opportunities if a targeted share issue is carried out.

Estimated net asset value

In conjunction with the transition to IFRS, the Board has decided to no longer publish the calculated net asset value. The focus in the future will be on the reporting of shareholders' equity per share. The primary difference is that the net asset value also takes into account the calculated excess values for land. However, according to IFRS, it is only forest assets that are to be reported at a calculated real value. For the sake of comparability, the net asset value per share has been estimated to be approximately EUR 1.29 (1,18) at the end of 2014. At a share price of SEK 7.20 and an assumption of the same land values as used in the calculation of the net asset value, each cubic meter was valued at about EUR 9.46 at the end of the period.

The share

At the end of the period, the share capital amounted to EUR 1,420,811.03 divided among 80,000 A shares and 12,605,434 B shares. A shares represent ten voting rights and B shares one voting right each. The five major shareholders in terms of voting strength controlled 40.0 percent of the capital and 37.8 percent of the voting rights at the end of the reporting period.

Market

No major changes were noted in the market conditions for the Latvian Forest Co since the preceding report and the impression is that the price levels for forest and agricultural properties continue to rise continually in Latvia, although the price trend has leveled out in Sweden, for example. The difference from previous periods is that ever-higher maximum levels have been noted. Even though the average price has still not risen too much, the impression is that the prices for forest property continue to move upward.

Increased economic activity, better access to local capital and greater institutional interest for these types of asset are viewed as contributing to the price rises. The new EU budget and expectations of rising subsidy levels, notably in agriculture, has led to rising demand and price levels of agricultural land. This is also reflected in forest prices, since most properties for sale include both forest and agricultural land.

A restraining factor has recently been the new agricultural acquisition legislation that has gained legal force. This is primarily aimed at regulating transfers of agricultural property. However, since most properties contain both forest and agricultural land, it has affected the pace of acquisitions by the Latvian Forest Co. This is primarily due to the considerable lengthening of the bureaucratic process, as the administrative apparatus frequently did not know or have clear directives on how the legislation was to be applied. However, the impression is that this will improve in the near future and that the effect on the ability of the Latvian Forest Co to acquire properties will not be impacted negatively in the long term.

The local timber market continues to display relative strength and higher economic activity in Latvia is reflected in the prices available from local players during harvesting. Among other things, this is reflected in the prices that the Latvian Forest Co has received in sales of standing forest.

Rising domestic and international demand for biomass for energy purposes is viewed increasingly as a driving factor underlying the increased demand for forest and agricultural land. This applies even though a large share of exports to Sweden ceased due to increased Swedish imports of waste for incineration. This indicates that the remaining volumes of biomass have found a market locally, which in turn points to higher domestic demand. Thanks to its well-established networks, the Latvian Forest Company continues to succeed well in acquiring

properties at favorable prices, which among other aspects, are substantially lower than what would be the result through public auctions and other transactions conducted on the local property market.

Significant events after the end of the period

Additional acquisitions totaling 10.4 hectares were completed and, after harvesting and property sales, total holdings amounted to 7,460 hectares, of which 5,241 are forest land, 1.703 hectares are agricultural land the remainder consists of other land. The total standing timber volume is estimated to be about 575.000 cubic meters, after harvesting and growth.

Next report

The interim report for the period January to March 2015 is planned to be published on May 27, 2015.

Dividend

The Board of Directors and the Chief Executive Officer propose that no dividend be paid for the 2014 financial year.

Annual report and the Annual General Meeting

The annual report for the 2014 financial year is planned for publication in the customary manner at the end of May or beginning of June 2015. The annual report will be kept available at the Company's head office and on the home page, as well as being available at the home page of the Aktietorget exchange. The annual general meeting of shareholders is planned to be held in Stockholm in June 2015. The date for the publication of the annual report and the time and location of the annual general meeting will be presented as soon as possible but no later than in conjunction with the summons to the meeting.

