

Annual Report 2025



LATVIAN FOREST CO

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This is Latvian Forest Company

Latvian Forest Company AB (publ) is a Swedish listed company that invests in and conducts forestry on favorably valued forests in Latvia and Lithuania. The three main foundations of the business are, in addition to the fact that forest is a sought-after real resource that grows by its own strength;

- an expected increase in the price levels of Latvian and Lithuanian forest and agricultural properties.
- to create value added through active forest management.
- to create value by building up a larger property portfolio.

The expansion is financed by carrying out new issues in stages as properties are acquired and the business develops. Through Latvian Forest Company, shareholders become shareholders in many properties instead of an individual one, which provides a good spread of risk. The operations conducted in the day-to-day forestry create the turnover needed to cover the company's costs over time and in the long term generate a surplus.

Latvian Forest Company AB has Euro as its accounting and functional currency, which is why all reporting is done in Euro. Trading in the shares on NGM Nordic SME is in Swedish kronor.

Latvian Forest 2025 in brief

- Net sales TEUR 1,012.0 (1,218.8)
- The book value of non-current assets amounted to TEUR 43,136.2 (40,802.6)
- Equity amounts to EUR 0.92 (0.94) per share
- The property holdings amount to 8,281 (7,847) hectares
- The volume of roundwood is estimated at 1,087,683 (1,092,880) cubic meters

Key figures	2025	2024	2023	2022	2021
Equity ratio, %	81,8%	82,9%	78,2%	82,0%	81,3%
Debt/equity ratio, times	0,22	0,21	0,25	0,22	0,23
Number of shares at year-end	39 996 568	39 996 568	36 663 521	36 663 521	33 330 474
Average number of shares during the year	39 996 568	38 517 243	36 663 521	34 996 998	26 920 768
Total income per share, EUR	0,008	0,046	0,007	0,060	0,307
Equity per share, EUR	0,92	0,94	0,91	0,91	0,91
Investments, TEUR					
Property holdings	42 900,6	40 551,1	41 290,4	38 851,7	35 490,8
Personnel,					
Average number of employees	4,0	3,0	5,0	5,0	7,0
Expensed salaries and allowances (incl. social security contributions)	277,2	278,6	272,8	132,1	99,9

For explanations of the key figures, see page 36.

A word from the CEO

Latvian Forest Company offers a unique opportunity to invest in a low-risk asset via a listed share

By combining the flexibility of the stock market with a stable forest investment, an attractive risk profile is created. A fundamental reason is that forests are always growing – in the countries where we operate, growth has exceeded an average of 6 m³ per hectare and year. The annual rate of increase in timber volume makes forest a potentially undervalued asset class. Growing forests also bind carbon dioxide and are therefore an important tool in the work towards the EU's energy and climate goals up to 2030. This was one of the main motives for me to join the company and continue to contribute to its development.

Acquisition and management strategy

Our strategy is to identify and acquire undervalued forest properties in Latvia and Lithuania. I, together with our local management organization, analyze extensive data to identify attractive sites – individual forests or contiguous areas. In addition, in 2025, management has focused on increasing the value of the asset portfolio through more active forestry. This includes a new inventory of forest stock. As a result, previous afforestation on agricultural land, equivalent to about 120 hectares, has been reclassified as forest land.

The company has also completed a land exchange transaction in which approximately 127 hectares of non-productive land, agricultural land and associated buildings were divested and replaced with the corresponding area of productive forest land with a growing stock of approximately 9,800 m³.

Sales

At the end of 2024, a sale of 665 hectares with a growing stock of approximately 93,000 m³ was completed at a value of MEUR 4.1. Considering this transaction, the Board of Directors decided to explore the market for further potential divestments.

In connection with this, the property holdings have been divided into six regionally based portfolios. Following targeted marketing to potential stakeholders, the company has received indicative interest in individual portfolios. These are evaluated on an ongoing basis by the Board of Directors regarding the company's future strategic direction.

Liquidity and growth

The company is an open investment platform for investors who demand exposure to forest assets with higher liquidity than traditional funds. The assessment is that the asset base over time has the potential to generate a real return that exceeds the stock market. The company possesses relevant expertise, an established network and a strong local presence, which enables access to attractive investment opportunities. The property management organization is dimensioned for both continued expansion and efficient operations. Through rapid reinvestment, the company has achieved a critical mass where current cash flows cover the organization's costs.

As the capital base grows, the relative management fee decreases compared to traditional fund structures.

Outlook and mandate

The company has a mandate to invest in forest-related assets in other Baltic Sea countries as well, provided that attractive opportunities arise. At the same time, the focus will continue to be on high quality forest management and streamlining the asset base to create long-term value for shareholders.

Expansion is planned to take place as long as market conditions are deemed to be favorable. The company intends to continue to conduct active asset management with a clear focus on value creation.

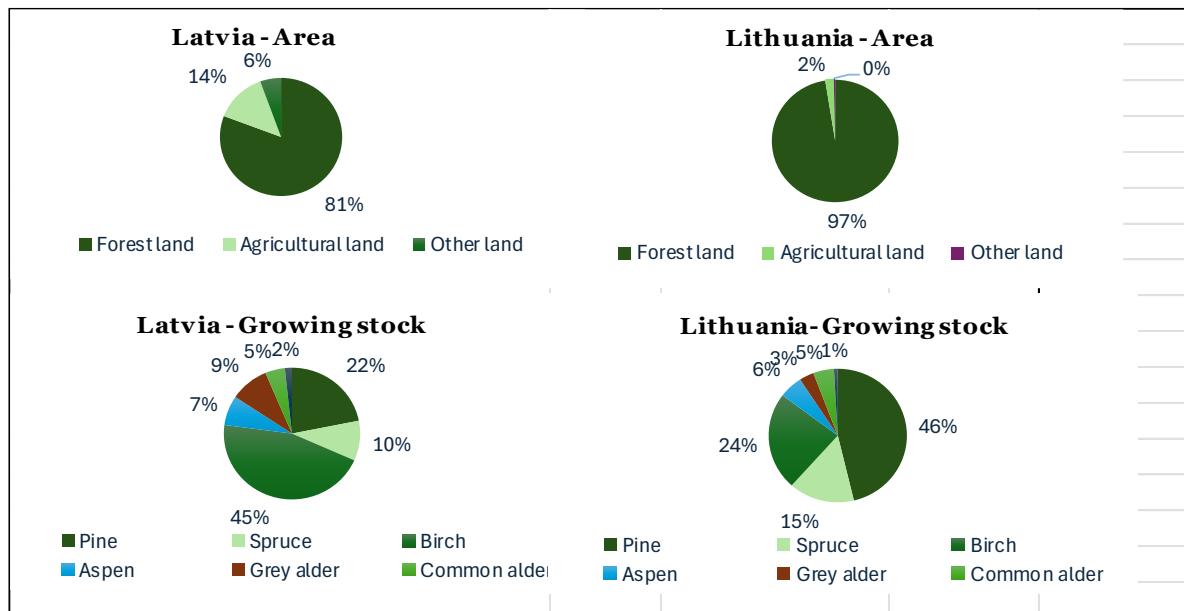
This is also reflected in the dividend paid in mid-2025, which was a direct consequence of the divestment of a forest portfolio at the end of 2024.

Forest holdings and development of land resources

Portfolio summary

The company's land holdings on 31/12/2025 amounted to 8,281 hectares with 1,087,683 cubic meters of standing forest. Around 80% of the growing stock consists of the three commercially most important types of wood: birch, pine and spruce.

CONSOLIDATED PORTFOLIO (LATVIA & LITHUANIA)				
		Group	Latvia	Lithuania
TOTAL AREA (ha)	100%	8 281	6 580	1 701
Forest land	84%	6 973	5 314	1 658
<i>Standing forest</i>		6 128	4 633	1 495
<i>Bare forest land</i>		406	293	114
<i>Other forest</i>		439	388	50
Agricultural land	11%	939	902	37
<i>Wherof leased</i>		362		
Other land	4%	370	364	6
		Group	Latvia	Lithuania
Growing stock (cubic meter)	100%	1 087 683	752 005	335 678
Pine	29%	319 649	164 420	155 228
Spruce	12%	125 261	73 689	51 572
Birch	39%	421 011	341 585	79 426
Aspen	7%	73 595	54 871	18 724
Grey alder	7%	81 042	69 604	11 438
Common alder	5%	51 456	35 155	16 301
Other forest	1%	15 669	12 681	2 988
Immediately fellable	19%	208 846	141 186	67 660



Only about 4% of the company's growing stock is restricted due to nature conservation reasons.

Age distribution, forest land*			
Age group	Growing stock (m3)	Area, ha	m3/ha
1-10	19 709	1 572	13
11-20	56 051	701	80
21-30	121 605	818	149
31-40	78 555	431	182
41-50	77 979	375	208
51-60	116 473	544	214
61-70	196 565	798	246
71-80	153 531	610	252
81-90	98 407	384	256
91-100	56 477	198	285
101+	112 332	388	290
TOTAL	1 087 684	6 819	160

* The total area in the above table amounts to 6,819 hectares, which differs from the table on the previous page for the consolidated portfolio's forest land of 6,973 hectares. The difference of 154 hectares is due to differences in methodology in Latvia and Lithuania for classifying land included in the age distribution.

