

Independent auditor's report

Financial Statements

for the year ended

31 December 2022

SFE "FORESTS OF UKRAINE"

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INDEPENDENT AUDITOR'S REPORT

**To the State Forest Resources Agency of Ukraine
and Management of
SFE "Forests of Ukraine"**
9A, Shota Rustaveli St., Kyiv, 01601

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the financial statements of State Enterprise "Forests of Ukraine" (hereinafter referred to as "the Company"), which comprise the balance sheet as at December 31, 2022, and the statement of financial results, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements are prepared, in all material respects, in accordance with the National Accounting Regulations (Standards) of Ukraine and the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated July 16, 1999 No. 996-XIV with respect to the preparation of financial statements.

Basis for Qualified Opinion

1. The Company was established on October 26, 2022. Our audit procedures regarding the valuation of property, plant and equipment and capital investments transferred to the Company's assets at the end of 2022 through legal succession under transfer acts approved by orders of the State Forest Resources Agency of Ukraine were subject to limitations. The carrying amount of such assets as at December 31, 2022 amounted to UAH 151 244 thousand. Due to the limited documentation and available information, we were unable to obtain sufficient appropriate audit evidence regarding the proper determination of the initial cost of these assets. Accordingly, we were unable to determine whether any adjustments were necessary to the carrying amount of property, plant and equipment and capital

investments, as well as the related amounts in the financial statements for the year ended December 31, 2022.

2. Similar limitations also applied to our audit procedures regarding the valuation of intangible assets transferred to the Company's assets at the end of 2022 through legal succession under transfer acts approved by orders of the State Forest Resources Agency of Ukraine. The carrying amount of such assets as at December 31, 2022 amounted to UAH 11 155 thousand. Due to the limited documentation and available information, we were unable to obtain sufficient appropriate audit evidence regarding the proper determination of the initial cost of such assets. Accordingly, we were unable to determine whether any adjustments were necessary to the carrying amount of intangible assets and the related amounts in the financial statements for the year ended December 31, 2022.

3. We were unable to observe the Company's inventory count as at December 31, 2022 because we were appointed as auditors after the date of the financial statements. By performing alternative audit procedures, we were able to obtain sufficient appropriate audit evidence regarding the existence of finished goods as at December 31, 2022 with a carrying amount of UAH 5 885 thousand. At the same time, due to the significant volume of raw and other materials, goods, work in progress and other finished goods balances, and the related accounting data, we were unable to perform alternative audit procedures in a manner that would have enabled us to obtain sufficient appropriate audit evidence regarding their existence as at December 31, 2022. The aggregate carrying amount of such inventories amounted to UAH 57 094 thousand. Accordingly, we were unable to determine whether any adjustments might have been necessary in respect of those inventory balances and the related elements of the financial statements for the year ended December 31, 2022.

We conducted our audit in accordance with International Standards on Auditing ("ISAs").

Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements applicable in Ukraine to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

The Company's financial statements have been prepared on the basis of the going concern assumption.

In connection with the military aggression of the Russian Federation against Ukraine, martial law was introduced in Ukraine by Decree of the President of Ukraine No. 64/2022 dated February 24, 2022, and as at the date of signing of these financial statements has been extended at least until May 4, 2026 by Decree of the President of Ukraine No. 40/2026 dated January 12, 2026, "On the Extension of the Period of Martial Law in Ukraine."

Although the Company continues to operate, the circumstances described above

indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue its operations on a going concern basis.

Our opinion has not been modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not express a separate opinion on these matters.

In addition to the matters described in the Basis for Qualified Opinion and Material Uncertainty Related to Going Concern sections, we have determined that the matters described below are the key audit matters to be communicated in our report.

| List of key audit matters | How the auditor addressed these matters |
|---|--|
| <p data-bbox="384 781 1477 853"><i>Establishment of the Company as a new entity and reflection of legal succession in the financial statements</i></p> <p data-bbox="373 871 882 1059">The Company is a newly established entity to which the assets, liabilities, rights and obligations of certain state-owned enterprises were transferred through legal succession.</p> <p data-bbox="373 1079 887 1460">The preparation of the financial statements in such circumstances required the application of significant management judgment, in particular with respect to the completeness of the transfer of balances, their proper classification, recognition and measurement in the accounting records and financial statements of the Company.</p> <p data-bbox="373 1480 890 1787">Given the significant volume of transferred assets and liabilities, the multiple sources of accounting information, as well as the complexity of the process of forming the opening amounts in the Company's financial statements, we determined this matter to be a key audit matter.</p> | <p data-bbox="914 871 1497 981">Our approach to addressing this matter was based on performing procedures which, among other things, included:</p> <ul style="list-style-type: none"> <li data-bbox="914 1003 1497 1227">– analysis of statutory, regulatory and constituent documents relating to the establishment of the Company and the transfer to it of assets, liabilities, rights and obligations through legal succession; <li data-bbox="914 1238 1497 1348">– obtaining and analysing documents supporting the transfer of assets and liabilities from predecessor entities; <li data-bbox="914 1359 1497 1469">– testing, on a sample basis, the correctness of the transfer of balances into the Company's accounting records; <li data-bbox="914 1480 1497 1666">– evaluation of the approaches applied by management to the recognition, classification and measurement of assets and liabilities received through legal succession; <li data-bbox="914 1677 1497 1821">– analysis of the completeness of the accounting data prepared on the basis of information received from predecessor entities; <li data-bbox="914 1832 1497 1977">– evaluation of the completeness and appropriateness of disclosures relating to legal succession in the financial statements and notes thereto. |

Other Matter – First-Year Audit Engagement

The Company was established on October 26, 2022. The audit of the Company's financial statements for the year ended December 31, 2022 is the first audit of the Company's financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Report in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", but does not include the 2022 financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon in respect of the other information included in the Management Report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described above in the Basis for Qualified Opinion section, we were unable to obtain sufficient appropriate audit evidence regarding the value of property, plant and equipment, capital investments, intangible assets, as well as raw and other materials, goods, and work in progress. Accordingly, we are unable to conclude whether the other information is materially misstated in respect of these matters.

The financial information included in the Management Report is consistent with the Company's financial statements for 2022.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the National Accounting Regulations (Standards) of Ukraine and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements may arise from fraud or error; they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is set out on page 8 in Appendix 1 to this INDEPENDENT AUDITOR'S REPORT, which forms an integral part hereof.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to the requirements of the International Standards on Auditing, in the Independent Auditor's Report we also provide the following information:

Disclosure of information required by Part 4 of Article 14 of the Law of Ukraine No. 2258-VIII dated December 21, 2017, "On the Audit of Financial Statements and Auditing Activity" (hereinafter – Law No. 2258)

- 1) By Minutes No. 10 of the Supervisory Board meeting of State Enterprise "Forests of Ukraine" dated November 26, 2025, we were appointed as the audit firm to provide statutory audit services in respect of the Company's financial statements for 2022, 2023 and 2024.
- 2) The total uninterrupted duration of the audit engagement, including renewals of appointments and reappointments to provide statutory audit services, is 1 year.
- 3) The objective of our audit is to enhance the degree of confidence of the intended users in the Company's financial statements. Our audit assessments include:
 - a description and assessment of the most significant risks of material misstatement in the financial statements under audit, including those arising from fraud;
 - a clear reference to the relevant item or other disclosure in the financial statements for each description and assessment of the most significant risks in the financial statements under audit;
 - a brief description of the measures taken by us to address such risks;
 - the principal reservations relating to such risks, as disclosed in the Basis for Qualified Opinion and Key Audit Matters sections of our Independent Auditor's Report.
- 4) The general procedures for the identification and assessment of the risks of material misstatement due to fraud or error applied in the course of our audit included an understanding of the Company's internal control environment, its process for identifying business risks relevant to financial reporting, an assessment of the significance of such risks, the likelihood of their occurrence, as well as the Company's decisions regarding the methods used to address these risks; external confirmation procedures, inspection of documents subsequent to the reporting period, and an understanding of the Company's internal control system related to the collection of accounts receivable and other financial assets; analysis of regulatory

risks; understanding of IT controls; testing of journal entries; analysis of information obtained in prior periods; performance of analytical procedures, including substantive analytical procedures based on detailed data; observation; and other procedures.

We did not identify any facts of fraud and did not obtain evidence of circumstances that may indicate the possibility that the financial statements contain material misstatements due to fraud or error.

Based on the results of our audit, all identified matters were discussed with those charged with governance of the Company.

We were granted access to the information and documents requested for the purposes of the audit. At the same time, for the reasons described in the Basis for Qualified Opinion section, we were unable to obtain sufficient appropriate audit evidence in relation to certain matters.

5) We confirm that the opinion expressed in our Independent Auditor's Report is consistent with the additional report to the Audit Committee.

6) We confirm that Grant Thornton Legis LLC did not provide the Company with any services prohibited by law.

We confirm that the engagement partner and Grant Thornton Legis LLC are independent of the Company in accordance with the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements applicable in Ukraine to our audit of the financial statements, and have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

7) We confirm that Grant Thornton Legis LLC did not provide the Company or its controlled entities with any services other than the statutory audit of the Company's financial statements for 2022, 2023 and 2024.

8) Our description of the scope of the audit and the inherent limitations of the audit of the Company's financial statements is also set out in the Auditor's Responsibilities for the Audit of the Financial Statements section.

Basic information about the audit firm

The audit was conducted by the independent audit firm Grant Thornton Legis Limited Liability Company.

Grant Thornton Legis LLC is included in Section IV, "Audit Firms Authorised to Perform Mandatory Audits of Financial Statements of Public-Interest Entities," of the Register of Auditors and Audit Firms under number 3915.

DIRECTOR

GRANT THORNTON LEGIS LLC

Certified Auditor

(No. 100035 in the Register of Auditors and Audit Firms)



I. NOVAK

KEY ENGAGEMENT PARTNER

Certified Auditor

(No. 100212 in the Register of Auditors and Audit Firms)

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Tel./Fax: +380 (44) 484 3364 / +380 (44) 484 3211.

Kyiv, Ukraine

April 06, 2026

Appendix 1. Further description of the auditor's responsibilities for the audit of the financial statements

1. In performing an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit engagement;
2. The auditor's responsibilities are to:
 - identify and assess the risks of material misstatement of the financial statements due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
 - evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that such a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, among other matters, information regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**STATEMENT OF MANAGEMENT RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

Management is responsible for the preparation of financial statements that present fairly the financial position of the State Specialized Forest Enterprise “Forests of Ukraine” (the Company) as at 31 December 2022, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with National Accounting Standards (NAS).


In preparing the financial statements, management is responsible for:

- selecting and applying appropriate accounting policies;
- presenting information, including accounting policies, in a manner that provides relevance, reliability, comparability and understandability;
- providing additional disclosures where compliance with the specific requirements of NAS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance of the Company;
- making an assessment of the Company’s ability to continue as a going concern.


Management is also responsible for:

- designing, implementing and maintaining an effective and reliable system of internal control;
- maintaining adequate accounting records that are sufficient to show and explain the Company’s transactions at any time and to disclose, with reasonable accuracy, the financial position of the Company, and to enable management to ensure that the financial statements comply with NAS;
- maintaining accounting records in accordance with applicable legislation and National Accounting Standards;
- taking reasonable steps to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

The financial statements as at 31 December 2022 and for the year then ended were approved by management and authorised for issue on 6 April 2026.


Yuri Bolokhovets
Chairman of the Transformation
Commission
06 April 2026




Olha Miroshnikova
Chief Accountant
06 April 2026

SFE "FORESTS OF UKRAINE"
Balance sheet (Statement of Financial Position), Form No.1

Enterprise: **STATE SPECIALIZED FOREST ENTERPRISE "FORESTS OF UKRAINE"**
Territory: Pecherskyi District of the city of Kyiv
Organizational and legal form of business: State enterprise
Type of economic activity: Forestry and other forestry activities

Average number of employees: 89

Address, phone: 9A, Shota Rustaveli St., Kyiv, 01601

Measurement unit: UAH thousand without decimal (except for section IV of the Statement of financial result (Statement of comprehensive income) (form No. 2), where monetary amounts are presented in hryvnias with kopecks)

Prepared (mark "v" in the appropriate box):

in accordance with National Accounting Standards

in accordance with International Financial Reporting Standards

Date (year, month, day)

USREOU Code

CATUTTC Code

COLFBE Code

CEA Code

| Codes | | |
|---------------------|----|----|
| 2023 | 01 | 01 |
| 44768034 | | |
| UA80000000000624772 | | |
| 140 | | |
| 02.10 | | |

| |
|---|
| v |
|---|

Balance Sheet (Statement of Financial Position)
as at 31 December 2022

Form No.1

| Asset | Line Code | At the beginning of the reporting period | At the end of the reporting period |
|---|-------------|--|------------------------------------|
| 1 | 2 | 3 | 4 |
| I. Non-current assets | | | |
| Intangible assets | 1000 | - | 11 155 |
| initial cost | 1001 | - | 12 207 |
| accumulated amortisation | 1002 | - | 1 052 |
| Capital investments in progress | 1005 | - | 38 |
| Property, plant and equipment | 1010 | - | 151 795 |
| initial cost | 1011 | - | 329 802 |
| accumulated depreciation | 1012 | - | 178 007 |
| Investment property | 1015 | - | - |
| initial cost of investment property | 1016 | - | - |
| accumulated depreciation of investment property | 1017 | - | - |
| Non-current biological assets | 1020 | - | 187 |
| initial cost of non-current biological assets | 1021 | - | 187 |
| accumulated depreciation of non-current biological assets | 1022 | - | - |
| Long-term financial investments: | 1030 | - | - |
| accounted for using the equity method | 1030 | - | - |
| other financial investments | 1035 | - | - |
| Non-current receivables | 1040 | - | - |
| Deferred tax assets | 1045 | - | 612 |
| Other non-current assets | 1090 | - | - |
| Total for Section I | 1095 | - | 163 787 |
| II. Current assets | | | |
| Inventories | 1100 | - | 62 979 |
| Production supplies | 1101 | - | 17 223 |
| Work in progress | 1102 | - | 15 406 |
| Finished goods | 1103 | - | 30 350 |
| Goods | 1104 | - | - |
| Current biological assets | 1110 | - | - |

