



SKOGSFOND BALTIKUM LATVIA

Sales memorandum

8,080 hectares

January 15, 2024

Disclaimer

Skogsfond Baltikum AB (publ) (the "Seller" or "SB") has appointed Karl Danielsson Farm & Forest AB (the "Advisor") to act as its financial advisor in connection with the sale of a Portfolio of real estate assets in Latvia (jointly the "Portfolio" or the "Properties").

This memorandum (the "Memorandum") has been prepared solely for information purposes to assist the recipients in making their own evaluation of the Properties and deciding whether to make an indicative offer for the Portfolio and each recipient acknowledges that this Memorandum will be used solely for such purpose.

The information in the Memorandum has not been independently verified and does not purport to be complete and exhaustive in terms of the information that the recipient may desire in order to decide whether or not to make an indicative offer. Interested recipients undertake to conduct their own investigation and analysis of the Properties and the data set forth in this Memorandum and are advised to seek their own professional advice on legal, financial and taxation matters.

This Memorandum includes certain statements, estimates and projections with respect to the anticipated future development of the Properties. Such statements, estimates and projections reflect various assumptions and cannot be regarded as forecasts.

Neither the Seller, the Advisor nor any of their respective directors, managers, employees, agents, or representatives makes any undertaking, representation or warranty, expressed or implied, as to the accuracy, completeness, reliability or reasonableness of the information contained herein or in any other written or oral communication transmitted or made available to any recipient (including statements, estimates and projections). The Seller, the Advisor and their respective directors, managers, employees, affiliates and representatives expressly disclaim any and all liability based, in whole or in part, on such information or communication, errors therein or omissions therefrom.

The information obtained herein is subject to change, supplementation, or amendment without notice. By delivering this Memorandum, no obligation exists to provide the recipients with any additional information, or to update any information, or to correct any inaccuracies therein or omissions therefrom which may become apparent, even where such persons are aware that the content of this Memorandum is inaccurate or incomplete.

The issue of this Memorandum shall not be taken as any form of commitment on the part of the Seller or its affiliates to proceed with a transaction. The Seller or its affiliates have no obligation to consider or to accept any offer or proposal in respect of all or part of the Properties. The Seller and its affiliates reserve the right to at their sole discretion, at any time, without any prior notice and without any liability, (i) negotiate the sale of the Properties with one or more prospective purchasers in accordance with any timetable and on any terms they may decide, (ii) provide different information or access to different information to different prospective purchasers, (iii) enter into a definitive agreement for the sale of the Properties, (iv) terminate the process, including any negotiations with a selection of prospective purchasers without assigning any reason, and (v) modify any procedures without assigning any reason.

Each recipient acknowledge that they have read, understood and accepted the terms of this disclaimer.

This disclaimer and Memorandum shall be governed by and interpreted in accordance with the laws of Sweden.

Executive summary

Background to forest Portfolio offered

Skogsfond Baltikum has built a Portfolio of 8,080 hectares in Latvia since 2019, using a well proven forest acquisition strategy. The forest management strategy has been to improve the properties. A decision has been made to offer the following Latvian forest Portfolio to the market in beginning of 2024:

Total area (ha)	Productive forestland (ha)	Agriland under registration to forest (ha)	Agriculture land (ha)	Other land (ha)	Growing stock (m ³)
8,080	6,507	153	623	796	676,057

Note: Area and volume as of January 2024.

Portfolio highlights

- The Portfolio consists of 8,080 ha land of which more than 82% is productive forestland.
- 68% of the forest stands are categorized in the top two growth classes site index Ia-I, and 85% in Ia-II.
- A total standing volume of 676,057 m³ forest, amounting to an average standing volume of 104 m³/ha productive forestland.
- The Portfolio has well managed young stands with exceptional potential for future growth as a result of planting on previously unused fertile soils and pre-commercial thinning.
- Afforestation programme resulted in 306 ha planted in 2023, whereof 244 ha is eligible for carbon credits, with potential to produce 52,000 carbon credits until 2050.
- About 15% of the forestland has been pre-commercially thinned the last four years.
- Effort has been made to update forest taxations. Taxations in about 4,600 ha (71% of the forestland) has been updated in 2022-2023 to get a clearer view of the Portfolio.
- Vendor due diligence made by a third-party regarding forest volume shows that actual volume is only 0.78% lower than state register data, which indicates that the forest data is very accurate.
- Feasibility study for wind farms and solar parks show that 730 hectares of the land is legally suited for wind parks and 100% of the agriculture land is allowed to use as solar parks.
- For more information, please contact Karl Danielsson Farm & Forest, contact information available on page 4.

Sales process

Interested parties are invited to submit an indicative, non-binding offer for the Portfolio.

The indicative offer shall be provided for the Portfolio as price for the underlying assets, based on the information provided by the seller in this Memorandum and in the data room. The transfer of the Properties will preferably take place as a sale of 100% of the shares in the fully owned subsidiaries SIA Latvijas Mezu Agentura ("LMA") and SIA Vadekstes Mezi ("VM"), (together the "Companies").

The indicative offer shall include the following:

- Purchasing entity;
- Price indication, expressed in EUR;
- Any conditions and other assumptions;
- Contact details.

In submitting an indicative offer, the interested party shall assume that:

- The purchase price is to be paid in cash on closing;
- Any additional field visits that the interested party deems necessary, except for the vendor DD, with regards to the Properties have been made;
- The purchaser will be afforded an opportunity to carry out a customary due diligence of the Properties and the companies;
- Due diligence will include extensive data room with information about the companies and the Properties.

After submission of indicative bids and review by the seller, the three bids indicating the highest price shall have the opportunity to raise their bids in the order 3,2,1. The winning bidder shall then be afforded the chance to sign an LOI with exclusivity for the remaining part of the process.

It shall be noted that the Seller is not obliged to accept any submitted indicative offers. The Seller and the Advisor reserve the right to discontinue the sale process or modify the guidelines described above at any time prior to the signing of a binding sale and purchase agreement. Irrespective of the reasons for the discontinuation or modification of the sale process, each potential buyer shall carry its own costs incurred in connection with the sale process.

Preliminary timetable:	2023-2024
Pre-marketing and teaser	September
Memorandum	January 15 th
Data room	January 15 th
Property visits (if needed)	Jan – Feb
Indicative offers	February 29 th
LOI and DD	March – April
Signing of SPA and closing	May - June

Data room information

A data room is available for interested parties after signing of NDA containing detailed information about the Properties, such as:

- Updated forest data and shapefiles
- Property list with area specifications
- List of performed activities
- Lease agreement information
- Full third-party forest DD report
- Reports on carbon credits and wind parks

Please address any questions concerning the Portfolio and the sale process to any of the following contact persons at Karl Danielsson Farm & Forest:

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A photograph of a dense spruce forest. The trees are tall and thin, with a mossy forest floor. The lighting is bright, creating strong shadows and highlights on the trees and ground. The text "1. Portfolio description" is overlaid in the center of the image.

1. Portfolio description

1.1 Property areas

Property areas by land use category (ha)

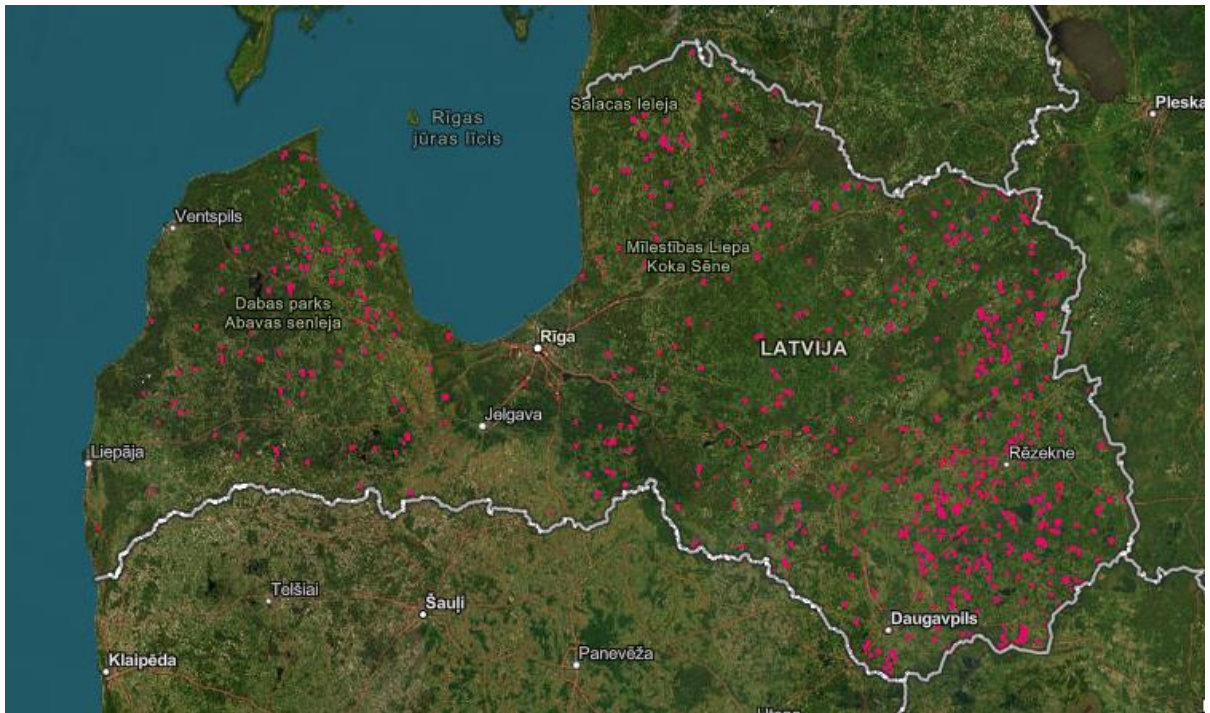
Land use category	Area (ha)	% of total area
Forestland	6,660	82.4 %
<i>Forest stands</i>	5,860	72.5 %
<i>Clear cut areas</i>	648	8.0 %
<i>Afforested and in process of registration as forest*</i>	153	1.9 %
Agriculture land	623	7.7 %
<i>Leased out</i>	187	2.3 %
<i>Currently unused**</i>	436	5.4 %
Other land	796	9.9 %
<i>Bushland**</i>	205	2.5 %
<i>Swamp</i>	166	2.1 %
<i>Under buildings</i>	10	0.1 %
<i>Under roads</i>	42	0.5 %
<i>Under water</i>	164	2.0 %
<i>Other</i>	209	2.6 %
Total area	8,080	100 %