Growth

The soils in the Baltic States generally have good quality ratios, i.e. high estimated average growth over a rotation period. 82% of the company's holdings consist of land types corresponding to quality classes IA, I and II (corresponding site indices G34/G36, G32, G28). A quality index or quality class is used in forestry to describe the soil's production capacity, i.e. how good the soil is at producing timber and thus indicates how much the trees can grow under normal conditions, where quality class IA is the quality class with the highest production capacity.

BONITY CLASSES				
Area, ha*		Group	Latvia*	Lithuania**
IA	29%	1 834	1 215	619
I	32%	2 015	1 423	592
II	20%	1 272	976	296
III	11%	655	575	81
IV	5%	284	267	17
V	2%	139	137	2
Va	1%	42	41	1
TOTAL	100%	6 241	4 634	1 608

* Latvia ha refers to standing forest

** Lithuania ha refers to standing forest and bare forest land

Felling

In 2025, the company felled just over 23,000 cubic meters. The average selling price was approximately EUR 42 per cubic meter. Felling is done through the sale of root items.

	2021	2022	2023	2024	2025
Felling m3	24 683	39 419	34 372	33 008	23 162
Price/m3	27	53	40	36	42

Clearing and planting

In 2025, the company will have cleared about 45 hectares and planted about 89 hectares.

	2021	2022	2023	2024	2025
Clearing ha	23	77	142	233	45
Planting ha	50	65	12	138	89

Timber and forest property market

Market Background

Latvia and Lithuania are expected to continue to offer structurally attractive conditions for investments in forest properties. The price levels are significantly lower than in comparable parts of the Nordic region. As a reference, the average price for forest land in 2025 was approximately SEK 546 per m³sk in central Sweden and approximately SEK 918 per m³sk in southern Sweden.

The Baltic market is characterized by many smaller and fragmented property holdings. This enables an active consolidation strategy through selective acquisitions of smaller properties and portfolios, which in many cases may be less practical for larger players.

The company's management believes that the strengthened Swedish krona has reduced the incentives for Swedish investors to divest Baltic assets. At the same time, increased cost and price pressures in the region have led to smaller local forest owners increasingly demanding liquidity, which has resulted in an increased supply of smaller forest land portfolios and individual properties.

The company management therefore believes that the conditions for selective acquisitions in the segment of smaller forest land portfolios and individual forest properties remain favorable. The assessment is associated with uncertainty regarding macroeconomic developments, currency fluctuations and regional geopolitics.

Significant market events in 2025

At the end of 2025, it was announced that the Forest Owners' Association Södra completed the sale of its forest holdings in Latvia and Estonia to Ingka Investments.

The transaction amounted to EUR 720 million and covered approximately 153,000 hectares with a growing stock of approximately 16.9 million m³sk. This corresponds to approximately EUR 4,706 per hectare and EUR 42.6 per m³sk, respectively. The divested holding corresponded to just over 6 percent of Latvia's total private forest land area.

The transaction was carried out with a long-term financial investor as buyer, indicating continued international interest in Baltic forest assets despite the current geopolitical situation.

Market development

In recent years, the following factors have had a significant impact on the price development for both forest properties and forest raw materials:

- High inflation as a result of expansionary fiscal and monetary policies during and after the COVID-19 pandemic.
- Reduced raw material flows to the European market due to sanctions on Russian and Belarusian timber exports following the invasion of Ukraine.
- Policy initiatives in several European countries with the aim of limiting logging and strengthening sustainability requirements.

In the short term, the market in the Baltic Sea region is expected to develop relatively stable in 2026, with limited price changes.

In the longer term, demand for timber, pulpwood and processed forest products is expected to increase, partly because of the green transition and increased substitution of products based on fossil raw materials. Furthermore, a maturing market for carbon credits can contribute to further value creation in forest assets. However, the development is dependent on regulatory frameworks, market acceptance and price formation for climate-related instruments.

The European Forest industry faces in the longer-term increased competition from low-cost producers, especially in Asia. Differences in regulatory requirements, cost structure and raw material availability can affect the competitiveness and margins of European producers. This can indirectly affect the demand and price formation of raw materials in the region.

Price development of forest raw materials

Pulpwood

According to major industry players, the average price of pulpwood in Latvia and Lithuania has decreased by over 30 percent from previous peaks. This is confirmed by official statistics from the Latvian Forest Research Institute.

The Baltic market shows historically higher volatility than the Nordic market, mainly due to a lack of major local consumers of pulpwood, which means that demand in export markets has a strong and often cyclical impact on local timber price levels.

In 2025, the purchase prices of hardwood pulpwood stabilized in the range of EUR 50-55 per cubic meter. In comparison, the price in September 2019 was approximately EUR 37 per cubic meter. Peaks close to EUR 90 per cubic meter were observed during the most volatile period in autumn 2022.

Coniferous timber

The price for premium softwood timber has stabilized in 2025 at around EUR 100 per m³, which is approximately 20 per cent higher than pre-pandemic levels.

For lower quality classes, the price level in December 2025 was approximately EUR 80 per m³.

Birch Veneer Logs

The price of premium birch veneer logs fell from around EUR 232 per cubic meter at the end of 2022 to around EUR 175 per cubic meter in 2025. Towards the end of the year, a recovery was noted to around EUR 200 per cubic meter, which may indicate stronger industrial demand.

Energy wood

The price of energy wood, including raw material for wood chip production, rose to around EUR 30 per cubic meter in 2022 but dropped to around EUR 18 per cubic meter at the end of 2025.

Price development in the Baltics



Source: Latvianwood database

Sägtimmer Gran = Sawlog Spruce

Sägtimmer Tall = Sawlog Pine

Massaved Barrträäd = Pulpwood Softwood

Flis Lövträäd = Hardwood chips

Fanér Björk = Veneer Birch

Massaved Lövträäd = Pulpwood Hardwood

Financing

Financing strategy

The Board of Directors has decided, following comments from and sounding out among shareholders and potential investors, that future financing in the form of share issues will primarily be made with priority for existing shareholders. However, this does not prevent directed issues from being carried out, for example, in connection with acquisitions of property portfolios or in special situations where a directed issue may be required. However, the intention is that existing shareholders will not be disadvantaged if a directed share issue is carried out.