Accounting principles

This interim report for the Group was drawn up in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU, RFR 1 Supplementary accounting regulations for corporate groups and the Swedish Annual Accounts Act. The Parent Company's financial statements have been drawn up in accordance with RFR 2 Accounting for legal entities and the Annual Accounts Act.

About this report

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

Stockholm, February 26, 2015

Board of Directors

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

	Jan-Dec 2014	Jan-Dec 2013	Okt-Dec 2014	Okt-Dec 2013	Jan-Dec 2013
Net revenue	369,4	336,3	61,3	133,3	0,0
Other income	31,9	8,0	29,8	2,0	0,0
Total income	401,3	344,3	91,1	135,3	0,0
Costs of goods sold	-203,1	-189,2	-54,6	-109,2	0,0
Other external costs	-205,5	-91,7	-66,2	-29,4	0,0
Personnel costs	-101,0	-76,8	-34,5	-21,0	0,0
Depreciation	-3,2	-4,5	-0,7	-1,1	0,0
Other costs	-14,1	-	-6,2	-	0,0
Operating profit/loss	-125,6	-17,9	-71,1	-25,5	0,0
Net profit from property sales	20,4	9,6	14,6	7,2	0,0
Operating profit before estimated forest value change	-105,2	-8,3	-56,5	-18,3	0,0
Estimated forest value change	2 603,8	1 149,4	650,9	287,4	0,0
Operating profit/loss	2 498,6	1 141,1	594,4	269,1	0,0
Financial income	0,3	3,5	0,2	1,0	0,0
Financial costs	-34,6	-58,5	6,1	-17,3	0,0
Net financial income	-34,3	-55,0	6,3	-16,4	0,0
Profit/loss after financial items	2 464,3	1 086,1	600,7	252,7	0,0
	-7,9	-9,6	-2,0	-2,4	0,0
Tax	-340,0	-99,4	-85,0	-24,9	0,0
NET PROFIT/LOSS FOR THE PERIOD	2 116,4	977,1	513,7	225,4	0,0

SHARE DATA

	2014-12-31	2013-12-31
Average number of issued shares	9 812 338	4 962 043
Number of issued shares	12 685 434	5 473 686
Result per share, SEK (before and after dilution)	0,22	0,20
Shareholders' equity per share, SEK	1,05	1,10
Cash flow from operating activities per share, SEK	-0,02	0,14

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

	2014-12-31	2013-12-31
ASSETS		
Forest land and other land	6 292,9	2 086,0
Biological assets, growing forest	9 843,1	4 362,4
Equipment	9,5	13,3
Depositions	5,7	6,0
Claims deferred taxes	123,6	44,0
Total fixed assets	16 274,8	6 511,7
Accounts receivable	16,3	9,9
Short-term receivables	57,8	8,2
Cash and bank balances	596,6	86,8
Total current assets	670,7	104,9
TOTAL ASSETS	16 945,5	6 616,6

SHAREHOLDERS' EQUITY AND LIABILITIES

Equity	13 365,2	5 997,6
Long-term liabilities	1 762,2	6,5
Liabilities deferred taxes	1 102,0	456,4
Short-term liabilities	610,2	115,1
Tax liabilities	7,8	9,9
Payables	45,6	18,8
Other debt	19,6	13,9
accrued expenses and pre-paid income	32,9	27,4
Total liabilities	3 580,3	648,0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	16 945,5	6 645,6
General collateral in assets	1 859,2	118,0
Equity/assets ratio	78,9%	90,6%
Net indebtness	0,18	0,02