*Area planted in 2023 and paid for but not yet registered in State Forest Service (VMD) registers. More detailed information about activities are available in data room.

**Estimated amount of unused agriculture land and bushland. VMD and the property register in Latvia is not fully synchronized. The information about the forest in VMD register is actual forest taxations but the synchronization of areas registered as forest in the property register is not immediate. Detailed list of areas and performed activities is available in data room.

1.2 Map - overview

Skogsfond Baltikum's 700 Latvian Properties



[Link to interactive map](#)

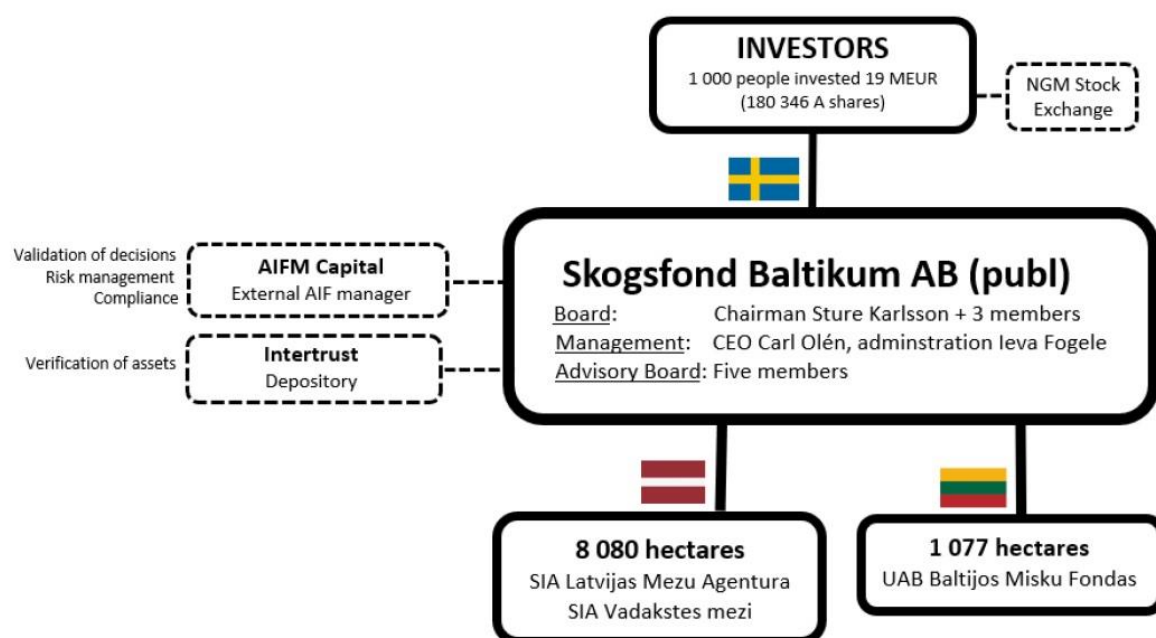
1.3 Fund structure

Skogsfond Baltikum AB (publ)

Skogsfond Baltikum AB (publ) (“SB”) is an alternative investment fund, which is a publicly listed company on the Swedish stock market NGM Nordic AIF, exclusively dedicated to investing in forest real estate in the Baltics and managing their assets sustainably to create value.

Founded in 2018, SB aims to generate favorable returns and positive climate impact within a maximum investment period of eight years. The overarching strategy involves acquiring forestland properties with substantial growth potential and fostering structural growth. Investors include Swedish private individuals and companies who have participated in public share issues over the years. The CEO, Carl Olén, holds the largest voting power through Forest Value AB, exercising a majority influence in the planned transaction.

The strategic decision has been made to divest all assets, and the sale will occur in two phases, one for Latvia and another for Lithuania. This memorandum describes the assets and sale process for the Latvian Portfolio, while the sale of the Lithuanian Portfolio is scheduled to commence in the first half of 2024.



1.4 Fund strategy



Fund management

SB owns and develops two subsidiaries in Latvia. The forest management organization is structured into three regions, where each regional forest manager is a contracted external supplier. SB's operational management team is situated in Stockholm, Sweden (CEO) and Valmiera, Latvia (administration). The management and forest buyers have a proven track record of acquiring high-quality forestland properties and building land portfolios in Latvia that align with the interests of growth seeking investors.

Forest acquisition strategy

The primary criterion for acquisition of forest properties, whether obtained individually or in smaller packages, has been their long-term growth potential. The acquisition guidelines have been:

- High bonity/site index, focusing on the best bonity classes and soil types.
- Avoid properties with wet conditions and those presenting other forest-related risks.
- Prioritize properties with good road connections, either directly or with close road access.
- Favor larger property sizes, while smaller individual properties has been overlooked.
- Give preference to properties with good growth potential rather than focusing on current short-term harvesting volumes.

This acquisition strategy together with the forest management activities has resulted in a growth focused Portfolio with above-average bonity/site index distribution, as detailed on page 18 for comparison. Notably, 68% of the productive forest area falls within the top two site index classes Ia-I, surpassing the average of about 50%. Also note that 32% is in the highest class Ia, significantly exceeding the average of about 13%.

Decision to divest

The fund strategy is divided in three phases as seen below with exit in 2026 at the latest. The management focus has since 2021 gradually changed from acquisition to development of the Portfolio. A strategic decision has been made by the board of SB to divest all assets sooner than initially planned. The divestment will be subject to final approval by the general meeting of SB.



1.5 Forest management

Forest management strategy

In June 2021 the SB fund board decided to pursue a very active forest management strategy, with the goal to improve the growth and value of the assets. The CEO was instructed to create and develop a forest management organization suitable for implementation of high levels of improvement activities. Pre-commercial thinning and afforestation have been prioritized.

Considerable effort has been invested in updating forest data through new taxations and establishing precise borderlines to provide a clearer and more comprehensive view of the standing forest.

Focus areas for forest management:

- Reforestation, increasing proportion of spruce on high-quality soil after harvesting.
- Afforestation, planting on unused agriculture land.
- Pre-commercial thinning, creating space in young stands for high value tree species and future growth.
- Cleaning, preparation of areas suitable for afforestation.
- Harvesting, careful selection of areas suitable for restart.

Summary of completed activities

Activity	2020	2021	2022	2023
Reforestation, ha	24	6	16	84
Afforestation, ha	-	-	18	306
Pre-commercial thinning (PCT), ha	68	104	328	451
Cleaning bushland, loose m ³	-	-	-	10,053
Harvesting volume, m ³	47	4,000	8,200	12,335
New taxations, ha	-	105	2,806	1,785

Planned forest management activities

The forest management shall continue on a normal level as an on-going business until a final decision about a sale is made. Planned activities include afforestation of up to 200 ha/year and PCT of approximately 300 ha/year.

According to the forest managers, there are in total 406 hectares of agriculture land and other land that has been identified as having good potential for afforestation, of which 69% is unused agriculture land. Expected time frame for the afforestation of the 406 hectares is until the end of 2025.