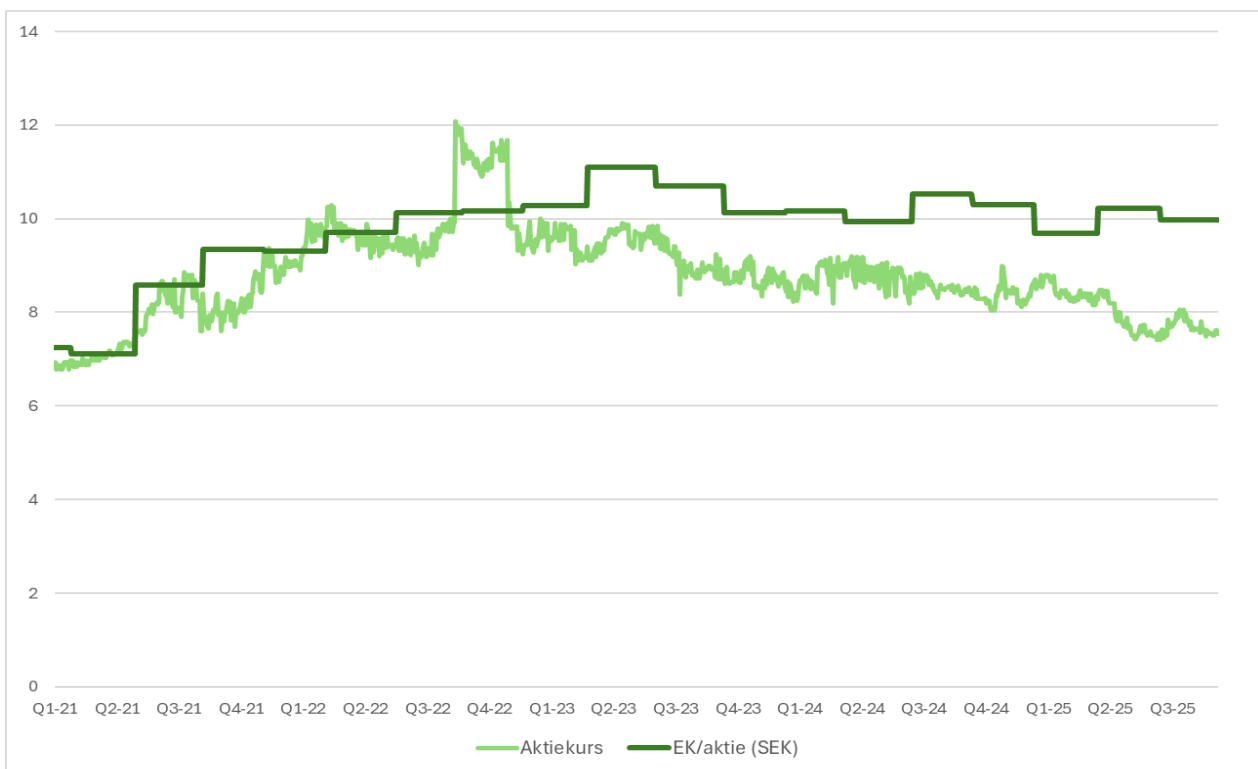
ÅR	Händelse	A-aktier	B-aktier	Totalt antal aktier	Förändring aktiekapital SEK	Totalt aktiekapital	Kvotvärde, SEK
2009	Bolagsbildning		1 000	1 000	100000	100 000	100
2009	Split 1:100	80000	20 000	100 000	-	100 000	1,00
2010	Nyemission		403 119	503 119	403 119	503 119	1,00
2010	Nyemission		550 333	1 053 452	550 333	1 053 452	1,00
2010	Nyemission		88 800	1 142 252	88 800	1 142 252	1,00
2010	Nyemission		10 200	1 152 452	10 200	1 152 452	1,00
2010	Nyemission		280 113	1 432 565	280 113	1 432 565	1,00
2011	Nyemission		339 167	1 771 732	339 167	1 771 732	1,00
2011	Nyemission		437 667	2 209 399	437 667	2 209 399	1,00
2011	Nyemission		15 000	2 224 399	15 000	2 224 399	1,00
2011	Nyemission		519 666	2 744 065	519 666	2 744 065	1,00
2012	Nyemission		55 060	2 799 125	55 060	2 799 125	1,00
2012	Nyemission		107 000	2 906 125	107 000	2 906 125	1,00
2012	Nyemission		60 700	2 966 825	60 700	2 966 825	1,00
2012	Nyemission		176 300	3 143 125	176 300	3 143 125	1,00
2012	Nyemission		1 542 584	4 685 709	1 542 584	4 685 709	1,00
2013	Nyemission		412 037	5 097 746	412 037	5 097 746	1,00
2013	Nyemission		375 940	5 473 686	375 940	5 473 686	1,00
					Förändring aktiekapital EUR	Totalt aktiekapital EUR	Kvotvärde, EUR
2014	Byte av redovisningsvaluta					613 071	0,1
2014	Nyemission		2 189 474	7 663 160	245 229	858 300	0,1
2014	Nyemission		3 389 314	11 052 474	379 615	1 237 915	0,1
2014	Nyemission		692 860	11 745 334	77 603	1 315 517	0,1
2014	Nyemission		800 000	12 545 334	89 602	1 405 119	0,1
2014	Nyemission		140 000	12 685 334	15 681	1 420 801	0,1
2014	Nyemission		100	12 685 434	10	1 420 811	0,1
2015	Nyemission		3 171 358	15 856 792	355 203	1 776 014	0,1
2017	Nyemission		4 654 269	20 511 061	521 294	2 297 307	0,1
2021	Nyemission		12 819 413	33 330 474	1 435 817	3 733 125	0,1
2022	Nyemission		3 333 047	36 663 521	373 311	4 106 436	0,1
2024	Nyemission		3 333 047	39 996 568	373 312	4 479 749	0,1
2025	Omvandling A-aktier till B	-80 000	80 000	39 996 568	-	4 479 749	0,1
		0	39 996 568	39 996 568			

The share

The share

At the end of the period, the share capital amounted to EUR 4,479,749 divided into 39,996,568 Class B shares. Each share has a quota value of 0.112 Euro. The five largest shareholders in terms of voting control 67% of the capital and votes. On October 28, 2025, the Board of Directors resolved, at the request of shareholders, to convert 80,000 shares of series A to shares of series B. The total number of votes in the company after conversion amounts to 39,996,568 and the total number of registered shares in the company to 39,996,568 shares of series B. After the conversion has been completed, there are no longer any outstanding shares of series A.

Reported equity per share and share price development



Owner	Number of Class B shares	Share of capital	Share of votes
Avanza Pension	11 480 131	28,70%	28,70%
Nils-Robert Persson	4 314 000	10,79%	10,79%
Galjaden Invest AB	4 000 074	10,00%	10,00%
SEB AB	3 952 786	9,88%	9,88%
Anders Nilsson	3 048 444	7,62%	7,62%
Svenska Handelsbanken	1 540 677	3,85%	3,85%
Nordnet Bank AB	1 525 425	3,81%	3,81%
Ulf Jönsson	1 346 444	3,37%	3,37%
Others	8 788 587	21,97%	21,97%
Total:	39 996 568	100,00%	100,00%

Board of Directors' Report

Net sales and profit

Net sales for 2025 amounted to TEUR 1,012.0 (1,218.7), which mainly refers to income from the sale of standing items.

Operating EBIT for 2025 was TEUR -344.4 (-231.2). Operating profit is affected by costs for clearing and planting. The result is also affected by normal costs for the business, such as new property measurements, inventories and stamping of stands prior to felling, as well as commission for the sale of standing items.

External costs largely consist of other purchased services in connection with forest management, consulting services such as accounting, auditing, legal advice, as well as costs for travel, rent, transport and more. Variable costs for purchase commissions etc. have to some extent been booked as part of the acquisition cost for the individual properties and in these cases do not burden earnings.

Operating profit for 2025 amounted to TEUR -6,254.2 (1,323.1). Operating profit has decreased significantly compared to the previous year, mainly because of an updated distribution between forest land and biological assets based on revised valuation assumptions for forest land. Since changes in the value of biological assets are recognized in the income statement while changes in the value of forest land are recognized in other comprehensive income, this redistribution has a negative impact on operating profit compared with the previous year. The real value of the forest assets developed positively by TEUR 1,452.1 during the period.

Total income for 2025 amounted to TEUR 312.6 (1,787.2). The decrease in total income is mainly explained by the fact that the company did not carry out any major sales during the year.

Significant events during the financial year

The company has updated its valuation assumptions for forest land to better reflect current market conditions. The update is a consequence of a more active work to collect and analyze market data, including transactions of bare ground, which has provided a clearer picture of current price levels.

The AGM resolved to authorize the Board of Directors to, on one or more occasions during the period until the next AGM, with or without deviation from the shareholders' preferential rights, resolve the issue of shares, warrants and/or convertibles.

During the financial year, the Board of Directors resolved, at the request of shareholders, to convert 80,000 shares of series A to shares of series B.

Significant events after the end of the financial year

After the end of the year, no major events have been noted.

Annual General Meeting

The Annual General Meeting is scheduled to be held in Stockholm on June 2.

Material risks and uncertainties

The business mainly consists of the acquisition of forest properties and their management. The Group's assets consist mainly of forest and agricultural properties in Latvia and Lithuania. One of the biggest risks to shareholders' future returns is that the value of the properties does not increase over time or decrease in value.

The company's investments may be partly financed by raising loans and the company's cash flow is thus sensitive to changes in interest rates and loan-to-value ratios. The value of the company's real estate investments risk being negatively affected by significant increases in the real interest rate.

The Company is and will continue to be active in markets and sectors that partly exist within the framework of political control and/or legislation and regulations of various kinds. Changes in laws, regulations or the political situation in different markets in which the company and/or its customers operate may affect the company's profitability and future prospects.

Latvia and Lithuania have Euro as their currency and the companies use Euro as their accounting currency. The company's financing is largely in Swedish kronor, while the assets acquired are valued in Euro in the bookkeeping, while the share remains listed in Swedish kronor.

The geographical location of the subsidiaries has led to an increased debate about possible risks in terms of the relationship with their neighboring countries. With Latvia and Lithuania's membership in both NATO, the EU and the Euro cooperation, the risk is assessed as low. Should a significant change occur in the relationship between the countries in the region, the effects could be negative on the value of forest properties and thereby negatively affect returns and future prospects.

Forest properties can be negatively affected by, for example, pest infestations, extreme weather or fire. The properties have a geographical spread and should one or more properties be negatively affected, the impact on the total portfolio is limited.

Proposal for appropriation of profit

Appropriation of profit, **EUR**

Retained earnings	17 283 117
Profit for the year	<u>414 807</u>
	17 697 924

Proposed outline:

To be carried forward	<u>17 697 924</u>
	17 697 924

Reference is also made to the subsequent income statements and balance sheets, as well as to these related notes and comments.