SFE "FORESTS OF UKRAINE"

Balance sheet (Statement of Financial Position), Form No.1

| | | | |
|--|-------------|---|----------------|
| Trade receivables for products, goods, works and services | 1125 | - | 5 421 |
| Receivables for settlements: | | - | |
| for advances paid | 1130 | - | 177 |
| with the budget | 1135 | - | 2 031 |
| <i>including income tax</i> | 1136 | - | 1 603 |
| Receivables for accrued income | 1140 | - | - |
| Other current receivables | 1155 | - | 628 |
| Current financial investments | 1160 | - | - |
| Cash and cash equivalents | 1165 | - | 32 179 |
| Cash on hand | 1166 | - | - |
| Cash in banks | 1167 | - | 32 179 |
| Prepaid expenses | 1170 | - | 54 |
| Other current assets | 1190 | - | 1 941 |
| Total for Section II | 1195 | - | 105 410 |
| III. Non-current assets held for sale and disposal groups | 1200 | - | - |
| Balance | 1300 | - | 269 197 |

| Equity and liabilities | Line Code | At the beginning of the reporting period | At the end of the reporting period |
|---|-------------|--|------------------------------------|
| 1 | 3 | 4 | 5 |
| I. Equity | | | |
| Registered (share) capital | 1400 | - | 19 529 |
| Contributions to unregistered authorized capital | 1401 | - | - |
| Revaluation reserve | 1405 | - | 359 |
| Additional capital | 1410 | - | 169 205 |
| Reserve capital | 1415 | - | 500 |
| Retained earnings (uncovered loss) | 1420 | - | (2 789) |
| Unpaid capital | 1425 | - | (1) |
| Capital withdrawn | 1430 | - | - |
| Total for Section I | 1495 | - | 186 803 |
| II. Non-current liabilities and provisions | | - | |
| Deferred tax liabilities | 1500 | - | - |
| Long-term bank loans | 1510 | - | - |
| Other long-term liabilities | 1515 | - | - |
| Long-term provisions | 1520 | - | - |
| Long-term provisions for employee benefits | 1521 | - | - |
| Targeted financing | 1525 | - | - |
| Total for Section II | 1595 | - | - |
| III. Current liabilities and provisions | | | |
| Short-term bank loans | 1600 | - | - |
| Current payables for: | | | |
| non-current liabilities | 1610 | - | - |
| goods, works, services | 1615 | - | 4 816 |
| settlements with the budget | 1620 | - | 5 877 |
| <i>including income tax</i> | 1621 | - | - |
| social insurance contributions | 1625 | - | 230 |
| payroll settlements | 1630 | - | 1 070 |
| Current payables for advances received | 1635 | - | 2 280 |
| Current payables for payments to participants | 1640 | - | - |

SFE "FORESTS OF UKRAINE"

Balance sheet (Statement of Financial Position), Form No.1

| | | | |
|--|-------------|----------|----------------|
| Current provisions | 1660 | - | 38 563 |
| Deferred income | 1665 | - | 667 |
| Other current liabilities | 1690 | - | 28 891 |
| Total for Section III | 1695 | - | 82 394 |
| IV. Liabilities related to non-current assets held for sale and disposal groups | 1700 | - | - |
| Balance | 1900 | - | 269 197 |

Signed and authorised for issue on behalf of the management of SFE "FORESTS OF UKRAINE" on 6 April 2026.

Chairman of the Transformation
Commission

Yurii Bolokhovets

Chief Accountant

Olha Miroshnikova



SFE "FORESTS OF UKRAINE"

Statement of Financial Results (Statement of Comprehensive Income), Form No. 2

Enterprise: **STATE SPECIALIZED
FOREST ENTERPRISE "FORESTS OF
UKRAINE"**

(name)

Date (year, month, day)

USREOU Code

| Codes | | |
|----------|----|----|
| 2023 | 01 | 01 |
| 44768034 | | |

Statement of Financial Results (Statement of Comprehensive Income)

for 2022

Form No.2

I. Financial Results

| Item | Line Code | For reporting period | For corresponding period of previous year |
|---|-------------|----------------------|---|
| 1 | 2 | 3 | 4 |
| Net revenue from sales of products (goods, works and services) | 2000 | - | - |
| Cost of sales of products (goods, works and services) | 2050 | - | - |
| Gross: | | | |
| Profit | 2090 | - | - |
| Loss | 2095 | - | - |
| Other operating income | 2120 | 500 | - |
| <i>including:</i> | | | |
| <i>income from changes in the value of assets measured at fair value</i> | 2121 | - | - |
| <i>income from the initial recognition of biological assets and agricultural products</i> | 2122 | - | - |
| Administrative expenses | 2130 | (3 901) | - |
| Selling expenses | 2150 | (-) | - |
| Other operating expenses | 2180 | (-) | - |
| <i>including:</i> | | | |
| <i>expenses from changes in the value of assets measured at fair value</i> | 2181 | - | - |
| <i>expenses from initial recognition of biological assets and agricultural products</i> | 2182 | - | - |
| Financial result from operating activities: | | | |
| Profit | 2190 | - | - |
| Loss | 2195 | (3 401) | - |
| Income from participation in equity | 2200 | - | - |
| Other financial income | 2220 | - | - |
| Other income | 2240 | - | - |
| Finance expenses | 2250 | (-) | - |
| Losses from participation in equity | 2255 | - | - |
| Other expenses | 2270 | (-) | - |
| Financial result before tax: | | | |
| Profit | 2290 | - | - |
| Loss | 2295 | (3 401) | - |
| Income tax expense | 2300 | 612 | - |
| Profit (loss) from discontinued operations after tax | 2305 | - | - |
| Net financial result: | | | |
| Profit | 2350 | - | - |
| Loss | 2355 | (2 789) | - |

II. Comprehensive Income

| Item | Line Code | For reporting period | For corresponding period of previous year |
|--|-------------|----------------------|---|
| 1 | 2 | 3 | 4 |
| Revaluation (devaluation) of non-current assets | 2400 | - | - |
| Revaluation (devaluation) of financial instruments | 2405 | - | - |
| Accumulated exchange differences | 2410 | - | - |
| Share of other comprehensive income of associates and joint ventures | 2415 | - | - |
| Other comprehensive income | 2445 | - | - |
| Other comprehensive income before tax | 2450 | - | - |
| Income tax related to other comprehensive income | 2455 | - | - |
| Other comprehensive income after tax | 2460 | - | - |
| Total income (the sum of lines 2350, 2355 and 2460) | 2465 | (2 789) | - |

III. Elements of Operating Expenses

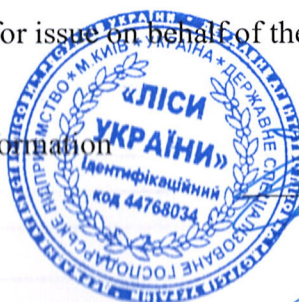
| Item | Line Code | For reporting period | For corresponding period of previous year |
|--------------------------------|-------------|----------------------|---|
| 1 | 2 | 3 | 4 |
| Material costs | 2500 | 10 | - |
| Labour costs | 2505 | 3 126 | - |
| Social insurance contributions | 2510 | 661 | - |
| Depreciation and amortisation | 2515 | - | - |
| Other operating expenses | 2520 | 104 | - |
| Total | 2550 | 3 901 | - |

IV. Calculation of Earnings per Share Indicators

| Item | Line Code | For reporting period | For corresponding period of previous year |
|---|-----------|----------------------|---|
| 1 | 2 | 3 | 4 |
| Average annual number of ordinary shares | 2600 | - | - |
| Adjusted average annual number of ordinary shares | 2605 | - | - |
| Net profit (loss) per one ordinary share | 2610 | - | - |
| Adjusted net profit (loss) per ordinary share | 2615 | - | - |
| Dividends per one ordinary share | 2650 | - | - |

Signed and authorised for issue on behalf of the management of SFE "FORESTS OF UKRAINE" on 6 April 2026.

Chairman of the Transformation
Commission



Yurii Bolokhovets

Chief Accountant

Olha Miroshnikova

SFE "FORESTS OF UKRAINE"

Statement of Cash Flows (Direct Method), Form No. 3

Enterprise: **STATE SPECIALIZED FOREST
ENTERPRISE "FORESTS OF UKRAINE"**
(name)

Date (year, month, day)

USREOU Code

| Codes | | |
|----------|----|----|
| 2023 | 01 | 01 |
| 44768034 | | |

Statement of Cash Flows (Direct Method)
for 2022 Form No.3

| Item | Line Code | For reporting period | For corresponding period of previous year |
|---|-------------|----------------------|---|
| 1 | 2 | 3 | 4 |
| I. Cash flows from operating activities | | | |
| Proceeds from: | | | |
| Sales of products (goods, works, services) | 3000 | - | - |
| Refunds of taxes and duties | 3005 | - | - |
| including value added tax | 3006 | - | - |
| Targeted financing | 3010 | - | - |
| Proceeds from subsidies, grants | 3011 | - | - |
| Advances received from customers | 3015 | - | - |
| Proceeds from the repayment of advances | 3020 | - | - |
| Interest received on bank account balances | 3025 | - | - |
| Proceeds from debtors' penalties, fines and forfeits | 3035 | - | - |
| Proceeds from operating leases | 3040 | - | - |
| Proceeds from royalties | 3045 | - | - |
| Other proceeds | 3095 | 34 916 | - |
| Payments for: | | | |
| Goods, works and services | 3100 | (315) | (-) |
| Payments for labour | 3105 | (1 596) | (-) |
| Payments for social insurance contributions | 3110 | (432) | (-) |
| Payments for taxes and duties | 3115 | (387) | (-) |
| Income tax paid | 3116 | (-) | (-) |
| Value added tax paid | 3117 | (-) | (-) |
| Payments for other taxes and duties liabilities | 3118 | (387) | (-) |
| Advances paid | 3135 | (-) | (-) |
| Refunds of advances received | 3140 | (-) | (-) |
| Targeted financing | 3145 | (-) | (-) |
| Payments for liabilities under insurance contracts | 3150 | (-) | (-) |
| Payments by financial institutions for granting loans | 3155 | (-) | (-) |
| Other payments | 3190 | (7) | (-) |
| Net cash flows from operating activities | 3195 | 32 179 | - |
| II. Cash flows from investing activities | | | |
| Proceeds from the sale of: | | | |
| financial investments | 3200 | - | - |
| non-current assets | 3205 | - | - |
| Proceeds from: | | | |
| Interests | 3215 | - | - |
| Dividends | 3220 | - | - |
| Proceeds from derivatives | 3225 | - | - |

SFE "FORESTS OF UKRAINE"

Statement of Cash Flows (Direct Method), Form No. 3

| | | | |
|---|-------------|---------------|--------------|
| Repayment of loans | 3230 | - | - |
| Other proceeds | 3250 | - | - |
| Payments for acquisition of: | | | |
| financial investments | 3255 | - | - |
| non-current assets | 3260 | (-) | (-) |
| Payments on derivatives | 3270 | - | - |
| Granting of loans | 3275 | - | - |
| Other payments | 3290 | - | - |
| Net cash flows from investing activities | 3295 | (-) | (-) |
| III. Cash flows from financing activities | | | |
| Proceeds from: | | - | - |
| Equity contributions | 3300 | | |
| Loans received | 3305 | - | - |
| Proceeds from disposal of an interest in a subsidiary | 3310 | - | - |
| Other proceeds | 3340 | - | - |
| Payments for: | | - | - |
| Repurchase of own shares | 3345 | - | - |
| Repayment of loans | 3350 | (-) | (-) |
| Payment of dividends | 3355 | (-) | (-) |
| Interest paid | 3360 | (-) | (-) |
| Repayment of finance lease liabilities | 3365 | (-) | (-) |
| Other payments | 3390 | (-) | (-) |
| Net cash flows from financing activities | 3395 | (-) | (-) |
| Net cash flows for the reporting period | 3400 | 32 179 | - |
| Cash balance at the beginning of the period | 3405 | - | - |
| Effect of exchange rate changes on cash | 3410 | - | - |
| Cash balance at the end of the period | 3415 | 32 179 | - |

Signed and authorised for issue on behalf of the management of SFE "FORESTS OF UKRAINE" on 6 April 2026.

Chairman of the Transformation
Commission



Yurii Bolokhovets

Chief Accountant

Olha Miroshnikova

SFE “FORESTS OF UKRAINE”
Statement of Equity, Form No. 4

Enterprise: **STATE SPECIALIZED FOREST ENTERPRISE “FORESTS OF UKRAINE”**
(name)

Date (year, month, day)
USREOU Code

| Codes | | |
|----------|----|----|
| 2023 | 01 | 01 |
| 44768034 | | |

Statement of Equity
for 2022

Form No. 4

| Item | Line Code | Registered (share) capital | Revaluation reserve | Additional capital | Reserve capital | Retained earnings (uncovered loss) | Unpaid capital | Capital withdrawn | Total |
|---|-------------|----------------------------|---------------------|--------------------|-----------------|------------------------------------|----------------|-------------------|----------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Balance at the beginning of the year | 4000 | - | - | - | - | - | - | - | - |
| Adjustments: | | | | | | | | | |
| Change in accounting policy | 4005 | - | - | - | - | - | - | - | - |
| Correction of errors | 4010 | - | - | - | - | - | - | - | - |
| Other changes | 4090 | - | - | - | - | - | - | - | - |
| Adjusted balance at the beginning of the year | 4095 | - | - | - | - | - | - | - | - |
| Net profit (loss) for the reporting period | 4100 | - | - | - | - | (2 789) | - | - | (2 789) |
| Other comprehensive income for the reporting period | 4110 | - | - | - | - | - | - | - | - |
| Revaluation (devaluation) of non-current assets | 4111 | - | - | - | - | - | - | - | - |
| Revaluation (devaluation) of financial instruments | 4112 | - | - | - | - | - | - | - | - |
| Accumulated exchange differences | 4113 | - | - | - | - | - | - | - | - |
| Share of other comprehensive income of associates and joint ventures | 4114 | - | - | - | - | - | - | - | - |
| Other comprehensive income | 4116 | - | - | - | - | - | - | - | - |
| Distribution of profit: | | | | | | | | | |
| Payments to owners (dividends) | 4200 | - | - | - | - | - | - | - | - |
| Allocation of profit to registered capital | 4205 | - | - | - | - | - | - | - | - |
| Allocations to reserve capital | 4210 | - | - | - | - | - | - | - | - |
| Amount of net profit payable to the budget in accordance with legislation | 4215 | - | - | - | - | - | - | - | - |

The accompanying notes are an integral part of these financial statements.