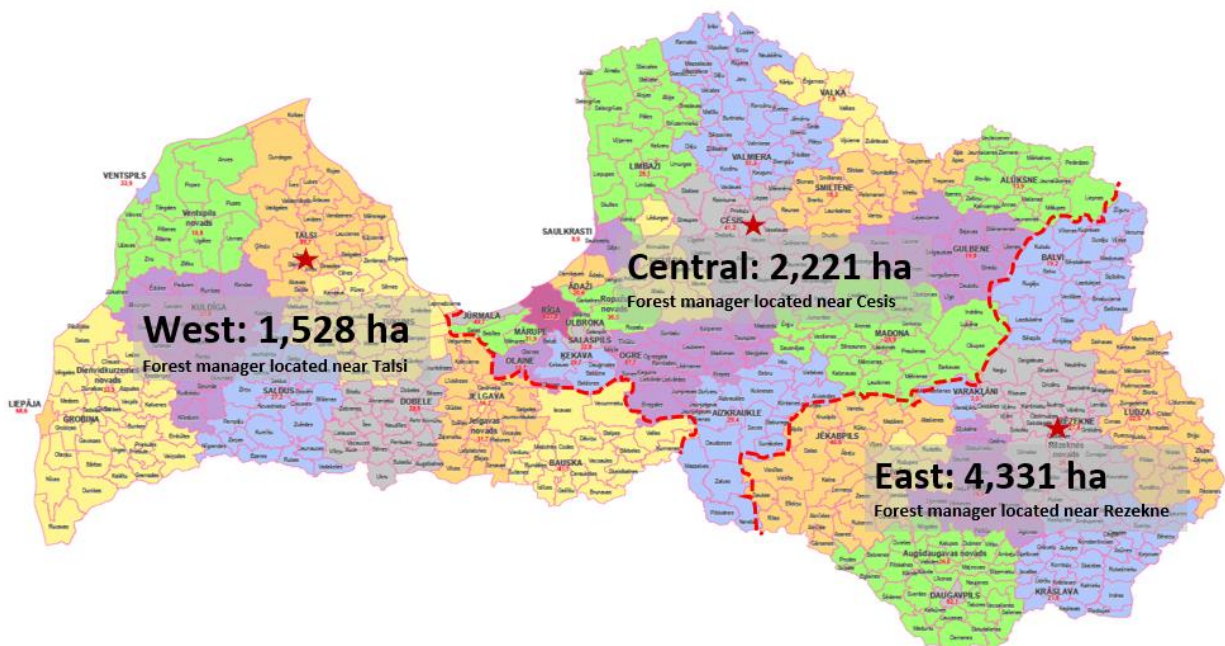
1.5 Forest management

Current management structure

The current forest management is segmented into three regions, each assigned to a different contractor. East (Rezekne), central (Cesis), and west (Talsi). Each contractor possesses experience and extensive knowledge of their respective areas.

One advantage of the current management structure is that it allows SB to compare the effectiveness and prices of the different contractors. This management structure is preferred for an active owner who is involved in decision-making and the ongoing monitoring of management activities.

Current agreements with the forest managers can be terminated immediately in the event of a change in ownership or may be renegotiated with the contractors if desired.



1.5 Forest management

Pre Commercial Thinning (PCT)

During 2023, PCT was conducted on 451 hectares of young forest, reflecting an increased rate compared to previous years, as detailed in the table on page 11. Systematic PCT plays a crucial role in ensuring the long-term growth of desirable tree species and trunks in both planted and naturally regenerated stands. These measures are expected to result in a substantial portion of areas transitioning to commercial thinning in the coming years, with a significant increase in volume growth anticipated.

Reforestation and afforestation programme

Natural regeneration is the predominant method for regenerating forest areas after regeneration cuttings. In 2023, 84 hectares underwent reforestation following regeneration cuttings, by planting of spruce, pine, and birch. Other regeneration areas have been reforested through natural regeneration in accordance with current authority requirements.

Afforestation efforts primarily target unused or overgrown agricultural land and other land suitable for afforestation, contributing to the expansion of forestland in the Portfolio. This, in turn, classifies the added land as plantation forest, characterized by robust growth and fewer cutting restrictions. Furthermore, this strategic approach also lowers land taxes, as unused agricultural land incurs higher taxes compared to used agricultural land or plantation forest.

In 2023, the afforestation amounted to 306 hectares of planted birch, spruce, and pine. In essence, the afforestation programme seeks to elevate growth and carbon storage to create shareholder value and delivering climate benefits.



Pre-commercially thinned mixed stand, LMA central Latvia, September 2023



Spruce plant on afforested land,
LMA central Latvia, September 2023

1.6 Vendor due diligence forest

Forest data validation

To ensure the accuracy of the state register data, the Seller has engaged an independent third-party consultant for comprehensive measurements and analysis. Norskog AS has been contracted for this purpose, and their complete report is accessible to interested parties in the data room.

The primary aim of the report is to streamline the process for interested parties, reducing the necessity for extensive field visits and consequently saving both time and costs. However, interested parties are, of course, welcome to conduct their own field visits if deemed necessary. It is important to exercise consideration for any ongoing activities, leased areas, forests, and neighboring Properties during such visits.

Methodology – 100 sample stands

The methodology employed adheres to industry standards for assessing standing volume and species composition in larger forest holdings. Official state register data forms the basis of the analysis, wherein a sample of 100 randomly selected stands undergo measurement according to specific standards. The number of measure plots within each stand is determined by the stand's size.

Subsequently, the outcomes from the measurements are compared with the state register data and analyzed.

Outcome – very small deviations

The measurements and analysis revealed that the systematic difference in forest volume is -0.78% compared to the state data which is well inside the industry standard for accepted deviations. When factoring in PCIRP activities, such as thinnings, where the volume is not adjusted in the register, the measurements indicate that the forest volume is 6.28% higher than the state data.

In assessing species composition, the volume was weighted by species in relation to the total stand volume from both the database and the field control. The table demonstrates minor deviations in species composition as well.

Specie	Pine	Spruce	Birch	Aspen	Black Alder	Grey Alder	Other
Field control	7.9%	11.5%	32.0%	18.1%	9.0%	18.0%	3.6%
Data base	9.6%	7.9%	36.1%	21.4%	8.3%	15.8%	0.6%
Diff	-1.7%	3.6%	-4.1%	-3.4%	0.7%	2.1%	2.9%

More detailed information and full report is available in the data room.

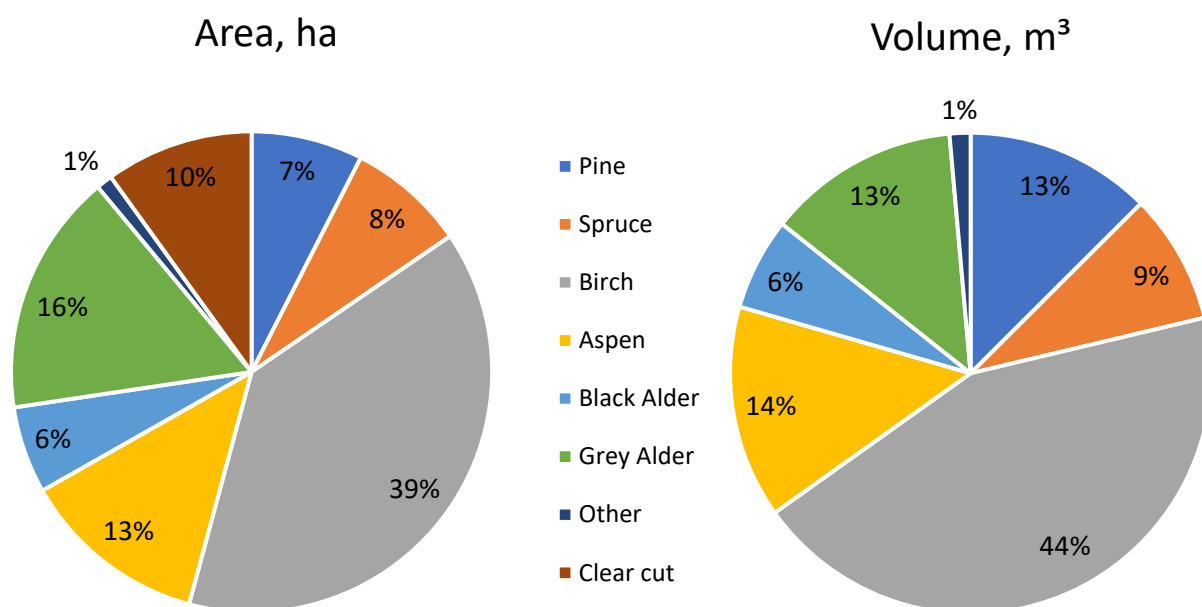
To view map with measured stands and photos of each measured plot, follow this link:

[Map of measurements with photos](#)