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

	2014-12-31	2013-12-31
Result after financial items	2 498,6	1 141,1
Adjustments for non-cash items		
- Estimated forest value change	-2 603,8	-1 149,4
- Depreciation of fixed assets	3,2	4,5
- Other non cash flow items	1,0	-47,6
- Translation difference for profit/loss in foreign currency	-	-2,3
<i>Cash flow from operating activities before changes in working capital</i>	<i>-101,0</i>	<i>-53,7</i>
Cash flow from changes in working capital	-62,9	724,0
Cash flow from on-going operations	-49,8	1 318,7
Investing activities		
Deposits made	0,6	81,3
Investments in property	-6 773,8	-1 357,7
Cash flow from investing activities	-6 773,2	-1 276,4
Financing operations		
New share issues	5 590,8	642,9
Costs of capital raising	-394,7	-23,2
Changes in borrowings	2 250,8	-2,8
Cash flow from financing operations	7 446,9	616,9
PERIOD CASH FLOW	509,8	10,8
Cash and cash equivalents at period beginning	86,8	75,9
Currency exchange difference cash reserves	-	0,1
Period cash flow, as above	509,8	10,8
Cash and cash equivalents at period end	596,6	86,8

CONSOLIDATED CHANGES SHAREHOLDERS' EQUITY (Eur 000s)	IN	Share capital	Share premium reserve	Profit/loss incl. Period result	Total
Shareholders' equity January 1, 2013		352,0	2 738,1	1 366,7	2 847,5
Profit/loss		-	-	977,1	977,1
Translation differences foreign subsidiary		88,2	479,6	-	567,8
Total revenue and expenses for the period		88,2	479,6	977,1	1 544,9
New share issues		172,8	1 036,6	-	1 209,4
New share issue in progress		-	-1 209,4	-	-1 209,4
Capital acquisition costs		-	-4,2	-	-4,2
Shareholders' equity december 31, 2013		613,0	3 040,8	2 343,8	5 997,6
Shareholders' equity January 1, 2014		613,0	3 040,8	2 343,8	5 997,6
Profit/loss		-	-	2 116,4	2 116,4
Translation differences foreign subsidiary		-	-	55,1	55,1
Total revenue and expenses for the period		-	-	2 171,5	2 171,5
New share issues		807,8	4 783,0	-	5 590,8
New share issue in progress		-	-	-	-
Capital acquisition costs		-	-394,7	-	-394,7
Shareholders' equity December 31, 2014		1 420,8	7 429,1	4 515,3	13 365,2

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

	Jan-Dec 2014	Jan-Dec 2013	Okt-Dec 2014	Okt-Dec 2013	Jan-Dec 2013
Net revenue	5,8	9,7	3,3	4,8	0,0
Costs of goods sold (incl. costs for properties sold)	-	-	-	-	0,0
Other external costs	-125,6	-69,3	-50,7	-24,3	0,0
Personnel costs	-69,8	-52,5	-28,3	-13,5	0,0
Depreciation	-	-	-	-	0,0
Total operating expenses	-195,4	-121,8	-79,0	-37,8	0,0
Operating profit/loss	-189,6	-112,1	-75,7	-32,9	0,0
Result from financial items					
Financial income	108,2	133,2	30,3	50,7	0,0
Financial costs	-23,0	-42,9	-	-	0,0
Net financial income	85,2	90,3	30,3	50,7	0,0
Profit/loss after financial items	-104,4	-21,8	-45,4	17,8	0,0
Deffered tax	23,0	9,7	5,0	2,0	0,0
NET PROFIT/LOSS FOR THE PERIOD	-81,4	-12,1	-40,4	19,8	0,0

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

	2014-12-31	2013-12-31
ASSETS		
Shares in subsidiaries	2 046,2	203,1
Total fixed asstes	2 046,2	203,1
Receivables group companies	6 803,8	3 346,9
Deferred tax claims	95,9	73,0
Short-term receivables	9,1	4,7
Cash and bank balances	346,2	78,2
Total current assets	7 255,0	3 502,8
TOTAL ASSETS	9 301,2	3 705,9
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity	8 642,6	3 555,7
Other liabilities	625,1	126,2
Accrued expenses	33,5	24,0
Total liabilities	658,6	150,2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	9 301,2	3 705,9
Equity/assets ratio	92,9%	95,9%