SFE "FORESTS OF UKRAINE"
Statement of Equity, Form No. 4

| | | | | | | | | | |
|--|-------------|---------------|------------|----------------|------------|----------------|------------|----------|----------------|
| Amount of net profit allocated to special (targeted) funds | 4220 | - | - | - | - | - | - | - | - |
| Amount of net profit allocated to material incentives | 4225 | - | - | - | - | - | - | - | - |
| Contributions of participants: | | | | | | | | | |
| Contributions to capital | 4240 | - | - | - | - | - | (1) | - | (1) |
| Repayment of capital contribution receivables | 4245 | - | - | - | - | - | - | - | - |
| Withdrawal of capital: | | | | | | | | | |
| Repurchase of shares (interests) | 4260 | - | - | - | - | - | - | - | - |
| Resale of repurchased shares (interests) | 4265 | - | - | - | - | - | - | - | - |
| Cancellation of repurchased shares (interests) | 4270 | - | - | - | - | - | - | - | - |
| Withdrawal of an interest in capital | 4275 | - | - | - | - | - | - | - | - |
| Decrease in the nominal value of shares | 4280 | - | - | - | - | - | - | - | - |
| Other changes in equity | 4290 | 19 529 | 359 | 169 205 | 500 | - | - | - | 189 593 |
| Acquisition (disposal) of a non-controlling interest in a subsidiary | 4291 | - | - | - | - | - | - | - | - |
| Total changes in equity | 4295 | 19 529 | 359 | 169 205 | 500 | (2 789) | (1) | - | 186 803 |
| Balance at the end of the year | 4300 | 19 529 | 359 | 169 205 | 500 | (2 789) | (1) | - | 186 803 |

Signed and authorised for issue on behalf of the management of SFE "FORESTS OF UKRAINE" on 6 April 2026.

Chairman of the Transformation Commission



Yurii Bolokhovets

Chief Accountant

Olha Miroshnikova

SFE "FORESTS OF UKRAINE"
Notes to the Annual Financial Statements

APPROVED

by Order of the Ministry of Finance of Ukraine

No. 302 dated 29 November 2000

(as amended by Order No. 602 dated 28 October 2003)

Enterprise: **STATE SPECIALIZED FOREST ENTERPRISE "FORESTS OF UKRAINE"**
Territory: Pecherskyi District of the city of Kyiv
Government authority: State Forest Resources Agency of Ukraine
Organizational and legal form of business: State enterprise
Type of economic activity: Forestry and other forestry activities
Measurement unit: UAH thousand

| Codes | | | |
|---------------------------|---------------------|----|----|
| Date (year, month, day) | 2023 | 01 | 01 |
| USREOU Code | 44768034 | | |
| CATUTTC ¹ Code | UA80000000000624772 | | |
| SCGB Code | 37064 | | |
| COLFBE Code | 140 | | |
| CEA Code | 02.10 | | |

**NOTES to the Annual Financial Statements
for 2022**

Form No. 5

I. Intangible Assets

| Groups of intangible assets | Line Code | Balance at the beginning of the year | | Received during the year | Revaluation (increase +, decrease -) | | Disposals during the year | | Amortisation accrued for the year | Impairment losses for the year | Other changes during the year | | Balance at the end of the year | |
|-------------------------------------|-----------|--------------------------------------|--------------------------|--------------------------|--------------------------------------|-----------------------------|---------------------------|--------------------------|-----------------------------------|--------------------------------|-------------------------------|-----------------------------|--------------------------------|--------------------------|
| | | initial (revalued) cost | accumulated amortisation | | of initial (revalued) cost | of accumulated amortisation | initial (revalued) cost | accumulated amortisation | | | of initial (revalued) cost | of accumulated amortisation | initial (revalued) cost | accumulated amortisation |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Rights to use natural resources | 010 | - | - | - | - | - | - | - | - | - | 6 888 | - | 6 888 | - |
| Rights to use property | 020 | - | - | - | - | - | - | - | - | - | 3 815 | - | 3 815 | - |
| Rights to commercial designations | 030 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Rights to industrial property items | 040 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Copyright and related rights | 050 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 060 | - | - | - | - | - | - | - | - | - | - | - | - | - |

The accompanying notes are an integral part of these financial statements.

SFE “FORESTS OF UKRAINE”
Notes to the Annual Financial Statements

| | | | | | | | | | | | | | | |
|-------------------------|------------|---|---|---|---|---|---|---|---|---|---------------|--------------|---------------|--------------|
| Other intangible assets | 070 | - | - | - | - | - | - | - | - | - | 1 504 | 1 052 | 1 504 | 1 052 |
| Total | 080 | - | - | - | - | - | - | - | - | - | 12 207 | 1 052 | 12 207 | 1 052 |
| Goodwill | 090 | - | - | - | - | - | - | - | - | - | - | - | - | - |

from line 080,
column 14

cost of intangible assets with restrictions on ownership rights

cost of intangible assets pledged as collateral (082)

cost of intangible assets created by the enterprise (083)

from line 080,
column 5

cost of intangible assets received through targeted financing (084)

from line 080,
column 15

accumulated amortisation of intangible assets with restrictions on ownership rights (085)

| |
|---------|
| _____ |
| _____ - |
| _____ - |
| _____ - |

SFE "FORESTS OF UKRAINE"
Notes to the Annual Financial Statements

II. Property, Plant and Equipment

| Groups of property, plant and equipment | Line Code | Balance at the beginning of the year | | Received during the year | Revaluation (increase +, decrease -) | | Disposals during the year | | Depreciation charged for the year | Impairment losses for the year | Other changes during the year | | Balance at the end of the year | | Including | | | |
|--|-----------|--------------------------------------|--------------------------|--------------------------|--------------------------------------|-----------------------------|---------------------------|--------------------------|-----------------------------------|--------------------------------|-------------------------------|--------------------------|--------------------------------|--------------------------|------------------------------|--------------------------|----------------------------------|--------------------------|
| | | initial (revalued) cost | accumulated depreciation | | of initial (revalued) cost | of accumulated depreciation | initial (revalued) cost | accumulated depreciation | | | initial (revalued) cost | accumulated depreciation | initial (revalued) cost | accumulated depreciation | received under finance lease | | leased out under operating lease | |
| | | | | | | | | | | | | | | | initial (revalued) cost | accumulated depreciation | initial (revalued) cost | accumulated depreciation |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| Land | 100 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Investment property | 105 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital expenditures on land improvement | 110 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Buildings, structures and transmission devices | 120 | - | - | - | - | - | - | - | - | - | 90 690 | 41 284 | 90 690 | 41 284 | - | - | - | - |
| Machinery and equipment | 130 | - | - | - | - | - | - | - | - | - | 94 526 | 59 678 | 94 526 | 59 678 | - | - | - | - |
| Vehicles | 140 | - | - | 588 | - | - | - | - | - | - | 108 636 | 51 221 | 109 224 | 51 221 | - | - | - | - |
| Tools, instruments, equipment and inventory | 150 | - | - | - | - | - | - | - | - | - | 7 266 | 4 363 | 7 266 | 4 363 | - | - | - | - |
| Livestock | 160 | - | - | - | - | - | - | - | - | - | 37 | 35 | 37 | 35 | - | - | - | - |
| Perennial plantations | 170 | - | - | - | - | - | - | - | - | - | 394 | 20 | 394 | 20 | - | - | - | - |
| Other property, plant and equipment | 180 | - | - | - | - | - | - | - | - | - | 885 | 532 | 885 | 532 | - | - | - | - |
| Library collections | 190 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Low-value non-current | 200 | - | - | - | - | - | - | - | - | - | 16 607 | 16 607 | 16 607 | 16 607 | - | - | - | - |

The accompanying notes are an integral part of these financial statements.

SFE “FORESTS OF UKRAINE”
Notes to the Annual Financial Statements

| | | | | | | | | | | | | | | | | | | |
|-----------------------------------|------------|---|---|------------|---|---|---|---|---|---|----------------|----------------|----------------|----------------|---|---|---|---|
| tangible assets | | | | | | | | | | | | | | | | | | |
| Temporary non-title structures | 210 | - | - | - | - | - | - | - | - | - | 10 065 | 4 159 | 10 065 | 4 159 | - | - | - | - |
| Natural resources | 220 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Returnable packaging | 230 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Rental items | 240 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other non-current tangible assets | 250 | - | - | - | - | - | - | - | - | - | 108 | 108 | 108 | 108 | - | - | - | - |
| Total | 260 | - | - | 588 | - | - | - | - | - | - | 329 214 | 178 007 | 329 802 | 178 007 | - | - | - | - |

| | | | |
|---|--|--------|---|
| From line 260, column 14 | Cost of property, plant and equipment with restrictions on ownership rights under applicable legislation | (261) | - |
| | Cost of property, plant and equipment pledged as collateral | (262) | - |
| | Residual value of property, plant and equipment temporarily not used: conservation, reconstruction, etc. | (263) | - |
| | Initial (revalued) cost of fully depreciated property, plant and equipment | (264) | - |
| | Property, plant and equipment of leased integral property complexes | (2641) | - |
| From line 260, column 8 | Cost of property, plant and equipment intended for sale | (265) | - |
| | Residual value of property, plant and equipment lost as a result of extraordinary events | (2651) | - |
| From line 260, column 5 | Cost of property, plant and equipment acquired through targeted financing | (266) | - |
| Cost of property, plant and equipment taken under operating lease | | (267) | - |
| From line 260, column 15 | Depreciation of property, plant and equipment with restrictions on ownership rights | (268) | - |
| From line 105, column 14 | Cost of investment property measured at fair value | (269) | - |

¹ Codifier of Administrative-Territorial Units and Territories of Territorial Communities.

SFE “FORESTS OF UKRAINE”

Notes to the Annual Financial Statements

III. Capital Investments

| Item | Line Code | For the year | At the end of the year |
|--|-----------|--------------|------------------------|
| 1 | 2 | 3 | 4 |
| Capital construction | 280 | - | 37 |
| Acquisition (manufacture) of property, plant and equipment | 290 | - | - |
| Acquisition (manufacture) of other non-current tangible assets | 300 | - | - |
| Acquisition (creation) of intangible assets | 310 | - | - |
| Acquisition (growing) of long-term biological assets | 320 | - | - |
| Other | 330 | - | 1 |
| Total | 340 | - | 38 |

| | | | |
|-------------------------|--|-------|---|
| From line 340, column 3 | Capital investments in investment property | (341) | - |
| | Financial expenses included in capital investments | (342) | - |

IV. Financial Investments

| Item | Line Code | For the year | At the end of the year | |
|---|-----------|--------------|------------------------|---------|
| | | | long-term | current |
| 1 | 2 | 3 | 4 | 5 |
| A. Financial investments accounted for using the equity method in: | | | | |
| associates | 350 | - | - | - |
| subsidiaries | 360 | - | - | - |
| joint activities | 370 | - | - | - |
| B. Other financial investments in: | | | | |
| shares and interests in the authorised capital of other enterprises | 380 | - | - | - |
| shares | 390 | - | - | - |
| bonds | 400 | - | - | - |
| other | 410 | - | - | - |
| Total (A + B) | 420 | - | - | - |

| | | | |
|---|---|-------|---|
| From line 1035, column 4 of the Balance Sheet (Statement of Financial Position) | Long-term financial investments measured: | | |
| | at cost | (421) | - |
| | at fair value | (422) | - |
| | at amortised cost | (423) | - |
| From line 1160, column 4 of the Balance Sheet (Statement of Financial Position) | Current financial investments measured: | | |
| | at cost | (424) | - |
| | at fair value | (425) | - |
| | at amortised cost | (426) | - |

SFE “FORESTS OF UKRAINE”
Notes to the Annual Financial Statements

V. Income and Expenses

| Item 1 | Line Code 2 | Income 3 | Expenses 4 |
|---|----------------|-------------|---------------|
| A. Other operating income and expenses | | | |
| Operating lease of assets | 440 | - | - |
| Operating exchange differences | 450 | - | - |
| Sale of other current assets | 460 | - | - |
| Fines, penalties and forfeits | 470 | - | - |
| Maintenance of housing and utilities and social-cultural facilities | 480 | - | - |
| Other operating income and expenses | 490 | 500 | - |
| including: | | | |
| deductions to the allowance for doubtful debts | 491 | X | - |
| unproductive costs and losses | 492 | X | - |
| B. Income and expenses from participation in equity by investments in: | | | |
| associates | 500 | - | - |
| subsidiaries | 510 | - | - |
| joint activities | 520 | - | - |
| C. Other financial income and expenses | | | |
| Dividends | 530 | - | X |
| Interests | 540 | X | - |
| Finance lease of assets | 550 | - | - |
| Other financial income and expenses | 560 | - | - |
| D. Other income and expenses | | | |
| Sale of financial investments | 570 | - | - |
| Income from business combinations | 580 | - | - |
| Result of fair value measurement | 590 | - | - |
| Non-operating exchange differences | 600 | - | - |
| Assets received free of charge | 610 | - | X |
| Write-off of non-current assets | 620 | X | - |
| Other income and expenses | 630 | - | - |