MULTI-YEAR REVIEW	2025	2024	2023	2022	2021
Income statements, TEUR					
Net sales	1 012,0	1 218,8	1 427,6	2 075,7	764,5
Other operating income	98,4	143,4	97,3	33,1	38,9
Operating expenses	-1 449,7	-1 587,3	-1 634,2	-1 027,2	-686,6
Depreciation and impairment	-5,2	-6,1	-5,5	0,0	0,0
Operating profit	-344,4	-231,2	-114,8	1 081,6	116,8
Change in value of land assets	251,7	-213,4			
Change in the value of biological assets	-6 315,7	1 277,1	953,9	570,3	8 376,0
Capital gains property sales	154,3	1 554,3	43,1	822,6	59,6
Operating profit	-6 254,2	2 386,8	882,2	2 474,5	8 552,4
Net financial items	-320,7	-436,7	-462,8	-212,2	-305,7
Profit before tax	-6 574,9	1 950,1	419,4	2 262,3	8 246,7
Tax	25,6	-162,9	-145,3	-65,3	18,5
Profit for the year	-6 549,3	1 787,2	274,1	2 197,0	8 265,2
Statement of comprehensive income for the year					
Profit for the year	-6 549,3	1 787,2	274,1	2 197,0	8 265,2
Total other comprehensive income after tax	6 861,9	0,0	0,0	0,0	0,0
Total comprehensive income for the year	312,6	1 787,2	274,1	2 197,0	8 265,2
Balance sheets, TEUR					
Non-interest-bearing fixed assets	43 136,2	40 802,6	41 561,8	39 144,7	35 903,9
Current receivables, not interest-bearing	127,0	2 805,0	402,7	156,4	336,2
Cash and cash equivalents and interest-bearing receivables	1 884,4	1 641,6	777,6	1 552,4	1 251,8
Total assets	45 147,6	45 249,2	42 742,1	40 853,5	37 491,9
Equity	36 942,2	37 531,1	33 430,7	33 515,7	30 472,9
Provisions	1 412,4	1 009,9	849,7	705,4	212,6
Interest-free debt	181,2	288,7	386,0	313,4	298,1
Interest-bearing liabilities	6 611,8	6 419,5	8 075,7	6 319,0	6 508,3
Total equity and liabilities	45 147,6	45 249,2	42 742,1	40 853,5	37 491,9
Cash flow, TEUR					
Cash flow from operating activities	2 059,6	-658,1	-252,7	873,3	125,1
Cash flow from investing activities	-1 107,9	844,4	-2 247,5	-2 663,5	-10 689,4
Cash flow from financing operations	-709,2	677,7	1 730,4	2 090,8	11 165,1
Cash flow for the year	242,8	864,0	-769,8	300,6	600,8

Financial reports

THE GROUP'S INCOME STATEMENT, TEUR	Note	2025	2024
Revenue	4	1 012,0	1 218,8
Other operating income	4	98,4	143,4
Raw materials and supplies		-697,5	-777,9
Other external costs	5	-580,5	-658,1
Personnel costs	6	-171,7	-151,3
Depreciation and impairment		-5,2	-6,1
Operating profit		-344,4	-231,2
Change in value of land assets	9,10	251,7	-213,4
Change in the value of biological assets	10	-6 315,7	1 277,1
Capital gains property sales	10	154,3	1 554,3
Operating profit		-6 254,2	2 386,8
Financial income	7	8,1	87,7
Financial costs	7	-328,8	-524,4
Net financial items		-320,7	-436,7
Profit before tax		-6 574,9	1 950,1
Tax	8	25,6	-162,9
PROFIT FOR THE YEAR		-6 549,3	1 787,2

STATEMENT OF COMPREHENSIVE INCOME, TEUR

Profit for the year	-6 549,3	1 787,2
Other comprehensive income		
Items that should not be recognized in the income statement		
Change in value of land assets	7 294,9	0,0
Tax on changes in value of land assets	-433,0	0,0
Total comprehensive income for the year	312,6	1 787,2
<i>Comprehensive income attributable to parent company shareholders</i>	312,6	1 787,2
Earnings per share before and after dilution	-0,164	0,045
Total income per share before and after dilution	0,008	0,045
Number of shares before and after dilution	39 996 568	39 996 568

THE GROUP'S BALANCE SHEET, TEUR	Note	2025-12-31	2024-12-31
ASSETS			
FIXED ASSETS			
Property, plant and equipment			
Agricultural land and other land	9	2 599,7	2 426,7
Forest land	10	14 801,4	6 798,2
Biological resources, growing forests	10	25 499,6	31 230,2
Buildings	12	0,0	96,0
Inventory	13	23,2	18,8
Financial fixed assets			
Blocked funds bank		5,0	5,0
Long-term financial receivables	16	207,3	227,7
TOTAL FIXED ASSETS		43 136,2	40 802,6
CURRENT ASSETS			
Current receivables			
Accounts receivable		9,2	77,8
Other receivables	17	71,3	2 635,0
Accrued income and deferred expenses	18	46,5	92,2
Cash and cash equivalents		1 884,4	1 641,6
TOTAL CURRENT ASSETS		2 011,4	4 446,6
TOTAL ASSETS		45 147,6	45 249,2
EQUITY AND LIABILITIES			
EQUITY	19		
Share capital		4 479,7	4 479,7
Other capital contributed		10 100,6	10 100,6
Revaluation reserve		6 861,9	0,0
Retained earnings (incl. profit for the year)		15 500,0	22 950,8
TOTAL EQUITY		36 942,2	37 531,1
LIABILITIES			
Long-term liabilities			
Interest-bearing long-term debt, credit institutions	20a, 20b	6 611,8	4 937,1
Deferred tax	11	1 412,4	1 009,9
Total long-term liabilities		8 024,2	5 947,0
Current liabilities			
Short-term component of long-term debt, credit institutions	20a, 20b	0,0	1 482,4
Trade payables		51,5	36,2
Tax liability		0,0	2,8
Other liabilities	21	20,2	24,2
Accrued expenses and deferred income	22	109,5	225,5
Total current liabilities		181,2	1 771,1
TOTAL LIABILITIES		8 205,4	7 718,1
TOTAL EQUITY AND LIABILITIES		45 147,6	45 249,2

GROUP CHANGE IN EQUITY, TEUR

	Share capital	Other capital contributed	Reserve	Balanced and profit for the year	Total
Opening Equity January 1, 2024	4 106,4	8 160,7	0,0	21 163,6	33 430,7
New share issue	373,3	1 939,9			2 313,2
Profit for the year				1 787,2	1 787,2
Closing Equity December 31, 2024	4 479,7	10 100,6	0,0	22 950,8	37 531,1
Opening Equity January 1, 2025	4 479,7	10 100,6	0,0	22 950,8	37 531,1
Dividend				-901,5	-901,5
Deferred tax revaluation reserve			-433,0		-433,0
Revaluation reserve for land resources			7 294,9		7 294,9
Profit for the year				-6 549,3	-6 549,3
Closing Equity December 31, 2025	4 479,7	10 100,6	6 861,9	15 500,0	36 942,2

CONSOLIDATED CASH FLOW STATEMENT, TEUR	2025-12-31	2024-12-31
Operating profit	-6 254,2	2 386,8
Adjustment for items not included in cash flow:		
- Depreciation of fixed assets	5,2	6,1
- Capital gain on the sale of land	-154,3	-1 554,3
- Currency changes	0,0	9,7
- Changes in value biological resources and forest land	6 064,0	-1 063,7
Interest received	8,1	3,3
Interest paid	-328,8	-430,3
Taxes paid	-2,1	-2,7
Cash flow from operating activities before changes in working capital	-662,1	-645,1
Change in operating receivables	2 826,7	105,0
Change in operating liabilities	-104,7	-118,0
Cash flow from operating activities	2 059,9	-658,1
<u>Investment activities</u>		
Sale of other property, plant and equipment	86,4	0,0
Sale of agricultural land	110,6	0,0
Acquisition of agricultural land	-504,8	0,0
Sale of forest assets	634,5	2 122,3
Acquisition of forest assets	-1 455,0	-1 297,7
Reduction of long-term receivables	20,4	19,8
Cash flow from investing activities	-1 107,9	844,4
<u>Financing activities</u>		
New share issue	0,0	2 313,2
Increase in long-term liabilities	263,0	0,0
Reduction of long-term liabilities	-70,7	-1 635,5
Dividend	-901,5	0,0
Cash flow from financing operations	-709,2	677,7
CASH FLOW FOR THE YEAR	242,8	864,0
Cash and cash equivalents at the beginning of the year	1 646,6	782,6
Cash flow for the year as described above	242,8	864,0
Cash and cash equivalents at the end of the period	1 889,4	1 646,6

PARENT COMPANY'S INCOME STATEMENT, TEUR	Note	2025	2024
Net sales	4	80,0	80,0
Other income		1,0	0,1
Total operating income		81,0	80,1
Other external costs	5	-258,9	-281,3
Personnel costs	6	-40,4	-23,1
Total operating expenses		-299,3	-304,4
Operating profit		-218,3	-224,3
Profit from financial items			
Other financial income	7	640,8	717,1
Other financial expenses	7	-7,7	-75,3
Net financial items		633,1	641,8
Profit before tax		414,8	417,4
Tax	8	0,0	0,0
PROFIT FOR THE YEAR		414,8	417,4
STATEMENT OF COMPREHENSIVE INCOME, TEUR			
Profit for the year		414,8	417,4
Total comprehensive income for the year		414,8	417,4