1.7 Forest data

Division by main specie

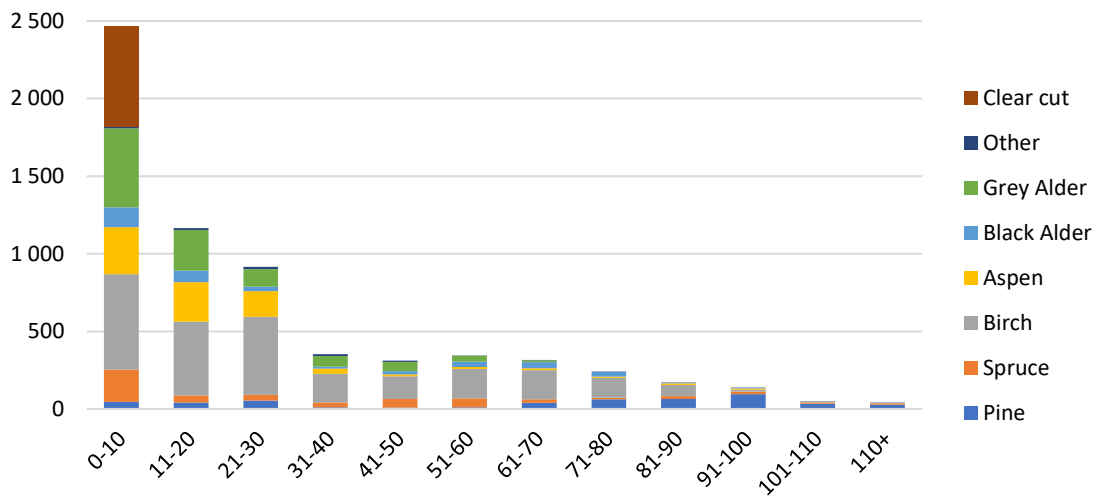
Main specie	Area, ha	% of area	Volume, m ³	% of volume
Pine	489	8%	84,955	13%
Spruce	517	8%	59,367	9%
Birch	2,521	39%	296,211	44%
Aspen	820	13%	97,049	14%
Black Alder	381	6%	41,800	6%
Grey Alder	1,062	16%	87,130	13%
Other	71	1%	9,545	1%
Clear cut	648	10%	0	0%
Total	6,507	100%	676,057	100%



Does not include afforested but not registered areas (153 ha)

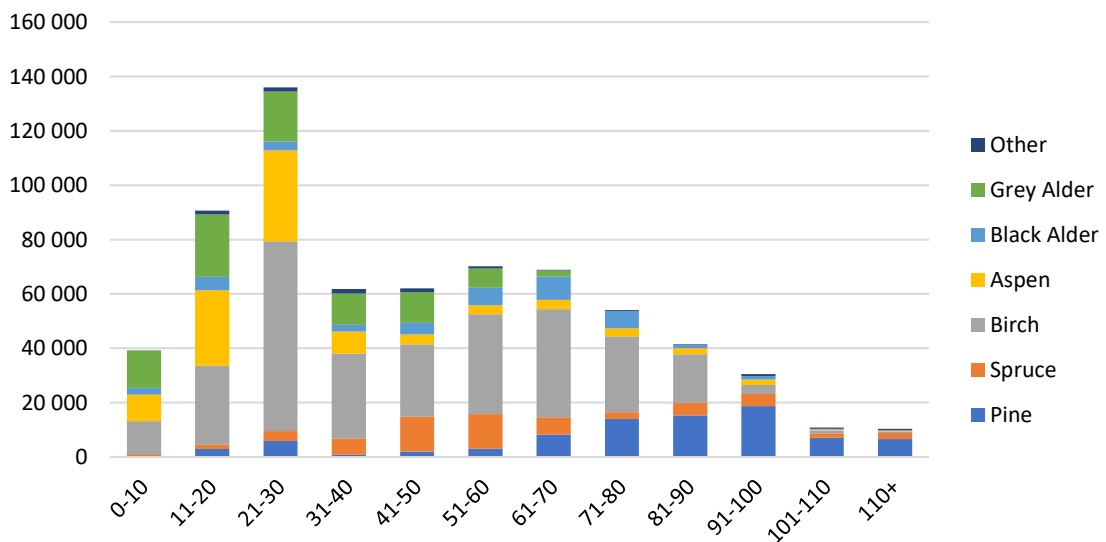
1.7 Forest data

Area by main specie and age group (ha)



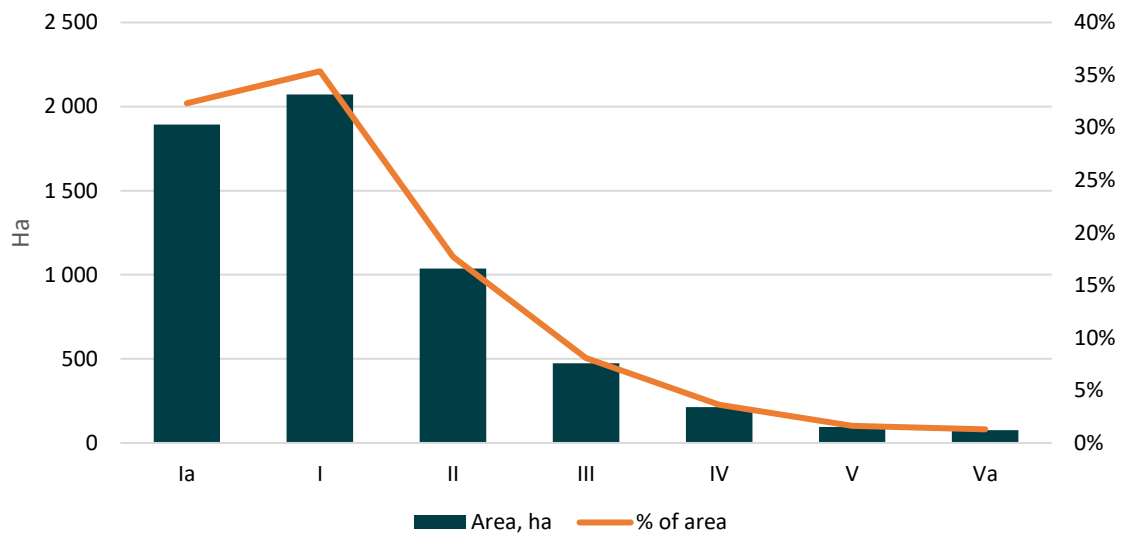
Does not include afforested but not registered areas (153 ha)

Volume by main specie and age group (m³)



1.7 Forest data

Site index class (bonity)

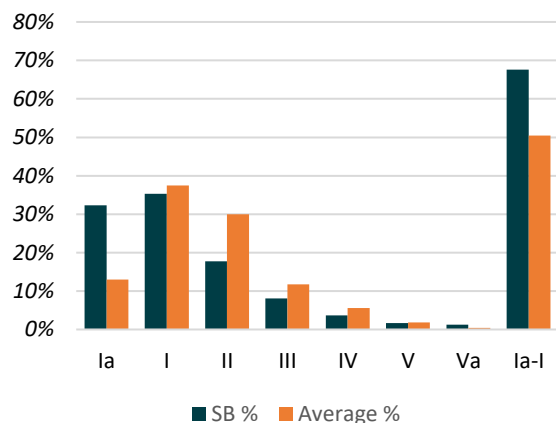


Does not include afforested but not registered areas (153 ha)

Site index comparison

Site index	SB ha	SB %	Average %
Ia	1,893	32%	13%
I	2,071	35%	37%
II	1,037	18%	30%
III	474	8%	12%
IV	214	4%	6%
V	95	2%	2%
Va	75	1%	0%
Total	5,860	100%	100%
Ia-I	3,964	68%	50%
Ia-II	5,001	85%	80%

Compared to average



*Average measured as average of other known privately owned forestland in Latvia.



11 year old pre-commercially thinned natural birch, first commercial thinning is expected in 6-7 years, LMA central Latvia, September 2023

1.8 Agriculture and other land

Agriculture land

The total agricultural land area in the Portfolio amounts to 623 hectares whereof 187 ha are leased to local farmers. When investing in forestland in Latvia, it's inevitable to encounter properties comprising a mix of forest, agriculture, and other types of land. Agriculture land is classified as either utilized (cultivated or leased) or unused.

High-quality agriculture land is best used as leased to local farmers. Alternatively, if the owner's primary focus is on forest investment, selling agricultural land by dividing Properties can be a strategic way to lower the amount of agriculture land.

Unused agricultural land may consist of pastures or meadows with overgrown areas or smaller portions of Properties that are still officially registered as agricultural land. As long as it remains unused, it imposes a higher land tax burden on the owner. The land quality, however, presents significant growth potential for forest plantations, which are not subject to harvesting restrictions.

Other land

Other land refers to land that does not fall into the categories of either forest or agricultural land. Examples of various other land categories include bushland, swamp and areas under roads or water. The Portfolio consists of 796 hectares of other land as specified in the table on page 7.

Other land encompasses bushland and low-productivity land with more or less wet soil. In many instances, these areas can be transformed into forestland through minor improvements such as ditching, removal of overgrowth and/or planting. Such land areas are in later stage suitable for new taxations and reclassification, offering an opportunity to enhance the Portfolio's value over the long term.



Area suitable for afforestation 2024-2025 and mixed forest, LMA east Latvia, December 2023

1.9 Renewable energy potential

Feasibility study wind and solar

The Portfolio consists of numerous Properties across Latvia, presenting opportunities to develop construction permits and land lease agreements for renewable electricity production.