Barter transactions involving products (goods, works, services) (631) -

Share of income from sales of products (goods, works, services) under barter arrangements with related parties (632) - %

From line 540–560, column 4: financial expenses included in the cost of assets (633) -

SFE "FORESTS OF UKRAINE"
Notes to the Annual Financial Statements

VI. Cash and Cash Equivalents

| Item | Line Code | At the end of the year |
|---------------------|------------|------------------------|
| 1 | 2 | 3 |
| Cash on hand | 640 | - |
| Cash in banks | 650 | 32 179 |
| Other bank accounts | 660 | - |
| Cash in transit | 670 | - |
| Cash equivalents | 680 | - |
| Total | 690 | 32 179 |

From line 1165, column 4 of the Balance Sheet (Statement of Financial Position) Cash and cash equivalents with restrictions on use (691)

VII. Provisions and Reserves

| Types of provisions and reserves | Line Code | Balance at the beginning of the year | Increase during the reporting year | | Used during the reporting year | Unused amount reversed during the reporting year | Amount of expected reimbursement of expenses by another party taken into account in measuring the provision | Balance at the end of the year |
|---|------------|--------------------------------------|------------------------------------|------------------------|--------------------------------|--|---|--------------------------------|
| | | | accrued (created) | additional allocations | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Provision for future vacation payments to employees | 710 | - | 3 | 38 560 | - | - | - | 38 563 |
| Provision for future expenses for additional pension benefits | 720 | - | - | - | - | - | - | - |
| Provision for future expenses for warranty obligations | 730 | - | - | - | - | - | - | - |
| Provision for future expenses for restructuring | 740 | - | - | - | - | - | - | - |
| Provision for future expenses for fulfilment of obligations under onerous contracts | 750 | - | - | - | - | - | - | - |
| | 760 | - | - | - | - | - | - | - |
| | 770 | - | - | - | - | - | - | - |
| Allowance for doubtful debts | 775 | - | - | - | - | - | - | - |
| Total | 780 | - | 3 | 38 560 | - | - | - | 38 563 |

SFE “FORESTS OF UKRAINE”
Notes to the Annual Financial Statements

VIII. Inventories

| Item | Line Code | Balance at the end of the year | Revaluation during the year | |
|---|-----------|--------------------------------|-----------------------------------|----------------------------------|
| | | | increase in net realisable value* | decrease in net realisable value |
| 1 | 2 | 3 | 4 | 5 |
| Raw materials and supplies | 800 | 7 220 | | |
| Purchased semi-finished products and components | 810 | 1 | | |
| Fuel | 820 | 6 529 | | |
| Packaging materials | 830 | 7 | | |
| Construction materials | 840 | 34 | | |
| Spare parts | 850 | 2 473 | | |
| Materials for agricultural purposes | 860 | - | | |
| Current biological assets | 870 | - | | |
| Low-value and fast-wearing items | 880 | 959 | | |
| Work in progress | 890 | 15 406 | | |
| Finished goods | 900 | 30 350 | | |
| Goods | 910 | - | | |
| Total | 920 | 62 979 | | |

From line
920, column 3

| | | |
|--|-------|-------|
| Carrying amount of inventories measured at net realisable value | (921) | _____ |
| transferred for processing | (922) | _____ |
| pledged as collateral | (923) | _____ |
| transferred on commission | (924) | _____ |
| | (925) | _____ |
| Inventories held for sale | (926) | _____ |

Assets held in custody — account 02

From line 1200, column 4 of the Balance Sheet (Statement of Financial Position)

* determined in accordance with paragraph 28 of National Accounting Standard (Standard) 9
“Inventories”.

IX. Receivables

| Item | Line Code | Total at the end of the year | including by maturity | | |
|---|-----------|------------------------------|-----------------------|----------------------|----------------------|
| | | | up to 12 months | from 12 to 18 months | from 18 to 36 months |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Trade receivables for goods, works and services | 940 | 5 421 | 5 343 | 78 | - |
| Other current receivables | 950 | 628 | 628 | - | - |

Written-off bad receivables during the reporting year

From lines 940 and 950, column 3: receivables from related parties

| |
|-------|
| _____ |
| _____ |

SFE “FORESTS OF UKRAINE”
Notes to the Annual Financial Statements

X. Shortages and Losses from Damage to Assets

| Item | Line Code | Amount |
|--|-----------|--------|
| 1 | 2 | 3 |
| Shortages and losses identified (written off) during the year | 960 | - |
| Recognised as receivables from liable persons in the reporting year | 970 | - |
| Amount of shortages and losses for which a final decision on the liable persons has not been made by the end of the year (off-balance account 072) | 980 | - |

XI. Construction Contracts

| Item | Line Code | Amount |
|--|-----------|--------|
| 1 | 2 | 3 |
| Revenue under construction contracts for the year | 1110 | - |
| Outstanding balance at the end of the reporting year: | | |
| gross amount due from customers | 1120 | - |
| gross amount due to customers | 1130 | - |
| for advances received | 1140 | - |
| Amount of retentions at the end of the year | 1150 | - |
| Cost of work performed by subcontractors under incomplete construction contracts | 1160 | - |

XII. Income Tax

| Item | Line Code | Amount |
|--|-----------|--------|
| 1 | 2 | 3 |
| Current income tax | 1210 | - |
| Deferred tax assets: | | |
| at the beginning of the reporting year | 1220 | - |
| at the end of the reporting year | 1225 | 612 |
| Deferred tax liabilities: | | |
| at the beginning of the reporting year | 1230 | - |
| at the end of the reporting year | 1235 | - |
| Included in the Statement of Financial Results - total | 1240 | -612 |
| including:: | | |
| current income tax | 1241 | - |
| decrease (increase) in deferred tax assets | 1242 | -612 |
| increase (decrease) in deferred tax liabilities | 1243 | - |
| Reflected in equity - total | 1250 | - |
| including: | | |
| current income tax | 1251 | - |
| decrease (increase) in deferred tax assets | 1252 | - |
| increase (decrease) in deferred tax liabilities | 1253 | - |

XIII. Use of Depreciation (Amortisation) Charges

| Item | Line Code | Amount |
|--|-----------|--------|
| 1 | 2 | 3 |
| Depreciation (amortisation) charged for the reporting year | 1300 | - |
| Use of depreciation (amortisation) charges - total | 1310 | - |

The accompanying notes are an integral part of these financial statements.

SFE "FORESTS OF UKRAINE"
Notes to the Annual Financial Statements

| | | |
|--|------|---|
| including: construction of facilities | 1311 | - |
| acquisition (manufacture) and improvement of property, plant and equipment | 1312 | - |
| including machinery and equipment | 1313 | - |
| acquisition (creation) of intangible assets | 1314 | - |
| repayment of loans obtained for capital investments | 1315 | - |
| | 1316 | - |
| | 1317 | - |

XIV. Biological Assets

| Groups of biological assets | Line Code | Accounted for at initial cost | | | | | | | | Accounted for at fair value | | | | | | |
|---|-------------|-------------------------------|--------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------------|------------|------------------------|-----------------------------|--------------------------|------------------------------|--------------------------|----------------------------------|-----------------------------|------------------------|
| | | balance at beginning of year | | received during the year | disposed of during the year | | depreciation charged for the year | impairment | reversal of impairment | balance at end of year | | balance at beginning of year | received during the year | changes in value during the year | disposed of during the year | balance at end of year |
| | | initial cost | accumulated depreciation | | initial cost | accumulated depreciation | | | | initial cost | accumulated depreciation | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| Long-term biological assets - total | 1410 | - | - | 187 | - | - | - | - | - | 187 | - | - | - | - | - | - |
| including: | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| working livestock | 1411 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| productive livestock | 1412 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| perennial plantations | 1413 | - | - | 187 | - | - | - | - | - | 187 | - | - | - | - | - | - |
| | 1414 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| other long-term biological assets | 1415 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Current biological assets - total | 1420 | - | X | - | - | - | - | - | - | - | X | - | - | - | - | - |
| including: | | | | | | | | | | | | | | | | |
| livestock for growing and fattening | 1421 | - | X | - | - | - | - | - | - | - | X | - | - | - | - | - |
| biological assets in the process of biological transformation, except livestock for growing and fattening | 1422 | - | X | - | - | - | - | - | - | - | X | - | - | - | - | - |
| | 1423 | - | X | - | - | - | - | - | - | - | X | - | - | - | - | - |
| other current biological assets | 1424 | - | X | - | - | - | - | - | - | - | X | - | - | - | - | - |
| Total | 1430 | - | - | 187 | - | - | - | - | - | 187 | - | - | - | - | - | - |

From line 1430, columns 5 and 14

From line 1430, columns 6 and 16

From line 1430, columns 11 and 17

Residual value of long-term biological assets, initial cost of current biological assets and fair value of biological assets lost as a result of extraordinary events

(1431) _____

(1432) _____

(1433) _____

The accompanying notes are an integral part of these financial statements.

SFE “FORESTS OF UKRAINE”
Notes to the Annual Financial Statements

XV. Financial results from initial recognition and sale of agricultural produce and additional biological assets

| Item | Line Code | Income from initial recognition | Expenses related to biological transformation | Financial result from initial recognition | | Decrease in value | Income from sale | Cost of sales | Financial result (profit +, loss -) from | |
|--|-----------|---------------------------------|---|---|----------|-------------------|------------------|---------------|--|------------------------------|
| | | | | income | expenses | | | | sale | initial recognition and sale |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Crop products and additional biological assets of crop production - total | 1500 | - | - | - | - | - | - | - | - | - |
| including: | | - | - | - | - | - | - | - | - | - |
| Cereals and legumes | 1510 | - | - | - | - | - | - | - | - | - |
| including: | 1511 | - | - | - | - | - | - | - | - | - |
| wheat | | | | | | | | | | |
| soybeans | 1512 | - | - | - | - | - | - | - | - | - |
| sunflower | 1513 | - | - | - | - | - | - | - | - | - |
| Rapeseed | 1514 | - | - | - | - | - | - | - | - | - |
| Sugar beets (factory) | 1515 | - | - | - | - | - | - | - | - | - |
| Potatoes | 1516 | - | - | - | - | - | - | - | - | - |
| Fruits (pome fruits, stone fruits) | 1517 | - | - | - | - | - | - | - | - | - |
| Other crop products | 1518 | - | - | - | - | - | - | - | - | - |
| Additional biological assets of crop production | 1519 | - | - | - | - | - | - | - | - | - |
| Livestock products and additional biological assets of livestock production - total | 1520 | - | - | - | - | - | - | - | - | - |
| including: | | - | - | - | - | - | - | - | - | - |
| Live weight gain — total | 1530 | - | - | - | - | - | - | - | - | - |
| including: | 1531 | - | - | - | - | - | - | - | - | - |
| cattle | | | | | | | | | | |
| pigs | 1532 | - | - | - | - | - | - | - | - | - |
| milk | 1533 | - | - | - | - | - | - | - | - | - |
| wool | 1534 | - | - | - | - | - | - | - | - | - |
| eggs | 1535 | - | - | - | - | - | - | - | - | - |
| other livestock products | 1536 | - | - | - | - | - | - | - | - | - |
| additional biological assets of livestock production | 1537 | - | - | - | - | - | - | - | - | - |
| Fish farming products | 1538 | - | - | - | - | - | - | - | - | - |
| | 1539 | - | - | - | - | - | - | - | - | - |
| Agricultural produce and additional biological assets - total | 1540 | - | - | - | - | - | - | - | - | - |

Signed and authorised for issue on behalf of the management of SFE “FORESTS OF UKRAINE” on 6 April 2026.

Chairman of the Transformation Commission

Yurii Bolokhovets

Chief Accountant

Olha Miroshnikova



The accompanying notes are an integral part of these financial statements.

SFE “FORESTS OF UKRAINE”
Notes to the Annual Financial Statements

Appendix 1
to National Accounting Standard 29 “Segment Reporting”

Enterprise: **STATE SPECIALIZED FOREST ENTERPRISE “FORESTS OF UKRAINE”**
Territory: Pecherskyi District of the city of Kyiv
Government authority: State Forest Resources Agency of Ukraine
Organizational and legal form of business: State enterprise
Type of economic activity: Forestry and other forestry activities
Measurement unit: UAH thousand

| Codes | | | |
|---------------------------|---------------------|----|----|
| Date (year, month, day) | 2023 | 01 | 01 |
| USREOU Code | 44768034 | | |
| CATUTTC ¹ Code | UA80000000000624772 | | |
| SCGB Code | 37064 | | |
| COLFBE Code | 140 | | |
| CEA Code | 02.10 | | |

**APPENDIX TO THE NOTES to the Annual Financial Statements
for 2022**

Form No. 6
“Segment Information”
for 2022

I. Indicators of Primary Reportable Segments
(business, geographical production, geographical sales)

| Item | Line Code | Names of reportable segments | | | | | | | | | | | | Unallocated items | | Total | |
|--|-----------|------------------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|-------------------|---------------|----------------|---------------|
| | | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| I. Income of reportable segments: | | | | | | | | | | | | | | | | | |
| Operating income of reportable segments | 010 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| including: revenue from sales of products (goods, works and services): to external customers | 011 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| to other reportable segments | 012 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other operating income | 013 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Financial income of reportable segments | 020 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

The accompanying notes are an integral part of these financial statements.