PARENT COMPANY'S BALANCE SHEET, TEUR	Note	2025-12-31	2024-12-31
ASSETS			
FIXED ASSETS			
Financial fixed assets			
Shares in Group companies	14	12 835,5	12 835,5
Receivables from Group companies	15	8 928,6	9 560,0
Blocked bank funds		5,0	15,2
TOTAL FIXED ASSETS		21 769,1	22 410,7
CURRENT ASSETS			
Current receivables			
Receivables from Group companies		317,1	237,1
Other receivables	17	8,3	4,9
Accrued income and deferred expenses	18	1,5	0,9
Cash and bank		109,2	55,2
TOTAL CURRENT ASSETS		436,1	298,0
TOTAL ASSETS		22 205,2	22 708,7
EQUITY AND LIABILITIES			
EQUITY			
<i>Restricted equity</i>			
Share capital	19	4 479,7	4 479,7
Premium reserve		10 100,6	10 100,6
<i>Free equity</i>			
Retained earnings		7 182,6	7 666,7
Profit for the year		414,8	417,4
TOTAL EQUITY		22 177,7	22 664,4
LIABILITIES			
Current liabilities			
Trade payables		7,5	23,1
Accrued costs	22	20,0	21,2
Total current liabilities		27,5	44,3
TOTAL LIABILITIES		27,5	44,3
TOTAL EQUITY AND LIABILITIES		22 205,2	22 708,7

PARENT COMPANY'S CHANGE IN EQUITY, TEUR

	Share capital	Share premium	Balanced and profit for the year	Total
Opening equity January 1, 2024	4 106,4	8 160,7	7 666,7	19 933,8
New share issue	373,3	1 939,9		2 313,2
Profit for the year			417,4	417,4
Closing equity December 31, 2024	4 479,7	10 100,6	8 084,1	22 664,4
Opening equity January 1, 2025	4 479,7	10 100,6	8 084,1	22 664,4
Dividend			-901,5	-901,5
Profit for the year			414,8	414,8
Closing equity December 31, 2025	4 479,7	10 100,6	7 597,4	22 177,7

	<u>2025-12-31</u>	<u>2024-12-31</u>
PARENT COMPANY'S CASH FLOW STATEMENT, TEUR		
Operating profit	-218,3	-224,3
Adjustment for items not included in cash flow:		
- currency fluctuations	-7,7	53,2
Interest paid	0,0	-38,1
Cash flow from operating activities before changes in working capital	-226,0	-209,2
Change in operating receivables	-81,9	-454,7
Change in operating liabilities	-16,8	-41,4
Cash flow from operating activities	-324,7	-705,3
<u>Investment activities</u>		
Additional receivables from Group companies	-180,0	-608,5
Repaid receivables in group companies	1 450,0	284,8
Cash flow from investing activities	1 270,0	-323,7
<u>Financing activities</u>		
New share issue	0,0	2 313,2
Reduction of long-term liabilities	0,0	-1 351,8
Dividend	-901,5	0,0
Cash flow from financing operations	-901,5	961,4
CASH FLOW FOR THE YEAR	43,8	-67,6
Cash and cash equivalents at the beginning of the year	70,4	138,0
Cash flow for the year as described above	43,8	-67,6
Cash and cash equivalents at the end of the period	114,2	70,4

Notes to the financial statements

1. General information

Latvian Forest Company AB is a Swedish public limited liability company with its registered office in Stockholm. The Group includes three wholly owned Latvian subsidiaries. In 2021, a Lithuanian company was also acquired. The Baltic companies that are part of the group own and manage forest properties and primarily sell logging rights from these properties.

Latvian Forest Company AB's shares are listed on NGM Nordic SME. There are 39,996,568 Class B shares issued. The shares have a quota value of EUR 0.112 per share.

2. Accounting policies

Basis for the preparation of the reports

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, including the associated interpretations from the IFRS Interpretations Committee. In addition, the Swedish Financial Reporting Council's recommendation RFR 1 *Supplementary accounting rules for groups is applied*.

The Parent Company's Annual Report has been prepared in accordance with the Annual Accounts Act (1995:1554) and RFR 2 *Accounting for Legal Entities*. According to RFR 2, EU-approved IFRS shall be applied in legal entities to the extent that it is compatible with Swedish legislation and practice. Any exceptions and additions are specified in RFR 2.

The Parent Company applies substantially the same accounting principles as the Group, except for the adjustments set out under the heading "Parent Company's Accounting Policies" below.

Principles of values

Assets and liabilities are generally reported at historical cost, except for certain financial instruments, forest and agricultural assets, which are measured at fair value.

Use of estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the recognition of assets, liabilities, income and expenses. These are based on historical experience and other factors that are deemed reasonable under the current circumstances. The outcome may differ from these estimates.

Estimates and assumptions are evaluated on an ongoing basis. Changes are reported in the period in which the change occurs if they only affect this period, or also in future periods if the impact extends over time.

Valuation of forest assets

Latvian Forest's forest resources consist of biological assets (growing forest) and forest land. The total forest assets are valued at fair value by discounting future expected cash flows from the forest properties. The valuation is based on cash flows from felling based on input data from national forest registers, estimates of future prices for standing posts and management estimates of forest management costs. These inputs are non-observable, which means that the company's valuation methodology refers to level 3 according to the hierarchy found in IFRS 13 Fair Value Valuation.

Forest land is recognized as a property, plant and equipment according to IAS 16 Property, plant and equipment and is measured at fair value (according to the so-called revaluation method). The forest land is valued based on historical transactions and external valuations of the company's own stand, which are weighed together via the management's assessment and expressed in value per hectare of bare forest land. Positive changes in the value of forest land in relation to Group-based acquisition values are reported in other comprehensive income and the accumulated increase in value is reported under a special item in equity, referred to as the revaluation reserve. To the extent that an increase in value corresponds to previously reported impairments, this part is recognized in profit for the year. Negative value growth is reported in profit for the year.

Biological assets (growing forests) are accounted for in accordance with IAS 41 Agriculture and Forestry at fair value minus selling costs. The carrying amount of biological assets (growing forest) is calculated as the difference between the total value of the

forest assets and the forest land. Changes in value are recognized in the income statement. The change in value includes stock change (growth/felling) and price changes.

New IFRS standards

No new IFRS standards that will enter into force in 2026 are expected to have a material impact on the Group's financial statements. IFRS 18, scheduled to enter into force in 2027 (not yet adopted by the EU), is expected to affect the presentation of the income statement, disclosures of management-defined performance measures (MPM), and improved disaggregation and aggregation of information.

Segment Reporting

In accordance with the definition of operating segments in applicable accounting policies, the Group reports only one operating segment. The starting point for identifying operating segments is the internal reporting as it is reported to and followed up by the Group's highest executive decision-maker, which corresponds to the CEO. Operating profit is monitored for the entire business as an operating segment.

Currency

The Group's reporting currency is EUR, which is also the functional currency of the parent company and all subsidiaries.

Amounts are in TEUR unless otherwise specified. Amounts in brackets refer to the comparison year.

Impairment charges

Impairment occurs when an asset's carrying value exceeds its recoverable value. The impairment amount is charged to profit or loss and is distributed proportionally among the assets.

Parent company – special accounting principles

The parent company, Latvian Forest Company AB (publ), applies the Annual Accounts Act and RFR 2 "Accounting for legal entities". RFR 2 requires the parent company to apply the same accounting principles as the Group, i.e. IFRS to the extent permitted by RFR 2. RFR 2 contains exemptions from applying IFRS 16 in legal entities. The parent company has chosen to apply this exception.

Note 3 Transactions with related parties

All transactions have been made on market terms.

Paying companies	Transaction Type	2025	2024	Counterparty
Baltijas mežu Investīcijas SIA	Interest on loans	439,2	442,7	Latvian Forest Company AB
Baltijas mežu Investīcijas SIA	Management fee	40,0	40	Latvian Forest Company AB
Baltijas mežu Investīcijas SIA	Interest on loans	20,2	18,8	CHINA COUNTRY SIA
Baltijas mežu Investīcijas SIA	Interest on loans	6,6	6,1	LATFOLDE ONE SIA
CHINA COUNTRY SIA	Other	4,5	3,3	Baltijas mežu Investīcijas SIA
LATFOLDE ONE SIA	Management fee	20	20	Latvian Forest Company AB
LATFOLDE ONE SIA	Interest on loans	6,2	7,5	Latvian Forest Company AB
LATFOLDE ONE SIA	Other	4,5	3,3	Baltijas mežu Investīcijas SIA
Lithuanian Forest Company UAB	Interest on loans	178,4	167,4	Latvian Forest Company AB
Lithuanian Forest Company UAB	Management fee	20	20	Latvian Forest Company AB
Alūksnes Investīcijas SIA	Interest on loans	14,8	8,8	Latvian Forest Company AB
Alūksnes Investīcijas SIA	Other	4,5	3,3	Baltijas mežu Investīcijas SIA

During the year, the parent company purchased services from:

Paying companies	Transaction Type	2025	2024	Counterparty	Related parties
Latvian Forest Company AB	Consulting services	65,3	54,2	Galjaden Resurs AB	Martin Hansson
Latvian Forest Company AB	Legal counsel	8,5	14,5	HWF Advokater AB	Åsa Hansdotter
Latvian Forest Company AB	Interest on loans	0,0	38,0	Silvatica AB	Martin Hansson
Latvian Forest Company AB	Consulting fees for the CEO	105,5	125,0	Domum et Opes SIA	Aleksandrs Tralmaks

The CEO will receive a fixed fee of TEUR 105.5 according to the agreement. No bonuses have been paid.