An independent third party has conducted a feasibility study to investigate locations suitable for solar and wind farms, providing a better understanding of the potential. The study considered all legislative constraints and restrictions and determined that 730 hectares of land has no restrictions for the construction of wind turbines. The map below and in the link shows the areas as either green (730 ha), yellow (586 ha) or red (6,736 ha), where green means no restrictions with high probability for placement of wind turbines, yellow requires additional evaluation and red not suitable for wind turbines. To view the illustrated results from the study, click on link and log in:

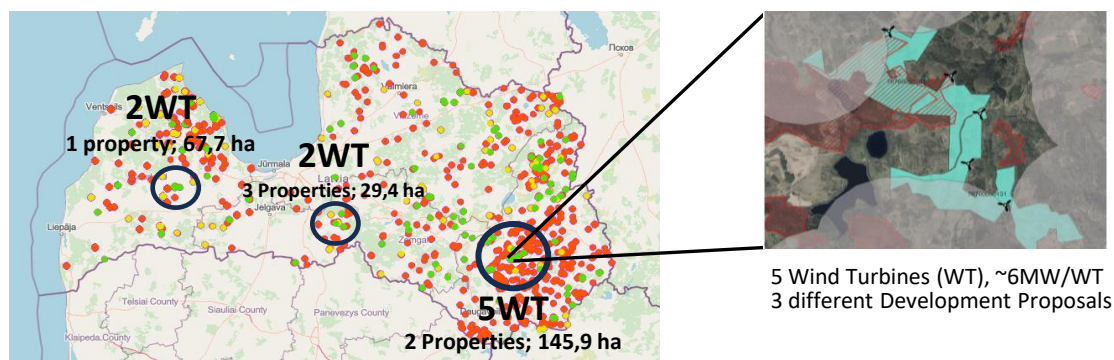
[Link to interactive map](#) Username: VES.meza.zemes Password: VESmeza2023

The reported theoretical conclusion is high possibility that wind park development projects can be created for in total 38 wind turbines. The recommendations set out in the report are to enter land lease agreements with chosen projects developers where suitable, and to use fixed amount per turbine in the land lease agreements.

The report also concludes that from a legislative standpoint, all agricultural land areas are potentially allowed for the construction of solar parks. The full feasibility report is available in the data room.

Received wind turbine development proposals

As of today, SB has been approached by four different wind energy companies expressing a desire to enter into agreements for land lease with the purpose of developing wind projects for construction of wind turbines. Proposals have been aimed at three different locations and nine turbines in total. SB has decided to not enter into any long-term land lease agreements at the moment, with the consideration of that being a strategic and binding long term decision for a potential new owner. For one of the best locations, with potential of five wind turbines (WT) in a location east of Preili, SB has been approached by three different wind developers.



1.10 Carbon credit potential

Possibility to create carbon credits

The primary objective of the afforestation program is to increase growth and carbon capture. When real climate benefits are created through afforestation, some afforested areas may be qualified for the creation of carbon credits.

The SB board has followed the development of verification and trading of carbon credits in Europe and has decided to collaborate with Europe's largest forest carbon project developer – Ecobase. The focus has been on the easiest to prove method – afforestation.

A presentation "Ecobase - landowner's presentation", about the creation of validated carbon credits within the Verra and EU frameworks, is available in the data room.

244 hectares eligible for carbon credits

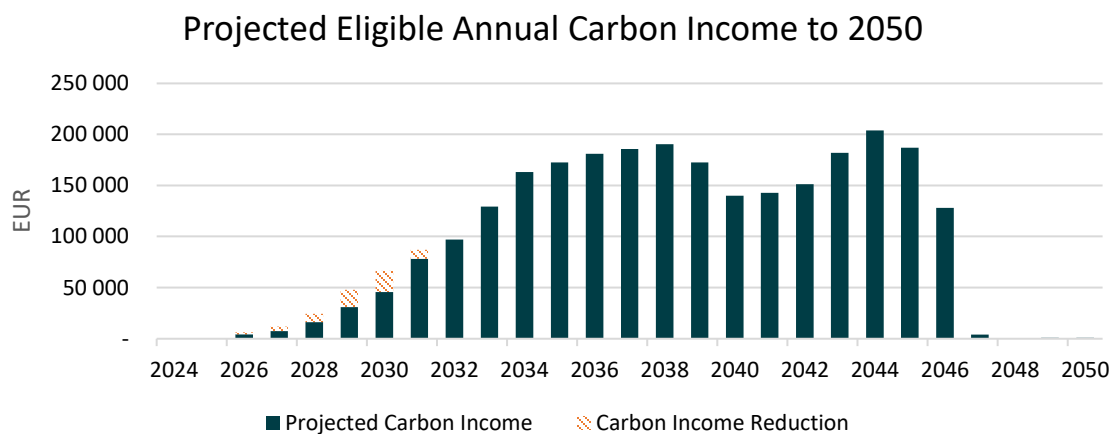
All afforested areas of 306 hectares during 2023 in Latvia were submitted to Ecobase for verification and eligibility check. The report from Ecobase concludes that 244 hectares are considered eligible for creation of carbon credits.

According to Ecobase, the 244 eligible hectares may:

- create over 52,000 carbon credits until 2050.
- create possibility to sell the carbon credits for estimated price of 50 EUR per credit.
- create an estimated accumulated income of EUR 2,600,000 until 2050.

Future areas suitable for afforestation in Latvia are defined as 406 hectares. If 75 % of that area is afforested and eligible for carbon credits, 306 hectares may be added to eligible areas the coming years. The 244 hectares (eligible) and 306 hectares (realistic pipeline) sums up to 550 potential hectares with a total of, according to Ecobase, about 120,000 potential projected carbon credits with estimated income of about EUR 6,000,000.

The full report "Ecobase - LMA Portfolio report" is available in the data room.





2. Latvian forest information

2.1 Forest investment comparison

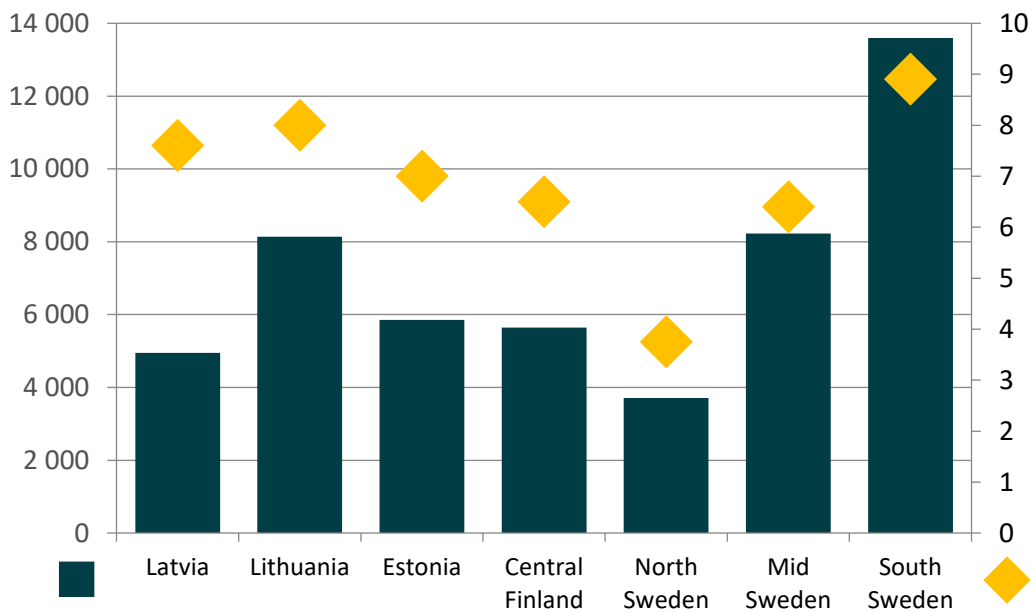
Reasons to invest in Latvian forest

Compared to other regions in the Baltic sea area, Latvia offers a great price/growth ratio as seen in the comparison below. Besides the existing forestland, the possibility for plantation forest on unused agriculture land will boost the growth in the Portfolio even more.

Private forestland in Latvia is in average relatively low stocked, normally between 100-120 m³/ha, depending on the rate of cutting and planting. This makes much of the difference in acquisition price compared to Lithuania for example, where average standing stock is between 200-250 m³/ha.

With an active forest management, Latvian forestland offers high growth for an attractive price compared to other countries operating in the same wood market.

Price forestland EUR/ha (left) and annual growth m³/ha (right)



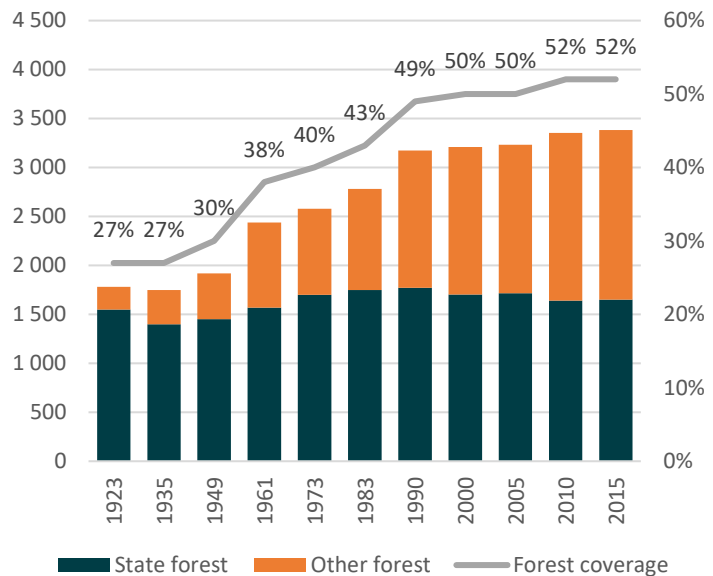
Average price/ha and growth estimations per region.