SFE "FORESTS OF UKRAINE"
Notes to the Annual Financial Statements

| | | | | | | | | | | | | | | | | | | |
|--|-----|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| including: income from participation in equity directly attributable to the reportable segment | 021 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other financial income | 022 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other income | 030 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total income of reportable segments | 040 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Unallocated income | 050 | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * |
| including: operating income | 051 | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * |
| financial income | 052 | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * |
| Deduction of revenue from sales of products (goods, works and services) to other reportable segments | 060 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total income of the enterprise (l. 040 + l. 050 - l. 060) | 070 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Expenses of reportable segments: | | | | | | | | | | | | | | | | | | |
| Operating expenses | 080 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| including: cost of sales of products (goods, works and services): to external customers | 081 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| to other reportable segments | 082 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Administrative expenses | 090 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Selling expenses | 100 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other operating expenses | 110 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Financial expenses of reportable segments | 120 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

SFE "FORESTS OF UKRAINE"
Notes to the Annual Financial Statements

| | | | | | | | | | | | | | | | | | | |
|--|-----|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| including: losses from participation in equity directly attributable to the reportable segment | 121 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 122 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other expenses | 130 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total expenses of reportable segments | 140 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Unallocated expenses | 150 | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * |
| including: administrative, selling and other operating expenses not allocated to reportable segments | 151 | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * |
| financial expenses | 152 | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * |
| income tax | 154 | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * |
| Deduction of cost of sales of products (goods, works and services) to other reportable segments | 160 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total expenses of the enterprise (l. 140 + l. 150 - l. 160) | 170 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Financial result of segment activities (l. 040 - l. 140) | 180 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. Financial result of the enterprise (l. 070 - l. 170) | 190 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 5. Assets of reportable segments | 200 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| including: property, plant and equipment and intangible assets | 201 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital investments in progress | 202 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Inventories | 203 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

The accompanying notes are an integral part of these financial statements.

SFE “FORESTS OF UKRAINE”
Notes to the Annual Financial Statements

| | | | | | | | | | | | | | | | | | |
|--|-----|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Receivables | 204 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | 205 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Unallocated assets | 220 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| including: financial investments and other non-current assets | 221 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| income tax | 222 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred tax assets | 223 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 224 | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | 0 |
| Total assets of the enterprise | 230 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6. Liabilities of reportable segments | 240 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| including: non-current liabilities and provisions | 241 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Current payables for goods, works and services | 242 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Current provisions | 243 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other payables | 244 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Unallocated liabilities | 260 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| including: settlements with the budget | 261 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 262 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 263 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 264 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total liabilities of the enterprise (l. 240 + l. 260) | 270 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 7. Capital investments | 280 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 8. Depreciation and amortisation of non-current assets | 290 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

SFE "FORESTS OF UKRAINE"
Notes to the Annual Financial Statements

II. Indicators for Secondary Reportable Business Segments
 (business, geographical production, geographical sales)

| Item | Line Code | Names of reportable segments | | | | | | | | | | | | Unallocated items | | Total | |
|--|-----------|------------------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|-------------------|---------------|-------|----|
| | | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | | |
| | | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 1 | 2 | | | | | | | | | | | | | | | | |
| Revenue from sales of products (goods, works and services) to external customers | 300 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Carrying amount of assets of reportable segments | 310 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital investments | 320 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 330 | | | | | | | | | | | | | | | | |
| | 340 | | | | | | | | | | | | | | | | |

III. Indicators for Secondary Reportable Geographical Segments
 (production, sales)

| Item | Line Code | Names of reportable segments | | | | | | | | | | | | Unallocated items | | Total | |
|--|-----------|------------------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|-------------------|---------------|-------|----|
| | | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | Reporting year | Previous year | | |
| | | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 1 | 2 | | | | | | | | | | | | | | | | |
| Revenue from sales of products (goods, works and services) to external customers | 350 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Carrying amount of assets of reportable segments | 360 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital investments | 370 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 380 | | | | | | | | | | | | | | | | |
| | 390 | | | | | | | | | | | | | | | | |

Signed and authorised for issue on behalf of the management of SFE "FORESTS OF UKRAINE" on 6 April 2026.

Chairman of the Transformation Commission



Yurii Bolokhovets

Chief Accountant

Olha Miroshnikova

The accompanying notes are an integral part of these financial statements.

Notes on accounting policies and other explanatory information

1. General Information about the Enterprise

These financial statements of the State Specialized Forest Enterprise “Forests of Ukraine” (hereinafter – SFE “Forests of Ukraine”, the Enterprise) for the 2023 financial year have been prepared in accordance with the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” and National Accounting Standards (NAS).

SFE “Forests of Ukraine” was established on 26 October 2022 and is managed by the State Forest Resources Agency of Ukraine (hereinafter – the State Forest Resources Agency of Ukraine).

In 2022, the assets of 4 branches and the central office were transferred to the Enterprise.

As at 31 December 2022, SFE “Forests of Ukraine” consisted of the central office and regional forest offices and branches.

Overall management of the Enterprise’s activities was carried out by the General Director, to whom the Executive Director and independent functional units reported.

Regional forest offices, which consist of branches, coordinate and control the activities of the Enterprise’s branches in the regions of Ukraine, except for the territories temporarily occupied by the Russian Federation.

The principal activities of the Enterprise are:

- forest management, protection, conservation, rational use and regeneration of forests;
- hunting management, protection, reproduction and rational use of the state hunting fund within hunting areas assigned to the Enterprise;
- generation of profit from commercial activities;
- provision of goods and services to the State or territorial communities on an industrial or commercial basis.

The Enterprise is a legal entity under public law established on state ownership.

SFE “Forests of Ukraine” is not financed from the state budget and carries out its operations independently.

The assets of the Enterprise comprise non-current assets and current assets, funds, and other valuables, the value of which is reflected in its standalone balance sheet. The assets are state-owned and assigned to the Enterprise under the right of economic management. The Enterprise possesses, uses and disposes of such assets of such assets in accordance with applicable legislation and its Charter.

The main products of the Enterprise are roundwood and fuelwood for industrial and non-industrial use.

The average number of employees during 2022 was 89.

History of the Enterprise

The Enterprise was established as part of the reform of the forestry sector of Ukraine.

The prerequisites for its establishment were set out in the Decree of the President of Ukraine No. 228/2021 dated 7 June 2021 “On Certain Measures for the Conservation and Regeneration of Forests”.

This Decree is associated with the environmental initiative “Large-scale Afforestation of Ukraine” (the “Green Country” programme). At the same time, the President of Ukraine instructed the Cabinet of Ministers of Ukraine to take measures to reform the forestry sector, including improving the management system of state forestry enterprises.

In 2022, the National Security and Defence Council of Ukraine adopted the decision “On the Protection, Conservation, Use and Regeneration of Forests of Ukraine in a Special Period”, which states that, in order to improve the efficiency of the forestry sector, the issue of establishing a single state business entity responsible for forest management through the reorganisation of state forestry enterprises should be considered.

By Resolution of the Cabinet of Ministers of Ukraine No. 1003 dated 7 September 2022 “On Certain Issues of Reforming the Management of the Forestry Sector”, it was decided to establish the State Specialized Forest Enterprise “Forests of Ukraine” through the consolidation of state forestry enterprises under the management of the State Forest Resources Agency of Ukraine, with subsequent transformation into a joint-stock company, 100% of the shares of which are owned by the State.

In accordance with this Resolution, the State Forest Resources Agency of Ukraine issued Order No. 804 dated 26 October 2022 “On the Establishment of the State Specialized Forest Enterprise “Forests of Ukraine””.

Registered Address and Place of Business

The registered address of the Enterprise is 9-A Shota Rustaveli Street, Kyiv, 01601, Ukraine.

2. Operating Environment

The Enterprise operates in Ukraine, where the full-scale war with the Russian Federation continues and the legal regime of martial law is in effect.

During the periods covered by these financial statements and as at the date of authorisation of these financial statements, hostilities caused by Russia’s invasion of Ukraine on 24 February 2022 continued in the east and south of Ukraine along the front line. Certain cities and settlements in these regions remain temporarily occupied, and Russia continues to carry out occasional shelling of the territory of Ukraine.

The challenges faced by Ukraine as a result of the war hinder the stability and further development of its economy and financial sector.

Accordingly, the conditions in which the Enterprise operates remain challenging.

The outcome and timing of the end of the war cannot be predicted with sufficient certainty.

In 2022, the key policy rate of the National Bank of Ukraine changed from 10% to 25% from June. At the beginning of the year, the rate was 10%, and by the end of the year it had reached 25%. This change was a response to economic challenges and changes in monetary policy.

In 2022, inflation in Ukraine was 26.6%, which is a significant indicator for analysing the economic situation in the country. This level of inflation was associated with various factors, including the full-scale war, which affected the economy, as well as the global acceleration of inflation.

In 2022, Ukraine's gross domestic product decreased by 29.1%. Nominal GDP amounted to UAH 5,191 billion. The main reasons for the decline were the full-scale war, destruction of infrastructure and the blockade of Black Sea ports.

In 2022, in accordance with its resolution dated 24 February 2022 regulating the operation of the banking system under martial law, the National Bank of Ukraine required banks to prohibit transactions that breached the restrictions established by that resolution. This included restrictions on foreign exchange transactions and capital movements. The NBU also required banks to ensure the uninterrupted operation of ATMs and to replenish them with cash of various denominations for customer service.

In 2022, the National Bank of Ukraine continued to apply the monetary regime of inflation targeting to achieve and maintain price stability. This was confirmed by the approved Monetary Policy Guidelines, which were submitted to the Verkhovna Rada of Ukraine for information purposes. The National Bank continued to aim to keep the medium-term rate of price growth at 5%, with an allowable deviation range of 1 percentage point.

In 2022, Ukraine received significant international financial assistance, which included grants, loans and military support. The largest amounts of financial assistance were received from the United States of America — USD 12 billion, the European Union — USD 8 billion, the IMF — USD 2.7 billion, Canada — USD 1.9 billion, and Germany — USD 1.6 billion. This assistance helped preserve macro financial stability and cover social expenditures that could not be financed from domestic resources.

The impact of the war on the Company's current situation and management's assessment of going concern are disclosed in these notes.

The operating environment of the forestry sector in Ukraine for 2022 includes important aspects.

The total area of forest land is 10.4 million hectares, including 9.6 million hectares covered with forest vegetation. In particular, coniferous stands account for 43% of the total area, including pine stands, which account for 35%.

Forests play an important role both in forming the carbon balance of the atmosphere and in preserving biodiversity. The average age of forests is over 60 years, which indicates the gradual ageing of forests. The importance of forests and forestry is now generally recognised and beyond doubt.

Ukraine's forest cover is 15.9%. However, despite the relatively low forest cover of its territory, Ukraine ranks 9th in Europe by forest area and 7th by timber

reserves. Forest-growing conditions in Ukraine are highly heterogeneous, and therefore forests are distributed unevenly across the country.

Forest cover varies significantly between different natural zones and does not reach the optimal level at which forests have the most positive effect on the climate, soils and water resources, counteract erosion processes, and ensure a larger volume of timber.

The age structure is dominated by middle-aged stands, while mature and overmature stands account for 18.7%. The average age of forests is over 60 years. Forests are gradually ageing, which leads to a deterioration in their sanitary condition.

Ukraine's forests are formed by more than 30 species of tree stands, among which pine, oak, beech, spruce, birch, alder, ash, hornbeam and fir dominate. Coniferous stands account for 43% of the total area, including pine stands, which account for 35%. Hardwood broadleaved stands account for 43%, including oak and beech stands, which account for 37%.

The timber stock in forests is estimated at approximately 2.3 billion m³. On average, 35 million m³ of timber grows in Ukraine's forests each year. The average annual timber increment per hectare in the forests of the State Forest Resources Agency is 3.9 m³ per hectare and ranges from 5.0 m³ in the Carpathians to 2.5 m³ in the steppe region.

The timber stock is gradually increasing, which confirms the significant economic and environmental potential of our forests. In Ukraine's forests, the timber stock per hectare is approximately 235 m³, including approximately 251 m³ in the forests of the State Forest Resources Agency, ranking 10th in Europe. For comparison, it is 288 m³ in Poland, 206 m³ in Belarus and 131 m³ in Sweden. Overall, this indicator for Ukraine is lower, at 235 m³, primarily due to the forests of reformed agricultural enterprises, which are sparse and in a difficult sanitary condition.

The vast majority of forests are state-owned. In the process of land delimitation, approximately 1.3 million hectares, or 13%, of forest land plots that are in the permanent use of municipal enterprises subordinated to local self-government bodies may be transferred to municipal ownership. The share of privately owned forests is less than 0.1% of the total forest land area. Approximately 800 thousand hectares of forest land have not been allocated for use. Historically, Ukraine has developed a situation where state forests are assigned to numerous permanent forest users; for forest management purposes, forests have been granted for permanent use to enterprises, institutions and organisations of several dozen ministries and agencies. By departmental subordination, the largest area of forest land, approximately 73%, belongs to the management sphere of the State Forest Resources Agency.

The main objective of forestry is the growing and regeneration of forests. In accordance with legislation, permanent forest users and forest owners are required to regenerate forest on clear-cut areas within two years. This period is due to the need to prepare the soil and carry out other measures for forest planting or to facilitate natural regeneration.

As a rule, forest regeneration is carried out in the year following harvesting, and sometimes, where all necessary conditions are in place, in the same year. The most favourable weather conditions for forest regeneration occur in spring and autumn. In 2022, despite large-scale military hostilities, forests were regenerated on an area of 32 thousand hectares, including 1.9 thousand hectares of new forests.

In 2022, more than 4.6 million cubic metres of timber were sold on the timber market, which increased the income of state forestry enterprises.

Ukraine’s forestry sector is undergoing reform, including the sale of resources through licensed commodity exchanges.

These aspects emphasise the importance of forestry in Ukraine and the need for its preservation and development.

The implementation of strategic reforms in Ukraine’s forestry sector, in particular digitalisation and increased revenue from timber sales, is an important area for supporting economic development.

The operational plan for the implementation of the State Forest Management Strategy of Ukraine until 2035 provides for the adaptation of forests to climate change and the creation of a transparent forest resource management system.