Note 4, Distribution of revenues

Revenue	The Group		Parent Company	
	2025	2024	2025	2024
Sales of felling rights	976,0	1 168,2	0,0	0,0
Rental income/Leases/Other items	36,0	50,6	80,0	80,0
Total net sales	1 012,0	1 218,8	80,0	80,0
Capital gains from the sale of properties	154,3	1554,3	0,0	0,0
Grants received and other items	98,4	143,4	0,0	0,0
Total revenue	1 264,7	2 916,5	80,0	80,0

The company sells felling rights for the most part. These are then prepared by the company so that a buyer can immediately start felling. It can therefore be said that almost everything the company sells accrues to the customer at the same time as payment is made. This means that the customer receives the full benefit of the product or service when paying.

Note 5, Audit costs

Audit assignments	The Group		Parent Company	
	2025	2024	2025	2024
Crowe Osborne AB	36,6	20,0	9,5	8,0
PKF Latvia SIA	12,2	11,8	0,0	0,0
Audito UAB in Salvo	7,0	7,0	0,0	0,0
Total	55,8	38,8	9,5	8,0

Audit assignments refer to the examination of the annual accounts and accounting as well as the administration of the Board of Directors and the CEO, other tasks that are the responsibility of the company's auditors, and advice or other assistance that is prompted by observations made during such audits or the performance of such other tasks.

Note 6, Personnel costs and average number of employees

	The Group		Parent Company	
	2025	2024	2025	2024
Average number of employees	4	3	0,0	0,0
Salaries and benefits				
Salaries and remuneration to the Board of Directors and the CEO	136,3	142,6	136,3	142,6
Salaries and allowances of other employees	111,7	108,5	0,0	0,0
Total	248,0	251,1	136,3	142,6
Social security contributions	29,1	25,1	9,7	5,5
Total	277,1	276,2	146,0	148,1
Salaries and allowances by country				
	2025		2024	
	Board & CEO	Other. Employees	Board & CEO	Other. Employees
Sweden	136,3	0,0	142,6	0,0
Latvia	0,0	81,4	0,0	82,8
Lithuania	0,0	30,3	0,0	25,7
Total	136,3	111,7	142,6	108,5
Average number of employees per country				
	2025		2024	
	Women	Men	Women	Men
Sweden	0,0	0,0	0,0	0,0
Latvia	2,0	1,0	1,0	1,0
Lithuania	1,0	0,0	1,0	0,0
Total	3,0	1,0	2,0	1,0
Distribution of men and women on boards				
	2025		2024	
	Women	Men	Women	Men
<i>Parent Company</i>	1,0	4,0	1,0	4,0
<i>The subsidiaries</i>	2,0	2,0	2,0	2,0
Total	3,0	6,0	3,0	6,0

The CEO of the parent company has been replaced by invoicing from his own company with TEUR 105.0. No other compensation was paid during the year. There are no pension provisions, nor any promises of pension obligations.

Note 7, Financial income and expenses

	The Group		Parent Company	
	2025	2024	2025	2024
<i>Financial income</i>				
Interest income from Group companies	0,0	0,0	638,6	626,4
Interest income	8,1	6,6	0,1	0,2
Exchange rate differences	0,0	81,1	2,1	90,4
Total	8,1	87,7	640,8	717,1
<i>Financial costs</i>				
Interest expenses	-328,8	-511,9	0,0	-38,1
Exchange rate differences	0,0	-12,5	-7,7	-37,2
Total	-328,8	-524,4	-7,7	-75,3
Total	-320,7	-436,7	633,1	641,8

Note 8, Current and deferred tax

The Group	2025	2024
Tax on profit for the year		
Current tax	4,8	2,7
Change in deferred tax regarding temporary differences	-30,4	160,2
Total reported tax	-25,6	162,9

Reconciliation of effective tax

	2025	2024
Profit before tax	-6 574,9	1 950,1
Tax at average rate (17.2% / 19.1%)	-1 127,6	372,3
Non-deductible expenses	4,8	2,1
Depreciates taxable profit (taxed on value transfer) *	1 122,5	-217,3
Loss carry-forwards whose tax value is not recognized as an asset	60,1	85,5
During the year, the use of previous years' loss carry-forwards whose tax value has not been reported as an asset	-85,5	-79,7
Reported effective tax	-25,6	162,9

Parent Company	2025	2024
Tax on profit for the year		
Current tax	0,0	0,0
Total reported tax	0,0	0,0

Reconciliation of effective tax

	2025	2024
Profit before tax	414,8	417,4
Tax at the current rate (20.6% / 20.6%)	85,5	86,0
During the year, the use of previous years' loss carry-forwards whose tax value has not been reported as an asset	-85,5	-86,0
Reported effective tax	0,0	0,0

*Latvia's tax system does not involve direct income taxation. Instead, taxation takes place in connection with transfers of value such as dividends, certain non-business expenses and other transactions that are considered to correspond to dividends. No such tax is expected to be payable when the financing of subsidiaries is made through lending via the parent company. Any future divestment of the forest portfolio is expected to take place at the company level, which will not trigger any taxation.

Note 9, Agricultural land

Accounting policies

Land assets attributable to agricultural land are recognized at fair value in accordance with the revaluation method set out in IAS 16 p. 31 and are recognized on a separate line on the balance sheet.

Agricultural land

When acquiring forest properties, the acquisition may include agricultural land – that is, land that is suitable for agricultural purposes (arable land and pasture) and that is not yet overgrown or under forest planting. Such agricultural land is valued at fair value per hectare based on local market statistics for comparable agricultural properties. In this valuation, Latvian Forest applies a conservative interpretation of the price statistics.

Any revaluation of the value of the land is otherwise recognized in comprehensive income under the revaluation reserve in accordance with IAS 16.39. If a write-down of the same asset has previously been recognized in the income statement, a reversal of the impairment will take place to the corresponding extent. Changes in the revaluation reserve accumulate in equity, and deferred tax liability is calculated on the difference between the taxable value and the revalued fair value.

Ha	2025-12-31	2024-12-31
Latvia	1 266	1 462
Lithuania	43	55
Total	1 517	1 517

Value of agricultural land	2025-12-31	2024-12-31
Latvia	2 531,2	2 339,2
Lithuania	68,5	87,5
Total	2 599,7	2 426,7

	Agricultural land
TEUR	2025
Opening values January 1	2 426,7
Acquisitions and investments	504,8
Divestments and divestments	-110,6
Changes in fair value	-221,2
Expiring values December 31	2 599,7

Note 10 Biological resources and forest land

Forest assets

According to IFRS, the total forest assets are to be divided into biological assets (growing forest) and forest land. Latvian Forest values the total forest assets at fair value by discounting the expected cash flows from the company's forest properties over a 100-year period.

The forest land is measured at fair value according to IAS 16 based on historical transaction prices. Biological resources (growing forests) are the difference between the total value of the forest asset and the forest land.

See more information under accounting policies (Note 2).

Forest land

Forest land and other land are valued per hectare based on historical transaction prices and external valuations of the company's own portfolio, which have been weighted together by management based on extensive experience of forest management in the relevant business area. Changes in value that result in the value of the forest land exceeding Group-based acquisition values are otherwise recognized in comprehensive income and the accumulated increase in value is recognized under a special item in equity, referred to as the revaluation reserve. Any negative increase in value relative to the Group's acquisition value is reported in profit or loss for the year under change in value of forest.

Changed valuation assumptions for forest land

During the financial year, the Group has reviewed the assumed market value of forest land to better reflect current market conditions. The previous assumption, which has remained unchanged for a longer period, has thus been updated based on available market information.

The updated land value is based on external market data regarding completed transactions of forest land in the Baltic countries, in combination with the overall assessment of Group Management.

The change represents a change in accounting estimate under IAS 8 and has been applied forward-looking.

Effect of revaluation

The revaluation of forest land has resulted in an increase in the carrying amount of approximately MEUR 7.8. In accordance with IAS 16, part of the increase in value corresponding to previously recognized impairment losses has been recognized in the income statement, while the remainder, approximately MEUR 7.5, has been recognized in other comprehensive income and accumulated in the revaluation reserve in equity.