Sources include: Ludvig & Co, maamet.ee, CSB Latvia, SLU skogsdata, SLU Riksskogstaxeringen, luke.fi, skogssverige.se, Karl Danielsson Farm & Forest

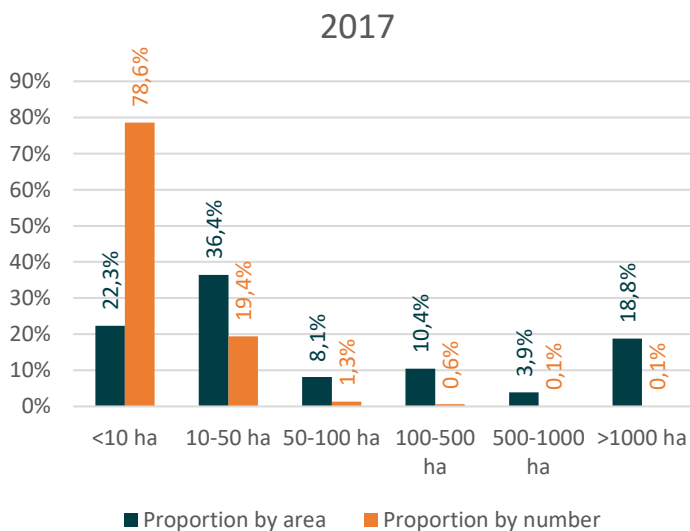
2.2 Latvian forest sector

Forest area and ownership (thousand ha)

The graph to the right shows the development of forest areas over the last 100 years in Latvia. The same process is still continuing, with planting of unused agriculture land. A large part of the private forestland consist of former rich and fertile agriculture land.



Structure of private forest owners



The graph to the left shows the proportion of areas and number of owners categorised by amount of forestland area owned (2017). Over the past 20 years, an increasing amount of forestland has been consolidated to larger owners and the primary market for single properties is shrinking.

Source: Latvian State Forest Research Institute "SILAVA"

2.2 Latvian forest sector

Latvian forest industry

The forest industry has played a significant role in the Latvian economy since gaining its independence, contributing approximately 4-6% to GDP, accounting for around 20% of exports, and about 30% of the manufacturing industry. Presently, wood processing industries operate in all districts, often serving as vital employers and major contributors to district tax revenues.

With about 45 thousand people employed, the forest industry employs one-fifth of the total manufacturing workforce. The Latvian wood processing sector has experienced substantial growth, with output per employee increasing from approximately 50 TEUR in 2010 to 110 TEUR in 2019.

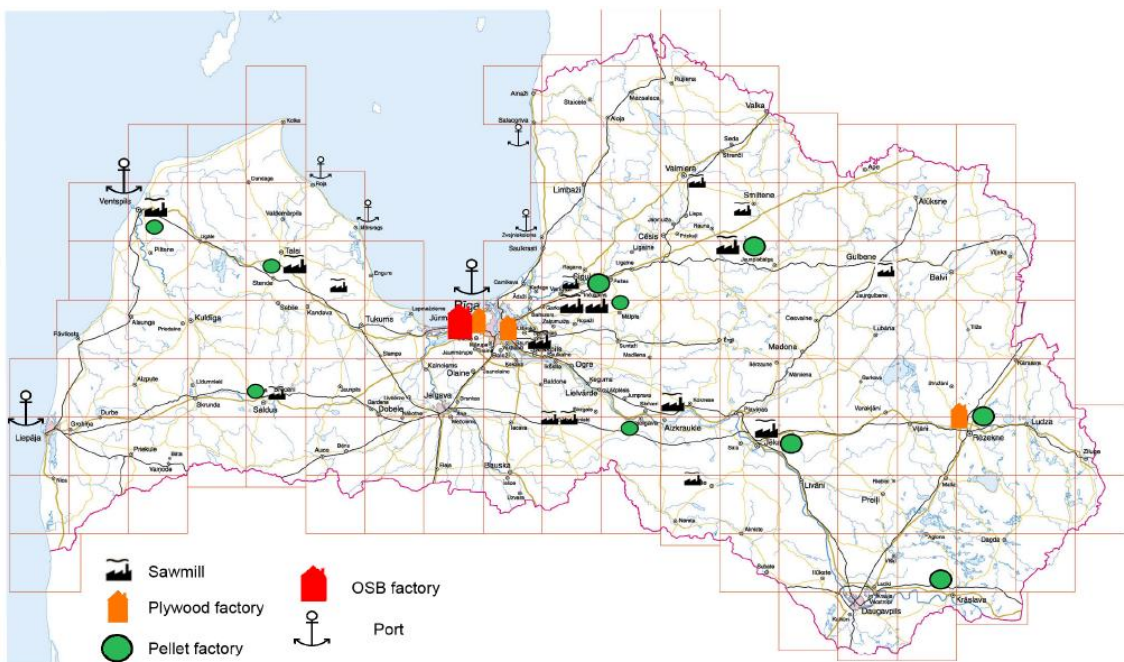
Annual harvesting volumes has remained stable at around 12 million m³ per year and the yearly increment averages around 16 million m³.

Besides export, there is a consistent domestic demand for wood used for various purposes such as sawn wood, wood-based panels, veneer, wood fuels, charcoal, pulpwood etc. In addition to the larger plants in the map below, numerous smaller sawmills across Latvia actively participate as buyers and competitors in the local raw material markets.

Increased demand for energy wood both domestic and abroad has created favorable conditions for the establishment of new pellet factories.

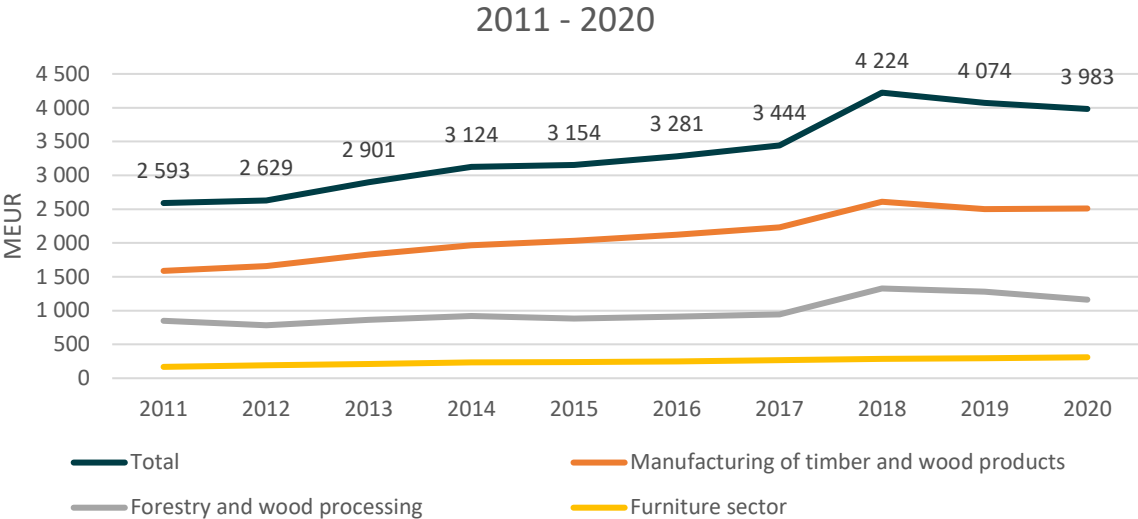
Source: Latvian Wood, LIAA, Latvian forest sector in facts and figures 2023