The EU Biodiversity Strategy for 2030 provides for a commitment to plant three billion trees in the EU. Ukraine has also joined this process and, within the framework of the President of Ukraine’s “Green Country” programme, plans to plant 1 billion new trees within three years and thereby increase the forest area by 1 million hectares over ten years.

3. Basis of Preparation

These financial statements are the financial statements of the Enterprise as at and for the year ended 31 December 2022 and have been prepared in accordance with National Accounting Standards of Ukraine.

In these financial statements, the Enterprise applied NAS 1 “General Requirements for Financial Reporting”, individual National Accounting Standards, the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”, other regulatory acts of Ukraine and the Accounting Policy Regulations of SFE “Forests of Ukraine”.

In preparing these financial statements, the Enterprise applied the following principles: prudence, full disclosure, autonomy, consistency, going concern, accrual and matching of income and expenses, substance over form, historical cost, single monetary measurement and periodicity.

The preparation of financial statements in accordance with National Accounting Standards requires the use of certain significant accounting estimates. It also requires management, when applying the Enterprise’s accounting policies, to exercise professional judgement. Areas where such judgement is particularly important, areas involving a high degree of complexity, and areas where assumptions and estimates are significant for the preparation of the financial statements are described in Note 6 to these financial statements.

Presentation currency. These financial statements are presented in Ukrainian hryvnias, and all amounts are rounded to the nearest thousand, unless otherwise stated. The functional currency of the Enterprise is the Ukrainian hryvnia.

Going concern. Management has prepared these financial statements on a going concern basis (see Note 4 to these financial statements), which discloses information about uncertainties related to events or conditions that may cast significant doubt on the Enterprise’s ability to continue as a going concern.

Changes to the financial statements after authorisation for issue. Any changes to these financial statements after their issue require approval by the Enterprise’s management, which authorised these financial statements for issue.

The Enterprise uses estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are assessed on an ongoing basis and are based on management’s past experience and other factors, including expectations of future events that are considered reasonable in the existing circumstances. In addition to judgements involving accounting estimates, management of the Enterprise also exercises professional judgement in applying accounting policies.

4. Going Concern

Management has prepared these financial statements on a going concern basis, based on the assumption that the Enterprise will be able to realise its assets and settle its liabilities in the ordinary course of business in the foreseeable future.

Management of SFE “Forests of Ukraine” regularly assesses the Enterprise’s ability to continue as a going concern for at least 12 months after the date of preparation of the financial statements.

Key measures supporting the going concern assumption

In order to determine development objectives for the medium term and the ways to achieve them, the Enterprise has developed, and the State Forest Resources Agency of Ukraine, as the authorised management body, has approved, the strategic development plan of SFE “Forests of Ukraine” for 2025–2029. This plan is based on the priorities set out in the State Forest Management Strategy of Ukraine until 2035 and takes into account the interests of the state, business and society.

- The analysis of the Enterprise’s internal and external environment indicates that, given its significant strengths, the Enterprise is able to maintain its activities at the current level; however, further development and improved efficiency require the implementation of management measures. The Enterprise’s products will remain in demand in the Ukrainian market and have significant potential in the markets of European countries.
- In the event of temporary loss of access to the forest raw material base in certain regions due to hostilities and the mining of part of forest areas in frontline regions, the Enterprise implements measures to redistribute harvesting volumes to safer forest areas, constructs new forest roads and

- cooperates with certified contractors to demine affected areas.
- To reduce the impact on logistics processes, the Enterprise has redirected product supplies and built up inventories of fuel and lubricants, spare parts and consumables to ensure stable operation of branches in critical regions.
 - In response to staffing challenges caused by mobilisation, the Enterprise ensures rotation and relocation of personnel between branches and arranges deferments from mobilisation for certain employees, which enables it to maintain the performance of production tasks.
 - In the event of damage to infrastructure in frontline branches, temporary arrangements for relocating production processes to safer regions are implemented promptly, with subsequent restoration of access to assets after the situation stabilises. To maintain the functioning of branches in crisis conditions, backup power sources, such as generators, are used, as well as Starlink satellite communication systems to ensure uninterrupted coordination and access to digital management systems.
 - To counter natural threats, including fires, pests and forest diseases, the Enterprise implements early detection systems, carries out preventive inspections, purchases modern firefighting equipment and performs phytosanitary protection measures.
 - The Enterprise operates on a self-financing basis without attracting external financing. The absence of debt burden, stable cash flow and cost control ensure financial stability, which is a key factor in maintaining going concern in a crisis environment.

Thus, the Enterprise demonstrates resilience to external challenges, the ability to adapt to difficult conditions and ensures an appropriate level of risk management.

Management of the Enterprise assessed the Enterprise’s ability to continue as a going concern as at the date of issue of these financial statements and concluded that a material uncertainty exists related to the possible significant escalation of hostilities, which may lead to destruction of infrastructure and destabilisation of the Enterprise’s activities and, as a result, may cast significant doubt on the Enterprise’s ability to continue as a going concern.

At the same time, based on the existing circumstances and planned response measures, management reasonably expects that the Enterprise will have sufficient resources to continue its operations for at least twelve months after the date of these financial statements.

Management will continue to monitor the potential impact of the above circumstances and will take all possible measures to minimise their adverse consequences.

Taking into account the above, management of the Enterprise has concluded that the use of the going concern assumption in preparing these financial statements is appropriate.

5. Significant Accounting Policies

The financial statements of the Enterprise for 2022 include information whose disclosure is required by National Accounting Standards (NAS) or other regulatory legal acts of the Ministry of Finance of Ukraine on accounting matters.

The financial statements of the Enterprise include the performance indicators of its branches.

The Balance Sheet presents the assets, liabilities and equity of the Enterprise. The branches prepared separate balance sheets. The indicators of the separate balance sheets and the corresponding financial reporting forms were included in the Balance Sheet and the corresponding financial reporting forms of the Enterprise; information on intra-entity settlements (mutual liabilities in equal amounts) was not presented.

The Statement of Financial Results discloses information on income, expenses, gains and losses, other comprehensive income and total comprehensive income of the Enterprise for the reporting period.

The Statement of Cash Flows presents data on cash flows during the reporting period from operating, investing and financing activities using the direct method. Internal changes in cash were not included in the Statement of Cash Flows.

The Statement of Equity discloses information on changes in the Enterprise's equity during the reporting period. The columns of the Statement of Equity intended for presenting components of equity include the indicators presented in Section I "Equity" of the Balance Sheet.

The financial statements of the Enterprise include the performance indicators of the branches comprising the Enterprise.

The financial statements of the Enterprise have been prepared taking into account the indicators of the separate balance sheets and other financial reporting forms of the branches and reflect the financial position, results of operations and cash flows of the Enterprise as a single economic unit.

Intangible assets

Accounting for intangible assets at SFE "Forests of Ukraine" is maintained for each item by the following groups:

- rights to use natural resources;
- rights to use property;
- rights to commercial designations (rights to trademarks (marks for goods and services), commercial (trade) names, etc.), except for those for which acquisition costs are recognised as royalties;
- rights to industrial property items (rights to inventions, utility models, industrial designs, plant varieties, animal breeds, layouts (topographies) of integrated circuits, trade secrets, including know-how, protection against unfair competition, etc.), except for those for which acquisition costs are recognised as royalties;
- copyright and related rights (rights to literary, artistic and musical works, computer programs, electronic computer programs, data compilations

(databases), performances, phonograms, videograms, broadcasts (programmes) of broadcasting organisations, etc.), except for those for which acquisition costs are recognised as royalties;

- other intangible assets (the right to conduct activities, to use economic and other privileges, etc.).

Amortisation of intangible assets (except for the right of permanent use of a land plot) is charged over their useful lives, which are established by the Enterprise in an order or specified in commissioning acts when such an item is recognised as an asset (when it is recognised on the balance sheet).

Amortisation of intangible assets is charged taking into account the useful lives established by the Tax Code of Ukraine, namely:

| Groups | Term of the right of use |
|---|--|
| group 1 - rights to use natural resources (the right to use subsoil, other resources of the natural environment, geological and other information on the natural environment) | In accordance with the title document |
| group 2 - rights to use property (the right to use a land plot, except for the right of permanent use of a land plot in accordance with the law, the right to use a building, the right to lease premises, etc.) | In accordance with the title document |
| group 3 - rights to commercial designations (rights to trademarks (marks for goods and services), commercial (trade) names, etc.), except for those for which acquisition costs are recognised as royalties | In accordance with the title document |
| group 4 - rights to industrial property items (rights to inventions, utility models, industrial designs, plant varieties, animal breeds, layouts (topographies) of integrated circuits, trade secrets, including know-how, protection against unfair competition, etc.), except for those for which acquisition costs are recognised as royalties | In accordance with the title document, but not less than 5 years |
| group 5 - copyright and related rights (rights to literary, artistic and musical works, computer programs, electronic computer programs, data compilations (databases), phonograms, videograms, broadcasts (programmes) of broadcasting organisations, etc.), except for those for which acquisition costs are recognised as royalties | In accordance with the title document, but not less than 2 years |
| group 6 - other intangible assets (the right to conduct activities, to use economic and other privileges, etc.) | In accordance with the title document |

If the title document does not establish the term of the right of use of an intangible asset, such useful life is determined independently, but may not be less than two years or more than 10 years.

In calculating the amortisable amount, the residual value of intangible assets is deemed to be zero, except where:

- there is an irrevocable obligation of another person to acquire the item at the end of its useful life;
- the residual value can be determined on the basis of information from an existing active market and it is expected that such market will exist at the end of the useful life of the item.

Amortisation begins from the month following the month in which the intangible asset is put into economic circulation. The amount of amortisation charged is recognised by the Enterprise as an increase in expenses of the Enterprise and accumulated amortisation of intangible assets.

Amortisation ceases from the month following the month of disposal of the intangible asset.

Property, plant and equipment

The Enterprise holds property, plant and equipment for use in the production or supply of goods, performance of work and rendering of services, for lease to other persons or for administrative and socio-cultural functions, whose expected useful life (operation) exceeds one year (or the operating cycle, if longer than one year) and whose value exceeds the established value threshold. The value threshold is established in accordance with paragraph 14.1.138 of the Tax Code of Ukraine.

Assets whose expected useful life exceeds one year but whose value does not exceed the value threshold are considered low-value non-current tangible assets (LVNTA) within property, plant and equipment. Given the low value of LVNTA, the Enterprise classifies them as property, plant and equipment but depreciates such items using a simplified approach.

For depreciation of items of property, plant and equipment whose value exceeds the established value threshold, the Enterprise uses the straight-line method, under which the annual depreciation amount is determined by dividing the depreciable amount by the useful life of the item of property, plant and equipment.

The monthly depreciation amount under the straight-line method is determined by dividing the annual depreciation amount by 12. The result of applying the straight-line depreciation method is constant charges over the useful life, unless the residual value of the asset changes.

Depreciation begins from the month following the month in which the item of property, plant and equipment became available for use, that is, when it was delivered to its location and brought into the condition in which it is suitable for operation in the manner intended by management.

Depreciation is charged over the useful life (operation) of the item, which is established by an order of the Enterprise or specified in commissioning acts for property, plant and equipment when it is recognised on the balance sheet, and is

suspended for the period of its reconstruction, modernisation, extension, additional equipment and mothballing.

Depreciation ceases from the month following the month of disposal of the item of property, plant and equipment, or its transfer for reconstruction, modernisation, extension, additional equipment or mothballing.

Depreciation is charged taking into account the minimum allowable useful lives of property, plant and equipment established by the Tax Code of Ukraine, namely:

| Group of property, plant and equipment and other non-current assets | Minimum allowable useful lives, years |
|---|--|
| group 1 - land plots | - |
| group 2 - capital expenditure on land improvements not related to construction | 15 |
| group 3 - buildings | 20 |
| structures | 15 |
| transmission devices | 10 |
| group 4 - machinery and equipment | 5 |
| Of which: | |
| electronic computers, other machines for automatic information processing, related devices for reading or printing information, related computer programs (except for programs whose acquisition costs are recognised as royalties and/or programs recognised as intangible assets), other information systems, switches, routers, modules, modems, uninterruptible power supplies and devices for connection to telecommunications networks, telephones (including mobile phones), microphones and two-way radios whose value exceeds UAH 20,000 | 2 |
| group 5 - vehicles | 5 |
| group 6 - tools, devices, inventory and furniture | 4 |
| group 7 - livestock not related to agricultural activity | 6 |
| group 8 - perennial plantations | 10 |
| group 9 - other property, plant and equipment | 12 |
| group 10 - library collections, preservation of the National Archival Fund of Ukraine | - |
| group 11 - low-value non-current tangible assets | - |
| group 12 - temporary (non-title) structures | 5 |

| Group of property, plant and equipment and other non-current assets | Minimum allowable useful lives, years |
|--|--|
| group 13 - natural resources | - |
| group 14 - returnable containers | 6 |
| group 15 - rental items | 5 |
| group 16 - long-term biological assets | 7 |

Revaluation of property, plant and equipment of a group whose items have already been revalued shall subsequently be performed with such regularity that their residual value at the balance sheet date does not differ materially from fair value.

The revalued initial cost and accumulated depreciation of an item of property, plant and equipment are determined by multiplying, respectively, the original cost and accumulated depreciation of the item of property, plant and equipment by the revaluation index. The revaluation index is determined by dividing the fair value of the item being revalued by its residual value.

The amount of the revaluation surplus of the residual value of an item of property, plant and equipment is included in revaluation reserve and recognised in other comprehensive income, while the amount of a revaluation deficit is included in expenses.

If, at the date of a subsequent (latest) revaluation surplus of an item of property, plant and equipment, the amount of previous revaluation deficits of the item and impairment losses exceeds the amount of previous revaluation surpluses of the residual value of the item and benefits from reversal of impairment, the amount of the subsequent (latest) revaluation surplus, but not exceeding that excess, is included in income of the reporting period, while the difference (if the amount of the subsequent (latest) revaluation surplus exceeds that excess) is allocated to increase revaluation reserve and recognised in other comprehensive income.