Since the Group values its forest assets through a cohesive DCF model, the change has also resulted in a corresponding adjustment of the value of biological assets, which is recognized in the income statement in accordance with IAS 41.

The total fair value of the forest assets is essentially unchanged, which is why the change mainly relates to an adjusted distribution between forest land and biological resources.

Presentation in the income statement and the statement of comprehensive income

Changes in the value of biological assets are reported in the income statement. Changes in the value of forest land are recognized in other comprehensive income, except for reversal of previous impairment losses which are recognized in the income statement.

TEUR	Biological assets		Forest land		Forest assets	
	2025	2024	2025	2024	2025	2024
Opening values January 1	31 230,2	31 435,7	6 798,2	7 173,7	38 028,4	38 609,4
Acquisitions and investments	933,5	855,6	521,5	442,1	1 455,0	1 297,7
Divestments and divestments	-348,4	-2 325,9	-286,1	-715,8	-634,5	-3 041,7
Other	0,0	-12,3	0,0	0,0	0,0	-12,3
Changes in fair value	-6 315,7	1 277,1	7 767,8	-101,8	1 452,1	1 175,3
Expiring values December 31	25 499,6	31 230,2	14 801,4	6 798,2	40 301,0	38 028,4

2025-12-31

By country	TEUR					
	Forest land	Timber storage (thousand m3sk)	Growing stock/ha (m3sk/ha)	Value of forest assets	Value of biological assets	Value of forest land
Latvia	5 314	752	142	26 894	16 238	10 656
Lithuania	1 658	336	202	13 407	9 262	4 145
The Group	6 973	1 088	156	43 301	25 500	14 801

2024-12-31

By country	TEUR					
	Forest land	Timber storage (thousand m3sk)	Growing stock/ha (m3sk/ha)	Value of forest assets	Value of biological assets	Value of forest land
Latvia	4 677	763	163	24 483	19 459	5 023
Lithuania	1 653	330	199	13 546	11 771	1 775
The Group	6 330	1 093	173	38 028	31 230	6 798

Method for cash flow valuation of forest assets:

The value of the company's forest assets is calculated by discounting expected cash flows from the sale of standing items, net costs for forest management and reforestation for the company's forest properties. The annual cash flow from a modeled production cycle of 100 years is discounted to present value using weighted cost of capital (WACC). Forecasted felling volumes consist of two parts. The proportion of the growing stock that is within felling age is assumed to be felled directly and for the remaining period a sustainable annual felling volume per tree species is calculated based on site/quality class. Other revenue streams to the forest properties, such as hunting and fishing rights or government subsidies, are not included in the cash flow.

The resulting value refers to the company's total forest assets. Forest land and other land are valued per hectare based on historical transaction prices weighted with management's assessment based on extensive experience of forest management in the relevant business area.

Overview assumptions and valuation parameters – Forest assets

	2025-12-31	2024-12-31
Share of immediately felleable timber volume*	19%	21%
Sustainable felling volume (m3sk)	45 137	39 020
Value-weighted stumpage price (EUR/m3sk)	37,3	39,2
Modelling length (years)	100	100
Annual cost increase (%)	3,00%	3,00%
Annual revenue growth (%)	3,00%	3,00%
Discount rate (%)	7,25%	7,25%

*Expressed as a percentage of total growing stock

Forest data is obtained from the state authorities responsible for the National Forest Register and the Land Register in Latvia and Lithuania. The local authorities' data on timber stocks is based on the most recent inventory and then simulated growth. An inventory of forest stands takes place in connection with national inventories or during economic activity in the forest, such as before granting permits for forestry measures or before selling forest properties.

Property owners can voluntarily submit inventory documentation for updating the national forest registers. Latvian Forest conducts continuous inventories of the forest stock to ensure reliable estimates of the volumes of felleable timber and the current growth rate. The differences between inventories carried out and the forest register are usually small. The inventories are carried out by external parties who need a company license and a certification for this.

The national registers contain information on, among other things, the composition of the forest stand, its age and the nature of the forest soil, which are input variables used in the company's valuation of the forest. The most important data used for the valuation are the quality/site that affects the estimated sustained felling volume, the age distribution that affects the direct felleable forest volume and the distribution of tree species that affect the estimated stumpage prices. Changes in land area and timber stock that affect the fair value of Latvian Forest's forest assets are updated quarterly to reflect acquisitions or disposals of real estate, reduction from logging, as well as estimated growth and other revisions from field inspections, etc.

As the company forecasts stumpage prices, there is no need for a separate estimate of felling costs. The stumpage prices are based on historical transaction prices that have been weighted by the company's assessment of future development. A moderate increase in real prices is assumed in the long term to reflect improved quality and range of timber that is realized in accordance with the company's forest management plans. The Stumpage price is weighted based on the composition of the forest stand of wood species.

Since the DCF model refers to a period of 100 years, it involves several cycles, especially deciduous forests. Therefore, costs for reforestation and the forest management measures required during the forest's life cycle, such as clearing and thinning, are also included. The company collaborates with local forest managers and the costs included in the valuation are based on the price the company pays for the services and forward-looking expectations of the cost level. Here, too, a moderate real price increase is assumed to reflect the long-term increase in the quality of the company's forestry measures.

Assumed base inflation is based on the European Central Bank's (ECB) long-term target of 2%, which is well in line with short-term forecasts from the countries' respective central banks and the IMF's short- and medium-term forecasts.

The discount rate after tax is determined by estimating the Group's average cost of capital (WACC), where the capital requirement is based on the Capital Asset Price Model (CAPM) and industry-specific and country-specific risk assessments. In 2025, the Group's WACC after tax was set at 7.25% (Dec 31, 2024: 7.25%). A normalized long-term risk-free rate is used. Latvian Forest finances its operations centrally but also with local bank financing, manages risk at portfolio level and has a long-term strategic perspective on its forest assets, which makes a unified WACC appropriate as it reflects the Group's common capital structure.

Sensitivity Analysis - Forest Assets

		2025-12-31	2024-12-31
Parameter	Change in parameter		
Sustainable felling volume	+/- 5 percent	+1 956,4 / - 1 956,4	+1 777,9 / - 1 777,9
Stumpage price	+/- 1 EUR	+1 212,9 / - 1 212,9	+906,7 / - 906,7
Discount rate	+/- 1 percentage point	-6 230,4 / +9 332,8	-5 663,2 / +8 483,1
		2025-12-31	2024-12-31
Fair value of forest assets (TEUR)		40 301	38 028
Average fair value per forest cubic meter (EUR/m3sk)		37	35
Average growing stock on forest land (m3sk/ha)		156	173
Average fair value per ha of forest land (EUR/ha)		5 780	6 008
Deferred tax attributable to forest assets		1 412,4	1 009,9

The resulting value of the Forest Asset amounts to EUR 37 (35) per forest cubic meter or EUR 5,780 (6,008) per hectare. It is the management's opinion that this is at the conservative end of the valuations reported by other forest owners with operations in the Baltic countries. Benchmarking is carried out continuously in relation to the price statistics that the company has for its own transactions with full transparency and external transactions where transparency is more limited regarding the nature of the forest

properties. Market prices vary greatly depending on the forest stand, geographical location, location and infrastructure of forest properties, and the valuation thus entails a significant exercise of judgement by the company's management.

In recent years, forest property prices in the regions where Latvian Forest operates have shown an upward trend. The driving forces behind this price development include high inflation – where forests traditionally serve as a value hedge – as well as a sharp increase in demand for timber in combination with limited supply. The supply has been further reduced by the exclusion of Russian timber from the European market and by rising gas and energy prices, which have increased demand for wood and wood as an energy source. Interest in forest properties has also broadened to include alternative areas of use, such as carbon sequestration.

Deferred tax related to fair value of forest assets

Deferred tax is recognized on increases in value of biological and land assets according to the framework provided by IAS 12 Income Taxes. IAS 12 requires recognition of deferred tax for all temporary differences at the balance sheet date between the tax base of assets and liabilities and their book values for the purposes of the financial statements. Accumulated historical acquisition costs are the tax base for biological assets and forest land, and thus a deferred tax is recognized on the unrealized gain between tax base and book fair value. Deferred tax also depends on local tax laws in each of the Latvian Forest's countries where the respective assets are located. Due to local tax rules, no deferred tax on unrealized gains on forest assets is recognized in Latvia.