Industry map

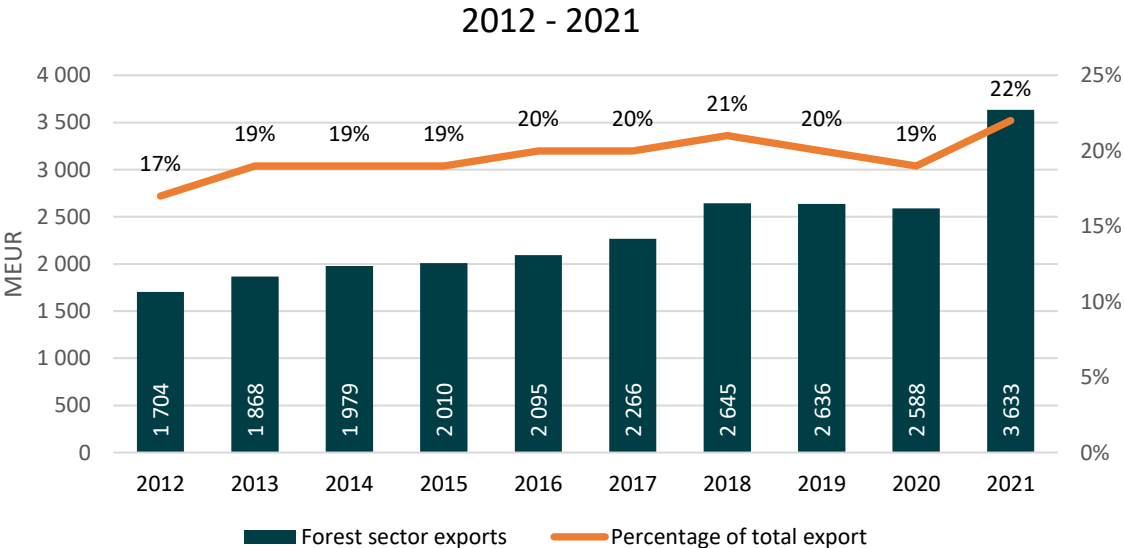


2.2 Latvian forest sector

Net turnover forest sector



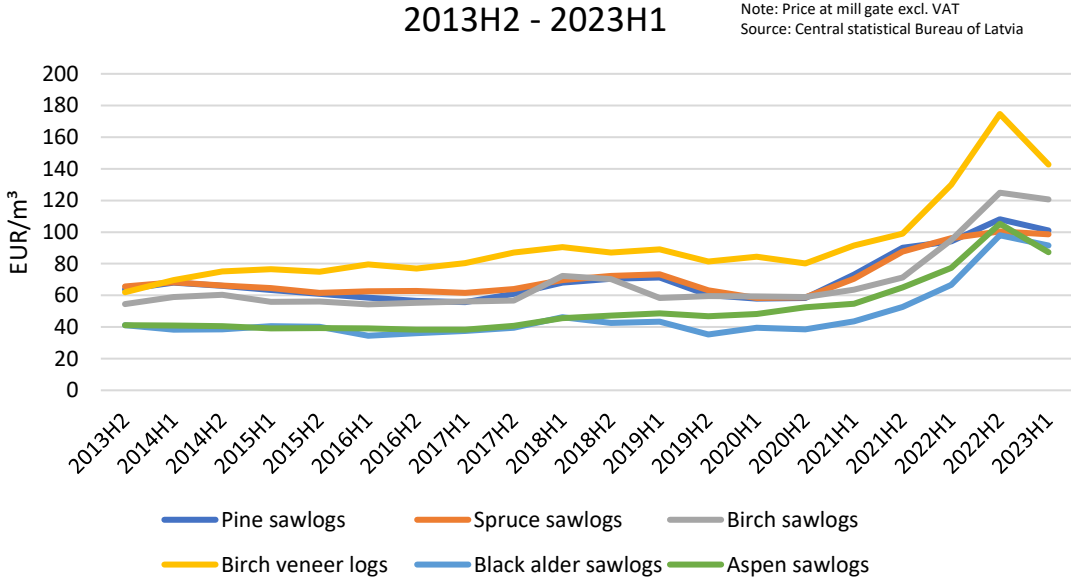
Export forest sector



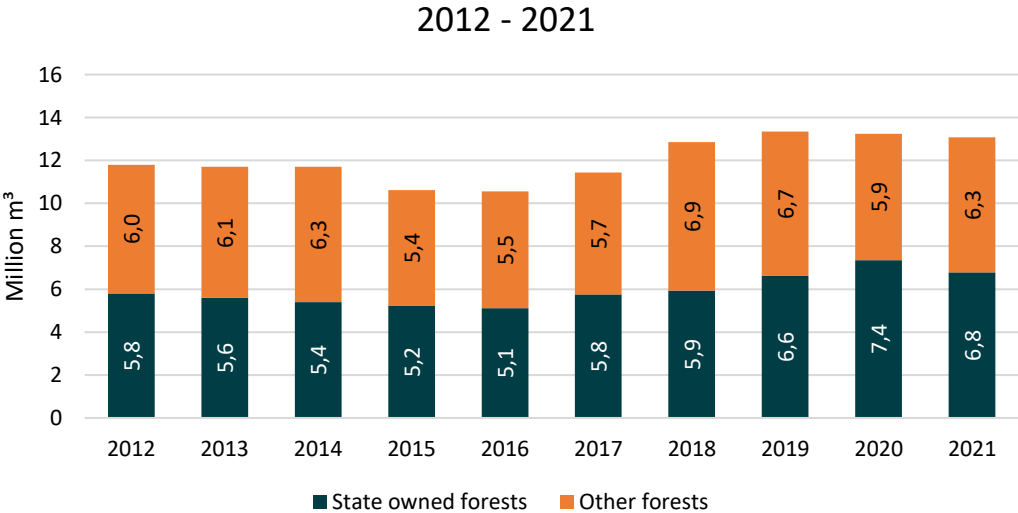
Source: Central Statistical Bureau, Latvian Forest Sector in Facts and Figures 2023.

2.2 Latvian forest sector

Average wood prices (EUR/m³)



Timber production (million m³)



Source: Latvian Forest Sector in Facts and Figures 2023.



Cleaning of overgrowth before afforestation,
LMA central Latvia, August 2023

2.3 Forest information

Forest data

Information on each specific property unit is compiled in a comprehensive forest data package. This package includes forest inventory data in .dbf format, shapefiles and an Excel summary of the data. All this information will be accessible in the data room.

Inventory data

Forest inventory data is sourced from the State Forest Register, administered by the State Forest Service. As per legislation, forest owners are required to conduct property inventory at least once every 20 years (previously 10 years until 2012) to engage in any commercial activity on the property. Certified appraisers must prepare the forest inventory. The State Forest Register undergoes annual updates, incorporating changes from new forest inventories in the previous year and annual adjustments in increment.

Portfolio comment: Inventory has been conducted for 71 % of the forestland in the Portfolio within the last 2 years.

Land border plan

Each property has a land border plan featuring a detailed map of the property divided in compartments, division of the property into land types and any encumbrances that exist on the property, such as roads, power lines, protected areas etc.

Forest management plan

A forest management plan offers recommendations on how to proceed with managing a specific forest property, utilizing the inventory data provided to the State Forest Register. While not mandatory, the existence of a management plan is a prerequisite for receiving state or EU support for various activities within the forest.

2.3 Forest information

Cutting & harvesting

Forest cutting activities in Latvia are subject to regulation by forest laws. Permission for cutting is granted based on criteria related to either the age or the average diameter of forest stands, with variations depending on the tree species and site index (bonity). Additionally, regulations stipulate constraints on the size of clear-cut areas, which differ according to soil types.

Portfolio comment: For the Portfolio, no cutting forecast is presented in this memorandum as maximum allowed volume for cutting. Cutting forecasts can be hard to verify and depends on the forest management strategy. Interested parties are encouraged to consult with a forest manager to align their long-term strategy and find a balance between cutting revenue and the value growth of the Portfolio.

Hunting

Hunting in Latvia is governed by hunting laws, where the fundamental requirement for engaging in hunting activities is membership in a legally registered hunting club. Each hunting club manages a designated hunting district - a continuous hunting area specific to that club. Hunters join these clubs to partake in organized hunting activities. In addition to membership, hunters must receive a hunting season card and, in some cases, also a hunting permit.

Minimum hunting area requirements for each hunting club are determined by the types of animals intended for hunting in that area. Typically, the hunting area is composed of Properties owned by multiple landowners. Landowners often collaborate to form a hunting club, using it to hunt on their own land or renting land from others.

Although some hunting clubs have started paying rent in recent years, average rental rates are usually set below 1 EUR/ha, and hunting should not be considered a commercial lease. Instead, cooperation between landowners and hunting clubs contributes valuable surveillance to the Properties, and hunting serves to mitigate wild animal damage to the forest.

2.4 Taxes and legislation

Taxes

There is no corporate income tax (CIT) in Latvia. Corporate earnings are taxed when paying dividend or other transfers comparable to paying dividend.

Yearly property tax is based on assessment value (not booked or actual value) and is calculated as follows:

- forestland 0-1.5 %;
 - Deciduous forest 0% <20 years, 1.5% >20 years (grey alder 10 years).
 - Coniferous forest 0% <40 years, 1.5% >40 years.
- Land registered as plantation forest follows the same rules as above. Tax free period starts when the reforestation/afforestation is confirmed and registered.
- Used/leased agriculture land 1.5 %.
- Unused agriculture land is taxed 1.5 % + 1.5 % punishment (acceptance of 20 % unused land, calculated as land use and what is reported to EU).

For more information, please see Law "On immovable Property Tax" (04.06.1997.) and visit vid.gov.lv/en/taxes.

Portfolio comment: Total property tax paid by SB for 2023 in Latvia was about 25,000 EUR.

Nature protection

Latvia encompasses various types of nature protection areas with different levels of restrictions on commercial activities within the forest. These constraints range from limitations on clear cuts during specific periods to full ban on any commercial activities. Notably, over half of Latvia's forests are FSC and/or PESC certified, underscoring adherence to international standards in forest management practices.