If, at the date of a subsequent (latest) revaluation deficit of an item of property, plant and equipment, the amount of previous revaluation surpluses of the item and benefits from reversal of impairment exceeds the amount of previous revaluation deficits of the residual value of the item and impairment losses, the amount of the subsequent (latest) revaluation deficit, but not exceeding that excess, is allocated to reduce revaluation reserve and recognised in other comprehensive income, while the difference (if the amount of the subsequent (latest) revaluation deficit exceeds that excess) is included in expenses of the reporting period.

Upon disposal of items of property, plant and equipment that were previously revalued, the excess of previous revaluation surpluses over previous revaluation deficits of the residual value of that item of property, plant and equipment is included in retained earnings with a simultaneous decrease in revaluation reserve. The excess of previous revaluation surpluses of an item of property, plant and equipment over previous revaluation deficits of the residual value of that item of property, plant and equipment is included in retained earnings monthly or quarterly in an amount proportionate to depreciation charged, with a simultaneous decrease in revaluation

reserve. In this case, upon disposal of the item, the balance of the excess of previous revaluation surpluses over previous revaluation deficits of that item recognised in revaluation reserve is included in retained earnings.

Biological assets

The Enterprise classifies biological assets as long-term and current depending on their terms of use.

- Long-term biological assets are all biological assets that are not current;
- Current biological assets are biological assets capable of producing agricultural produce and/or additional biological assets and generating economic benefits within a period not exceeding 12 months. Current biological assets include livestock for growing and fattening and agricultural crops.

For accounting purposes, biological assets are classified into the following groups:

- livestock biological assets (livestock for growing and fattening, bee colonies, fish and poultry);
- crop production biological assets (grain crops).

Inventories

Inventories are recognised as an asset if it is probable that the Enterprise will obtain future economic benefits associated with their use and their cost can be measured reliably.

The unit of accounting for inventories is their name or homogeneous group (type).

Purchased (received) or produced inventories are recognised on the balance sheet of the Enterprise at original cost. If, at the time inventories are recognised, their original cost cannot be measured reliably, such inventories may be measured and recognised at fair value with subsequent adjustment to original cost.

The original cost of inventories received by the Enterprise free of charge is their fair value.

Inventories are recognised in accounting and reporting at the lower of two amounts: original cost or net realisable value. Inventories are recognised at net realisable value if, at the balance sheet date, their price has decreased, or they are damaged, obsolete or have otherwise lost their originally expected economic benefit.

Net realisable value is determined for each unit of inventories by deducting from the expected selling price the expected costs to complete production and sell the inventories.

The amount by which the original cost of inventories exceeds their net realisable value, as well as the cost of inventories that are fully lost (damaged or missing), is written off to expenses of the reporting period. Shortages and losses from damage to valuables before a decision is made on specific responsible persons are recognised in off-balance-sheet accounts. After the persons responsible for

compensating the losses are identified, the amount to be reimbursed is recognised as receivables (or other assets) and income of the reporting period.

If the net realisable value of inventories that were previously written down and remain assets at the balance sheet date subsequently increases, the amount of the increase in net realisable value, but not exceeding the amount of the previous decrease, is recognised as other operating income with an increase in the value of such inventories.

When inventories are issued to production, released from production, sold or otherwise disposed of, they are measured using the weighted average cost method.

Measurement at weighted average cost is performed for each unit of inventories by dividing the total cost of the balance of such inventories at the beginning of the reporting month and the cost of inventories received during the reporting month by the total quantity of inventories at the beginning of the reporting month and inventories received during the reporting month.

Measurement of each transaction involving disposal of inventories may be performed at weighted average cost by dividing the total cost of such inventories as at the transaction date by the total quantity of inventories as at the transaction date.

The cost of low-value and rapidly wearing items transferred into use is excluded from assets (written off the balance sheet), with subsequent operational quantitative accounting of such items by places of use and responsible persons during their actual period of use.

Transactions and balances

Monetary assets and liabilities are translated into the functional currency of the Enterprise at the official exchange rate of the National Bank of Ukraine (NBU) as at the end of each relevant reporting period. Foreign exchange gains and losses arising from settlements on transactions and translation of monetary assets and liabilities into the functional currency of the Enterprise at the official NBU exchange rates at year-end are recognised in profit or loss. Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are presented in the Statement of Financial Results (Statement of Comprehensive Income) within finance income or expenses. All other foreign exchange gains and losses are presented in the Statement of Financial Results (Statement of Comprehensive Income) within other operating gains/(losses), net. Year-end translation does not apply to non-monetary items measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including investments in equity instruments, are translated at the exchange rates at the date fair value is determined. The effect of changes in exchange rates on the fair value of non-monetary items measured at fair value is accounted for within gains or losses from changes in fair value.

Cash and cash equivalents

Settlements for goods sold (services rendered) are classified as cashless transactions.

Foreign currency transactions are recognised in accounting at the current exchange rate as at the transaction date.

Balances on foreign currency accounts are remeasured at the current exchange rate as at the reporting date on a monthly basis.

The exchange difference arising from remeasurement of cash balances on foreign currency accounts as at the reporting date is recognised as income or expenses in the period in which it arises. This exchange difference is recognised within other operating income (expenses).

Cash settlements are made in compliance with the limits and in the manner established by Ukrainian legislation.

Branches make cash settlements through cash desks using both funds received as cash proceeds and funds received from banks. The procedure for conducting cash transactions is determined by the Regulation on Cash Transactions in National Currency in Ukraine, approved by Resolution of the Board of the National Bank of Ukraine No. 148 dated 29 December 2017.

Legal relations arising in connection with settlements by payment cards and/or payment systems are regulated by the Law of Ukraine "On Payment Services", as well as by the rules of payment systems and agreements concluded between participants of payment systems.

Receivables

Receivables are recognised as an asset if it is probable that the Enterprise will obtain future economic benefits and their amount can be measured reliably.

Current receivables for products, goods, work and services are recognised as an asset simultaneously with the recognition of income from the sale of products, goods, work and services and are measured at original cost. If payment for products, goods, work or services is deferred and this gives rise to a difference between the fair value of the receivables and the nominal amount of cash and/or cash equivalents to be received for products, goods, work or services, such difference is recognised as receivables for accrued income (interest) in the period of its accrual.

Current receivables that are financial assets (except for purchased receivables and receivables held for sale) are included in the balance sheet total at net realisable value.

The portion of long-term receivables due to be settled within twelve months from the balance sheet date is presented as current receivables as at that date.

Long-term receivables are the amount of receivables that do not arise in the normal operating cycle and will be settled after twelve months from the balance sheet date.

Receivables from settlements with the budget include amounts due from financial and tax authorities, as well as advance payments, overpayments of taxes and duties and other payments to the budget, and are presented in the balance sheet separately identifying income tax receivables.

Receivables for advances issued are the amount of prepayments made to the accounts of buyers, suppliers and contractors in accordance with the terms of agreements.

The amount of an advance (prepayment) in foreign currency provided to other persons for the acquisition of non-monetary assets (inventories, property, plant and

equipment, intangible assets, etc.) and receipt of work and services is translated into the reporting currency when included in the cost of such assets (work, services) using the exchange rate at the beginning of the day of the advance payment date. If advance payments in foreign currency are made to a supplier in instalments and non-monetary assets (work, services) are received from the supplier in instalments, the cost of the assets (work, services) received is recognised in the amount of the advance payments using exchange rates based on the sequence of advance payments made.

Financial instruments measured at amortised cost and contractual assets are presented in the statement of financial position net of the allowance for doubtful debts.

The allowance for doubtful debts on receivables is created for their entire life cycle and accounted for as contra-assets in the relevant accounts, with recognition within other operating expenses.

The allowance for doubtful debts is accrued taking into account the restrictions established for state-owned enterprises by Resolution of the Cabinet of Ministers of Ukraine No. 1673 “On the State of Financial and Budgetary Discipline, Measures to Strengthen the Fight Against Corruption and Control over the Use of State Property and Financial Resources” dated 29 November 2006.

The amount of the allowance for doubtful debts accrued for the reporting period is recognised in the Statement of Financial Results within other operating expenses.

Derecognition of bad receivables from assets is carried out with a simultaneous decrease in the allowance for doubtful debts. If the amount of the accrued allowance for doubtful debts is insufficient, bad receivables for products, goods, work and services are written off from assets to other operating expenses. The amount of reimbursement of previously written-off bad receivables is included in other operating income.

Current receivables for which no allowance for doubtful debts is provided are written off the balance sheet when recognised as bad, with recognition within other operating expenses.

Liabilities and provisions

Current liabilities include:

- current payables for long-term liabilities;
- trade payables for goods, work and services;
- amounts payable to the budget, including income tax;
- amounts payable for insurance settlements;
- advances received;
- amounts payable for payroll settlements;
- current provisions;
- other current liabilities.

Current portion of long-term liabilities includes payments under finance lease agreements.

Provisions are recognised for the following future operating expenses for:

- employee vacation payments;
- bonuses;
- additional pension benefits;
- other purposes.

Employee benefits

Remuneration of employees who are in employment relationships with the Enterprise is regulated by current legislation and internal documents of the Enterprise.

The payroll fund includes accruals to employees in cash and in kind for worked and unworked time subject to payment, or for work performed, regardless of the source of financing of such payments.

The payroll fund of the Enterprise consists of:

- basic wages;
- additional wages;
- other incentive and compensatory payments.

The accrued amount of employee benefits based on submitted documents on time worked and work performed by employees during the reporting period is recognised in accounting as current liabilities and included in expenses of the period in which obligations for such payments arise.

Current employee benefits include wages, other payroll accruals; payments for unworked time (annual leave and other paid unworked time); bonuses and other incentive payments payable within twelve months after the end of the period in which employees perform the relevant work, etc.

The single social contribution is accrued simultaneously with payroll accrual and is payable to the budget together with payment of wages to employees of the Enterprise.

Taxes

In accordance with the Tax Code of Ukraine and regulatory legislative acts of Ukraine, the Enterprise is a payer of the following taxes and duties: VAT, income tax, payment/allocation of part of net profit to the budget, rent payment for special use of forest resources, environmental tax, rent payment for special use of water, rent payment for subsoil use, land tax, real estate tax, excise tax, personal income tax, military levy, social insurance contribution and other types of taxes and duties.

Value added tax. Output VAT on the sale of goods and services is payable to the tax authorities (a) when receivables are collected from customers or (b) when goods are supplied or services are rendered to customers, whichever occurs earlier. Input VAT is generally offset against output VAT upon receipt of a VAT tax invoice. The tax authorities allow VAT settlements on a net basis. VAT relating to purchase and sale transactions is presented gross in the statement of financial position and disclosed separately within assets and liabilities.

Rent payment for special use of forest resources in Ukraine applies to payers that carry out special use of forest resources on the basis of special permits (logging tickets or forest tickets).

Payers are forest users: legal entities, their branches and divisions, as well as individuals who carry out special use of forest resources on the basis of special permits. The object of taxation is timber harvested through final felling, as well as felling for the clearing of forest plots.

Environmental tax is a national mandatory payment that encourages reduction of negative environmental impact and regulates the activities of enterprises that carry out emissions, discharges or waste disposal.

Land tax is paid by the Enterprise, as a permanent land user, for the use of state-owned land plots.

Personal income tax is the main tax in Ukraine paid by individuals on their income, and its rates and rules are regulated by the Tax Code of Ukraine. The main personal income tax rate is 18% of total taxable income, which includes wages, compensatory payments and other income.

The social insurance contribution is a mandatory insurance contribution directed to the system of compulsory state social insurance in Ukraine. The social contribution rate is 22% of income. The social contribution is paid by the Enterprise.

The military levy is a mandatory payment levied on individuals' income to finance the needs of the Armed Forces of Ukraine.

The part of net profit (income) to be paid / allocated to the state budget by state unitary enterprises and their associations is 80 percent.

The part of net profit (income) to be paid / allocated to the state budget by state specialised economic, forestry, forest protection and other enterprises that fall within the management sphere of the State Forest Resources Agency is determined at 50 percent, provided that they allocate 30 percent of net profit (income) from their activities to the acquisition of non-current assets necessary for measures for the conservation, protection, use and regeneration of forests. The use of 30 percent of net profit (income) is subject to annual state financial audit in accordance with Resolution of the Cabinet of Ministers of Ukraine No. 718 dated 20 July 2021, which is effective until 31 December 2024.

Equity

The Enterprise's equity is represented by registered (statutory) capital, revaluation reserve, additional capital and retained earnings.

The statutory capital of the Enterprise is formed by the authorised management body from state-owned real estate, funds, securities, other property and property rights.

Additional capital

In accordance with its Charter, the Enterprise creates special-purpose funds from profit. Additional capital of the Enterprise consists of deductions to the production development fund. Resources from the production development fund are used for measures for the conservation, protection, use and regeneration of forests and other similar purposes.

Revaluation reserve

Revaluation reserve represents the revaluation reserve for property, plant and equipment of the Enterprise.

The revaluation reserve for property, plant and equipment is transferred to retained earnings (uncovered loss) as the asset is used on a monthly basis, in the amount of the difference between depreciation charges based on the revalued amount and depreciation charges that would have been recognised had the revalued amount model not been applied, or upon sale or disposal of the asset.

Retained earnings

Retained earnings are formed from the net financial result (profit/loss) of the branches and the administrative office.

Ukrainian legislation defines the distribution base as the amount of net profit for the current year, calculated in accordance with National Accounting Standards, and the amount of revaluation reserve subject to transfer to retained earnings.

The allocation to the state budget of part of net profit by state unitary enterprises is regulated by the Law of Ukraine No. 185-V "On Management of State-Owned Assets" dated 21 September 2006. The part of net profit is paid to the state budget on a cumulative basis based on quarterly financial and economic activities for the relevant period within the time limit established by the Tax Code of Ukraine.