Note 11, Deferred tax

Deferred tax liabilities are distributed as follows:

TEUR	2025	2024
Deferred tax liability		
Forest assets	1 412,4	1 009,9
<i>of which</i>		
- Land assets	549,0	154,4
- Biological assets	863,4	855,5
Total	1 412,4	1 009,9

Note 12, Buildings

TEUR	2025	2024
Opening values January 1	96,0	92,9
Acquisitions and investments	0,0	9,2
Sales and divestments	-86,4	0,0
Depreciation	-4,4	-6,1
Reclassifications	-5,2	0,0
Expiring values December 31	0,0	96,0

Note 13, Inventory

TEUR	2025	2024
Opening values January 1	18,8	18,8
Acquisitions and investments	0,0	0,0
Sales and divestments	0,0	0,0
Depreciation	-0,8	0,0
Reclassifications	5,2	0,0
Expiring values December 31	23,2	18,8

Note 14, Shares in subsidiaries (parent company)

Company Name	Organization no.	Voting rights	Carrying amount	Carrying amount
			2025-12-31	2024-12-31
Baltijas Mezu Investicijas SIA	40203224467	100%	7 962,8	7 962,8
LATFOLDE ONE SIA	40103264868	100%	1 323,9	1 323,9
Lithuanian Forest Company UAB	305331174	100%	3 159,0	3 159,0
Aluksnes Investicijas SIA	42103108016	100%	389,8	389,8
			12 835,5	12 835,5

The subsidiaries in turn own:

CHINA COUNTRY SIA	40103703726	100%	3 657	-30,3
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	2025-12-31	2024-12-31
Opening cost	12 835,5	11 942,3
Shareholder contributions made	0,0	893,2
Closing carrying amount	12 835,5	12 835,5

Shares in subsidiaries are reported according to the cost method.

Note 15, Receivables from Group companies (parent company)

	Parent Company	
TEUR	2025	2024
Opening values January 1	9 560,0	9 228,8
Additional receivables	818,6	616,0
Amortization	-1 450	-284,8
Expiring values December 31	8 928,6	9 560,0

Note 16, Long-term financial receivables

	Group		The Parent Company	
TEUR	2025	2024	2025	2024
Opening values January 1	227,7	247,5	-	-
Amortization	-20,4	-19,8	-	-
Expiring values December 31	207,3	227,7	-	-

Note 17, Other receivables	The Group		Parent Company	
	2025-12-31	2024-12-31	2025-12-31	2024-12-31
Claim VAT	27,8	13,4	7,5	4,6
Tax account	0,9	0,3	0,2	0,3
Deposits/Advances made	2,0	29,1	0,0	0,0
Other	40,6	2 592,2	0,6	0,0
Total	71,3	2 635,0	8,3	4,9

Note 18, Accrued income and deferred expenses

	Group		The Parent Company	
	2025-12-31	2024-12-31	2025-12-31	2024-12-31
Prepaid vehicle costs	11,5	2,3	0,0	0,0
Other expenses paid in advance	14,6	2,8	1,5	0,9
Accrued rental income	8,8	9,0	0,0	0,0
Accrued state aid	11,6	78,1	0,0	0,0
Total	46,5	92,2	1,5	0,9

Note 19, Equity

Equity in the Group consists of share capital, other capital contributed, revaluation reserve and retained earnings (including profit for the year).

Equity in the parent company consists of share capital, share premium reserve, retained earnings and profit for the year.

The number of shares amounts to 39,996,568 Class B shares with a quota value of EUR 0.112. The Class B shares receive 1 vote per share.

The Group

Retained earnings

Earnings in the Group consist of profit for the year and the previous year's earnings after any dividends.

Note 20a, Long-term loans

	The Group		Parent Company	
	2025-12-31	2024-12-31	2025-12-31	2024-12-31
Opening balance	4 937,1	6 677,8	-	-
Borrowings	1 745,4	0,0	-	-
Amortization	-70,7	-258,3	-	-
Reclassification to short-term part	0,0	-1 482,4	-	-
Total long-term loans	6 611,8	4 937,1	-	-

Note 20b, Pledged collateral and contingent liabilities

	The Group		Parent Company	
	2025	2024	2025	2024
Real estate mortgages	30 406,9	36 882,9	0,0	0,0
Business mortgages	4 964,0	4 964,0	0,0	0,0
Guarantee for Group companies' debts	-	-	8 395,5	8 395,5
Blocked funds in bank account	5,0	5,0	5,0	5,0
Total collateral pledged	35 375,9	41 851,9	8 400,5	8 400,5
Contingent liabilities	None	None	None	None

Note 21, Other liabilities

	The Group		Parent Company	
	2025-12-31	2024-12-31	2025-12-31	2024-12-31
Liabilities to employees	5,3	7,3	-	-
Other items	14,9	16,9	-	-
Total	20,2	24,2	-	-

Note 22, Accrued expenses and deferred income

	The Group		Parent Company	
	2025-12-31	2024-12-31	2025-12-31	2024-12-31
Employee-related liabilities	32,8	20,7	0,0	0,0
Commission	0,0	148,3	0,0	0,0
Auditing and accounting	39,9	20,0	20,0	20,0
Other accrued costs	36,9	36,5	0,0	1,3
Total	109,5	225,5	20,0	21,2

Note 23, Financial risks

Finance policy

Financial risks refer to changes in the Group's earnings and cash flow caused by changes in exchange rates, interest rates, refinancing needs and credit risks. The responsibility for reducing financial risks and carrying out ongoing financial transactions currently rests with the CEO. The overall objective is to ensure cost-effective financing and to minimize negative effects on the Group's earnings that may arise from price changes in the interest rate and foreign exchange markets.

Of the various financial risks that a company may be exposed to – financing risk, interest rate risk, credit/counterparty risk, and currency risk – financing risk and interest rate risk are the biggest for Latvian Forest Company. With the use of the accounting currency, the euro, the currency risk has largely been eliminated in the company's operations.

To minimize interest rate risk and funding risk, the entity shall avoid becoming dependent on individual sources of funding and shall also be restrictive in assessing counterparties when investing excess liquidity.

Financing risk

Financing risk is the risk that a large borrowing need will arise in a strained credit market situation. The goal is therefore to find more sources of funding within and outside Sweden.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument fluctuates due to changes in market interest rates. The speed with which a trend change in interest rates affects earnings depends on the fixed interest period of the loans and investments.

Credit risk/counterparty risk

Credit risk refers to the inability of a counterparty to a financial transaction to meet its obligations. Financial risk management entails exposure to credit risks. For Latvian Forest Company, these are currently incurred in connection with the investment of cash and cash equivalents and in the future, for example, in connection with the purchase of derivative instruments. To minimize credit and counterparty risk, the company shall mainly expose itself to well-known and credit-worthy counterparties.

Another type of credit risk is receivable from commercial customers. The Group's trade receivables are relatively small and cannot jeopardize the company's survival. The sale, which mainly consists of felling rights, is paid before the felling is carried out, which is why there is a risk of loss only on other sales.

Capital management

The Group's objective regarding the capital structure is to secure the Group's ability to continue its operations, so that it can continue to generate returns for the owners and benefit for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down. To maintain or adjust its capital structure, the Group may change the dividend paid to the owners, repay capital to the owners, issue new shares or sell assets to reduce debt.

Insurance Policy

The question of whether to take out insurance has been the subject of the Board's assessment. The risks that are relevant include fire, pests, extreme weather, etc. The assessment is that the insurance premium is not proportionate to the risks to which the company is exposed and the financial damage that may be caused. One of the strongest reasons for not being insured is the geographical spread of the company's properties. However, the properties that will be pledged for loans with credit institutions will be insured in accordance with the lender's requirements.

Note 24, The Board of Directors' proposal for appropriation of profits, EUR

The following are at the disposal of the Annual General Meeting:

Retained earnings	17 283 117
Profit for the year	<u>414 807</u>
	17 697 924

The Board of Directors proposes that available earnings be allocated as follows:

To be carried forward	<u>17 697 924</u>
	17 697 924

Explanations of key figures

Return on equity is the total income for the year in relation to the average number of shares during the year expressed as a percentage.

The equity/assets ratio is equal to equity plus untaxed reserves after deduction of deferred tax in relation to total assets.

The debt/equity ratio shows the size of the liabilities in relation to equity.

Earnings per share show the profit for the year attributable to the parent company's shareholders divided by the weighted average number of shares outstanding.

Total income per share shows comprehensive income divided by the weighted average number of shares outstanding during the year.

Equity per share is the equity at the end of the year divided by the number of shares at the end of the year, expressed in EUR.

Signatures

The Board of Directors and the CEO declare that the consolidated financial statements have been prepared in accordance with international accounting standards (IFRS) as adopted by the EU and give a true and fair view of the Group's position and results. The annual accounts have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the position and results of the parent undertaking. The Board of Directors' Report on the Group and the Parent Company gives a true and fair view of the development, position and performance of the Group's and the Parent Company's operations, and describes the risks and uncertainties faced by the Parent Company and the companies in the Group.

The Annual Report and the Consolidated Financial Statements have been approved for issuance by the Board of Directors and the CEO on May 8, 2026.

Stockholm

Martin Hansson
Chairman of the Board

Aleksandrs Tralmaks
CEO

Anders Nilsson

Åsa Hansdotter

Fredrik Brandhorst

Our auditor's report was submitted on
Crowe Osborne AB

Christer Eriksson
Authorized Public Accountant



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