Certain nature protection areas also form part of European Natura 2000 protected zones, entitling forest owners to receive compensations. The level of compensation varies depending on extent of the restrictions. Compensation rates range from 160 EUR/ha/year for areas with complete activity restrictions to 45 EUR/ha for areas with limitations on clear cuts.

Portfolio comment: The forestland consists of about 534 ha of areas with some kind of restrictions, whereof only 24 ha are fully restricted areas where no type of cutting is allowed. 176 ha receives annual Natura 2000 compensation.

EU-subsidies

It is possible to apply for EU-subsidies to cover part of the cost for certain activities, such as afforestation, reforestation after catastrophes, change of grey alder stands, pre-commercial thinning and vegetation control etc. Specific rules and limitations apply.

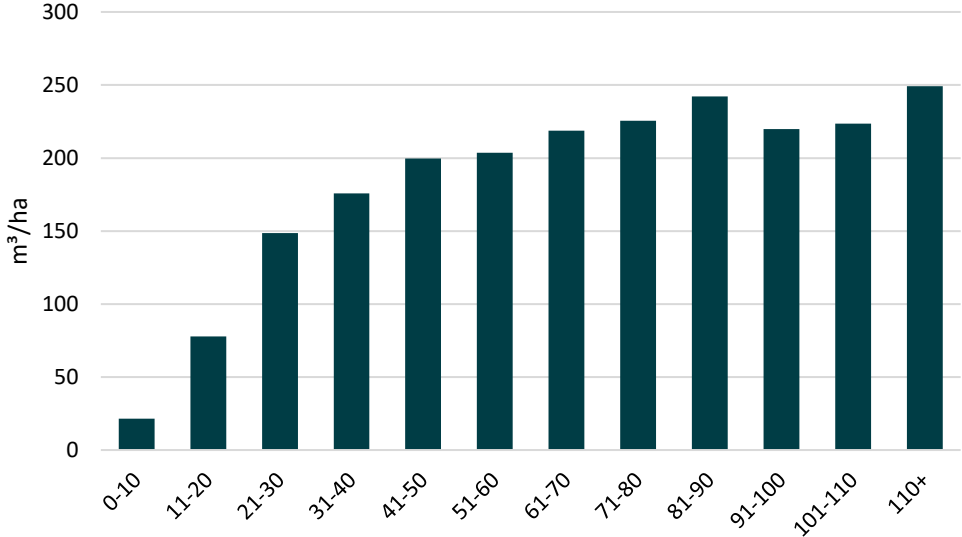


3. Additional Portfolio information

Soil prepared for afforestation,
LMA west Latvia, September 2023

Appendix 1

Average volume per ha and age group (m³/ha)



Appendix 2

Table of area by main specie and age group (ha)

Age group	Pine	Spruce	Birch	Aspen	Black Alder	Grey Alder	Other	Clear cut	Total
0-10	44.9	208.3	615.0	302.8	127.8	510.8	6.9	647.8	2 464.3
11-20	40.5	46.4	475.8	253.5	75.2	260.7	13.9		1 165.9
21-30	52.5	38.5	502.0	166.9	27.0	114.0	14.7		915.5
31-40	10.4	31.6	184.1	33.3	13.2	68.1	11.1		351.7
41-50	9.0	54.6	146.2	12.3	21.0	60.0	8.1		311.1
51-60	11.0	56.8	189.9	11.5	35.0	37.2	3.2		344.5
61-70	38.7	23.1	188.2	11.8	40.2	11.5	1.6		315.0
71-80	62.6	10.4	126.5	9.6	29.3		1.4		239.6
81-90	64.3	17.6	73.1	9.5	5.4		1.3		171.2
91-100	95.2	15.2	14.1	6.5	4.1		3.6		138.7
101-110	33.2	6.1	4.1	1.3	1.4		2.1		48.2
110+	26.4	8.9	1.6	0.9	1.2		2.7		41.7
Total	488.6	517.4	2,520.5	819.8	380.6	1,062.2	70.6	647.8	6,507.5

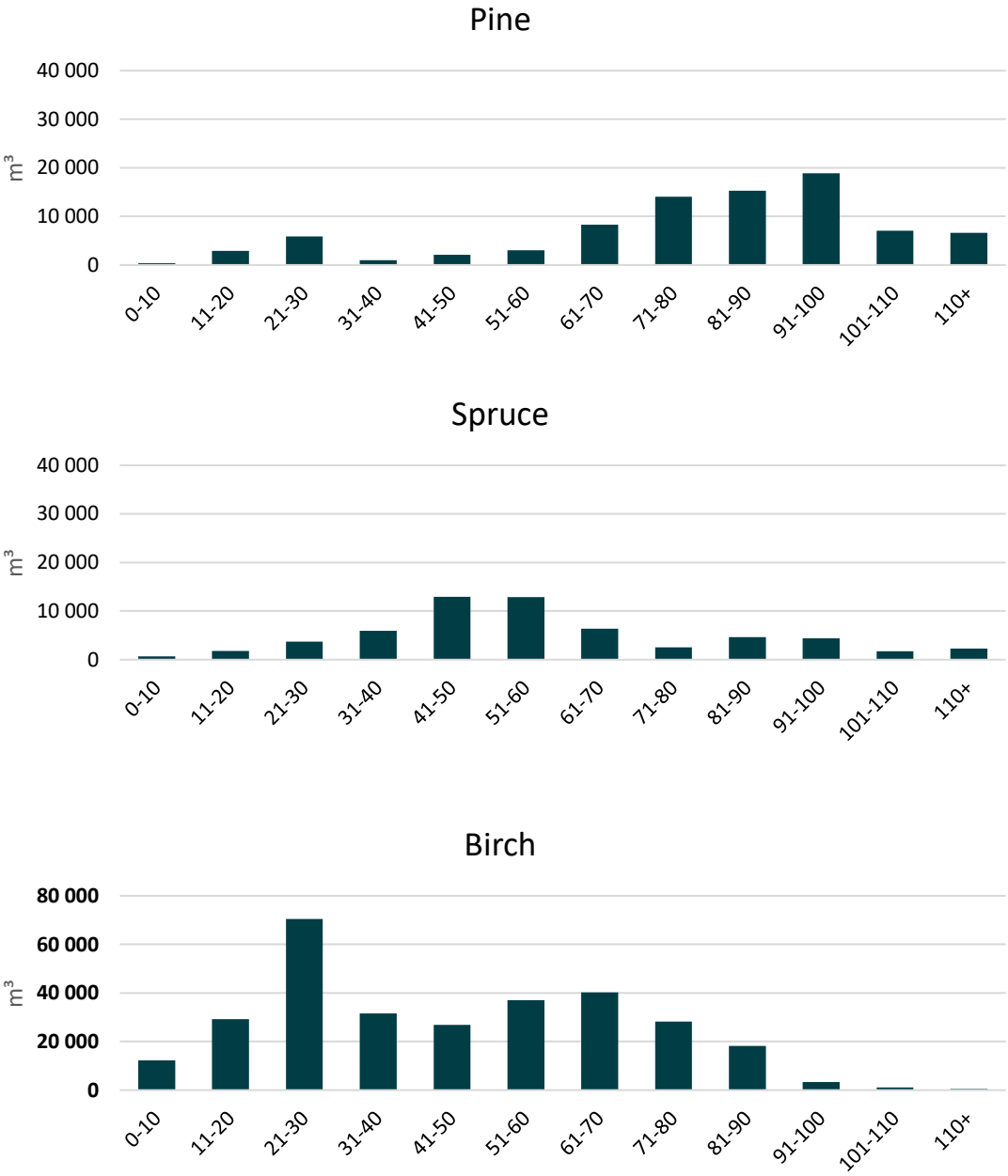
Appendix 3

Table of growing stock by main specie and age group (m³)

Age group	Pine	Spruce	Birch	Aspen	Black Alder	Grey Alder	Other	Total
0-10	388	683	12,118	9,756	2,486	13,645	41	39,117
11-20	2,894	1,728	28,981	27,708	4,981	23,028	1,343	90,663
21-30	5,848	3,670	69,863	33,422	3,310	18,429	1,523	136,065
31-40	965	5,835	31,223	8,165	2,447	11,536	1,688	61,859
41-50	2,042	12,834	26,576	3,667	4,253	11,286	1,442	62,100
51-60	3,010	12,803	36,731	3,271	6,466	7,045	830	70,156
61-70	8,225	6,319	39,848	3,398	8,674	2,160	304	68,928
71-80	13,958	2,539	27,953	2,891	6,316		377	54,033
81-90	15,249	4,590	18,013	2,159	1,106		343	41,461
91-100	18,774	4,395	3,277	2,034	1,312		703	30,495
101-110	7,005	1,688	1,131	299	240		420	10,783
110+	6,597	2,282	498	279	209		532	10,397
Total	84,955	59,367	296,211	97,049	41,800	87,130	9,545	676,057

Appendix 4

Growing stock by age class and main specie (m³)



Appendix 5

Growing stock by age class and main specie (m³)