The mandatory contribution of part of net profit to the state budget is recognised within liabilities and deducted from capital as at the reporting date as part of net profit for the period that is subject to mandatory transfer to the budget.

The Enterprise allocates profit determined in accordance with legislation to additional capital by forming the production development fund, as provided for by its Charter.

Income

Income is recognised when an asset increases or a liability decreases, resulting in an increase in equity (except for an increase in capital due to contributions from participants of the Enterprise), provided that the amount of income can be measured reliably.

Income recognition criteria are applied separately to each transaction.

Recognised income is classified in accounting into the following groups:

- income (revenue) from sales of products (goods, work, services);
- net income from sales of products (goods, work, services);
- other operating income;
- finance income;
- other income.

Expenses

Expenses are recognised in accounting simultaneously with a decrease in assets or an increase in liabilities.

Expenses of the reporting period are recognised as either a decrease in assets or an increase in liabilities that results in a decrease in the Enterprise's equity, provided that such expenses can be measured reliably.

Expenses are recognised as expenses of a particular period simultaneously with the recognition of the income for which they were incurred.

Expenses that cannot be directly associated with income of a particular period are recognised as expenses of the reporting period in which they were incurred.

If the Enterprise obtains economic benefits over several reporting periods, expenses are recognised by systematic allocation of the relevant cost (for example, depreciation) between the respective reporting periods.

Cost of sales of products (work, services) consists of the production cost of products (work, services) sold during the reporting period, unallocated fixed production overheads and abnormal production costs.

Production cost of products (work, services) includes:

- direct material costs;
- direct labour costs;
- other direct costs;
- variable production overheads and allocated fixed production overheads.

Administrative expenses include general business expenses aimed at servicing and managing the Enterprise.

Selling expenses include expenses related to the sale (distribution) of products (goods, work, services).

Other operating expenses include research and development expenses; cost of inventories sold; bad receivables and deductions to the allowance for doubtful debts; losses from operating foreign exchange differences; inventory impairment losses; shortages and losses from damage to valuables; recognised fines, penalties and forfeits; expenses for maintaining socio-cultural facilities; and other operating expenses.

Income tax

In these financial statements, taxation is presented in accordance with legislative requirements using tax rates and legislation enacted or substantively enacted as at the end of the reporting period.

Income tax expense/benefit includes current tax and deferred tax and is recognised in profit or loss for the year unless it is required to be recognised in other comprehensive income or directly in capital because it relates to transactions that are also recognised in the same or another period in other comprehensive income or directly in capital.

Current tax is the amount expected to be paid to, or recovered from, the tax authorities in respect of taxable profits or losses for the current and prior periods.

If the financial statements of the Enterprise are authorised for issue before the relevant tax returns are filed, the amount of taxable profits or losses is recognised on the basis of estimates. Other taxes, except for income tax, are accounted for within operating expenses.

Deferred income tax is calculated using the balance sheet liability method in respect of tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exception, deferred tax is not recognised for temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and that, at initial recognition, affects

neither accounting profit nor taxable profit. Deferred tax amounts are determined using tax rates enacted or substantively enacted as at the end of the reporting period and expected to apply in the period when the temporary differences are reversed or carried-forward tax losses are utilised.

Deferred tax assets for deductible temporary differences and carried-forward tax losses are recognised only to the extent that it is probable that the temporary differences will reverse and sufficient taxable profit will be available in the future against which the temporary differences can be utilised.

Related parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party's financial and operating decisions.

Related party relationships include, in particular, relationships between the Enterprise and its head and other persons belonging to the key management personnel of the Enterprise, as well as close family members of such persons.

Close family members are the spouse and relatives (recognised as such under legislation) of an individual who is a related party and who may influence, or be influenced by, that individual in making decisions on the financial, economic and commercial policy of the Enterprise. In considering each possible related party relationship, attention should be directed to the substance of the relationship rather than its legal form.

Assets or liabilities in related party transactions are measured, in particular, using the comparable uncontrolled price method. Under this method, the price applied is determined by reference to the price of similar finished products (goods, work, services) sold to a buyer unrelated to the seller under ordinary operating conditions.

The State of Ukraine controls the Enterprise and, accordingly, all enterprises and institutions controlled by the state or under significant influence of the state are considered related parties under common control.

6. Significant accounting estimates and judgements in applying accounting policies

The Enterprise uses estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities during the next financial year. Estimates and judgements are assessed on an ongoing basis and are based on management's past experience and other factors, including expectations of future events that are considered reasonable in the existing circumstances. In addition to judgements involving accounting estimates, management of the Enterprise also exercises professional judgement in applying accounting policies. Professional judgements that have the most significant effect on the amounts recognised in the financial statements, and estimates that may result in significant adjustments to the carrying amounts of assets and liabilities during the next financial year, include:

- initial recognition of related party transactions – see additional information in Section 8 of the Notes to the financial statements;
- useful lives of fixed assets – see additional information in Section 5 of the Notes to the financial statements;
- derecognition of trade and other receivables – see additional information in Section 5 of the Notes to the financial statements;
- estimation of the allowance for doubtful debts .

The matrix for the allowance for doubtful debts in 2022 is represented by the following stages.

Receivables for the purpose of calculating the allowance for doubtful debts are recognised as doubtful only if one of the following factors is present, indicating a significant decrease in the amount of expected recovery of the receivable at the reporting date compared with the date of its initial recognition as an asset:

- the existence of objective evidence of the counterparty's insolvency in respect of contractual obligations for which performance is past due (with the state-sector entity conducting claims and legal proceedings in respect of such counterparty);
- no payment has been received from the debtor within 365 days.

The amount of the allowance for doubtful debts is determined on the basis of the amount of doubtful receivables adjusted by risk coefficients according to factors affecting the risk of default.

RISK COEFFICIENTS
for factors affecting the risk of default on obligations

| Risk of default | Factors affecting the risk of default | Risk coefficient, % |
|---------------------------|--|----------------------------|
| Low | payment past due for up to 30 days | 0,1 |
| Medium (increase in risk) | payment past due from 31 to 90 days | 5 |
| | payment past due from 91 to 120 days | 25 |
| | payment past due from 121 to 180 days | 30 |
| | payment past due from 181 to 365 days | 40 |
| | payment past due from 366 to 730 days | 60 |
| High | payment past due for more than 730 days | 100 |
| | commencement of bankruptcy proceedings against the counterparty, initiation of its liquidation procedure | |
| | bad receivables, force majeure circumstances (circumstances of irresistible force) | |

No allowance for doubtful debts is calculated for receivables arising from settlements with the budget and state social and pension insurance funds.

7. Changes in the Structure of the Enterprise

The reorganisation of SFE "Forests of Ukraine" is being carried out as part of a large-scale reform of the forestry sector in Ukraine. The structural changes included the liquidation of 24 regional departments of forestry and hunting

management and the establishment of the single state specialized forestry enterprise "Forests of Ukraine".

The main objectives of the reorganisation are to simplify the structure of the Enterprise, reduce administrative expenses and increase the transparency of management processes.

From the date of establishment of SFE "Forests of Ukraine" on 26 October 2022 until the preparation of the first annual report for 2022, the assets and liabilities of the Enterprise comprised assets and liabilities transferred under transfer acts from four state enterprises.

The transfer acts for balance sheet accounts, non-current and current assets, liabilities, forest inventory materials and documents (hereinafter – the transfer acts), which confirm real rights to land plots, real estate and other property, were signed by the chairperson and members of the termination commissions of state forestry enterprises established by orders of the State Forest Resources Agency of Ukraine and by the directors of the branches of the Enterprise that accepted the property onto the balance sheets of the branches of SFE "Forests of Ukraine".

The transfer acts were approved by orders of the State Forest Resources Agency of Ukraine.

Under the transfer acts, the following property was received by SFE "Forests of Ukraine" from 4 state forestry enterprises in 2022, UAH thousand:

| Asset | Line Code | At the end of the reporting period |
|---|-------------|------------------------------------|
| 1 | 2 | 3 |
| I. Non-current assets | | |
| Intangible assets | 1000 | 11 155 |
| initial cost | 1001 | 12 207 |
| accumulated amortisation | 1002 | 1 052 |
| Capital investments in progress | 1005 | 38 |
| Property, plant and equipment | 1010 | 151 207 |
| initial cost | 1011 | 329 214 |
| accumulated depreciation | 1012 | 178 007 |
| Investment property | 1015 | - |
| initial cost of investment property | 1016 | - |
| accumulated depreciation of investment property | 1017 | - |
| Non-current biological assets | 1020 | 187 |
| initial cost of non-current biological assets | 1021 | 187 |
| accumulated depreciation of non-current biological assets | 1022 | |
| Long-term financial investments: | | |
| accounted for using the equity method | 1030 | - |
| other financial investments | 1035 | - |
| Non-current receivables | 1040 | - |
| Deferred tax assets | 1045 | - |
| Other non-current assets | 1090 | |
| Total for Section I | 1095 | 162 587 |
| II. Current assets | | |
| Inventories | 1100 | 62 914 |
| Production supplies | 1101 | 17 158 |
| Work in progress | 1102 | 15 406 |
| Finished goods | 1103 | 30 350 |

SFE “FORESTS OF UKRAINE”

Notes to the Financial Statements - 31 December 2022

| | | |
|--|-------------|----------------|
| Goods | 1104 | - |
| Current biological assets | 1110 | - |
| Trade receivables for products, goods, works and services | 1125 | 5 363 |
| Receivables for settlements: | | |
| for advances paid | 1130 | 173 |
| with the budget | 1135 | 2 027 |
| <i>including income tax</i> | 1136 | 1 603 |
| Receivables for accrued income | 1145 | 511 |
| Other current receivables | 1155 | 509 |
| Current financial investments | 1160 | - |
| Cash and cash equivalents | 1165 | 5 063 |
| Cash on hand | 1166 | - |
| Cash in banks | 1167 | 5 063 |
| Prepaid expenses | 1170 | 54 |
| Other current assets | 1190 | 1 941 |
| Total for Section II | 1195 | 78 555 |
| III. Non-current assets held for sale and disposal groups | 1200 | - |
| Balance | 1300 | 241 142 |

| Equity and liabilities | Line Code | At the end of the reporting period |
|---|-------------|------------------------------------|
| 1 | 2 | 3 |
| I. Equity | | |
| Registered (share) capital | 1400 | 19 529 |
| Contributions to unregistered authorized capital | 1401 | - |
| Revaluation reserve | 1405 | 359 |
| Additional capital | 1410 | 168 618 |
| Reserve capital | 1415 | 500 |
| Retained earnings (uncovered loss) | 1420 | - |
| Unpaid capital | 1425 | - |
| Capital withdrawn | 1430 | - |
| Total for Section I | 1495 | 189 006 |
| II. Non-current liabilities and provisions | | |
| Deferred tax liabilities | 1500 | - |
| Long-term bank loans | 1510 | - |
| Other long-term liabilities | 1515 | - |
| Long-term provisions | 1520 | 33 452 |
| <i>Long-term provisions for employee benefits</i> | 1521 | - |
| Targeted financing | 1525 | - |
| Total for Section II | 1595 | 33 452 |
| III. Current liabilities and provisions | | |
| Short-term bank loans | 1600 | - |
| Current payables for: | | |
| non-current liabilities | 1610 | - |
| goods, works, services | 1615 | 4 816 |
| settlements with the budget | 1620 | 5 649 |
| <i>including income tax</i> | 1621 | - |
| social insurance contributions | 1625 | - |
| payroll settlements | 1630 | 152 |
| Current payables for advances received | 1635 | 2 280 |
| Current payables for payments to participants | 1640 | - |
| Current payables from intra-entity settlements | 1660 | 5 111 |
| Current provisions | 1665 | 667 |

The accompanying notes are an integral part of these financial statements.

| | | |
|--|-------------|----------------|
| Deferred income | 1690 | 9 |
| Total for Section III | 1695 | 18 684 |
| IV. Liabilities related to non-current assets held for sale and disposal groups | 1700 | - |
| Balance | 1900 | 241 142 |

8. Balances and Transactions with Related Parties

Transactions with enterprises and institutions controlled by the state

Balances from transactions with related parties:

| Item | 31 December 2022, UAH thousand |
|--|-----------------------------------|
| Trade receivables for products, goods, work and services | 2 200 |
| Receivables for advances paid | 19 |

There were no income or expenses from transactions with related parties in 2022.

9. Segment Information

The Enterprise had no segment operations in 2022.

10. Net revenue from sales of products (goods, works and services)

In 2022, the Enterprise had no net revenue from sales of products (goods, works and services). Accordingly, in 2022 the Enterprise had no cost of sales of products (goods, works and services) or selling expenses.

11. Administrative expenses

Administrative expenses are presented by the following items:

| Item | 2022, UAH thousand |
|-------------------------------|-----------------------|
| Employee benefit expenses | 3 787 |
| Other administrative expenses | 114 |
| Total | 3 901 |

12. Income Tax

The calculation of income tax for 2022 is presented by the following indicators, UAH thousand:

| Item | 2022, UAH thousand |
|---|-----------------------|
| Profit / (loss) before tax | (3 401) |
| Theoretical income tax (expense) / benefit at the statutory tax rate of 18% | 612 |
| Income tax (expense) / benefit for the year | 612 |

13. Receivables and Allowance for Doubtful Debts

As at 31 December 2022, the major part of current receivables comprised settlements with the budget and receivables for forest products.

Receivables are presented by the following items:

| Item | 31 December 2022, UAH thousand |
|---|-----------------------------------|
| Trade receivables for products, goods, works and services | 5 421 |
| Receivables for settlements: for advances paid | 177 |
| with the budget | 2 031 |
| Other current receivables | 628 |
| Total | 8 257 |

Trade receivables for products, goods, works and services at nominal value, by maturity, as at 31 December 2022 were represented by receivables due within 12 months in the amount of UAH 5 343 thousand and from 12 to 18 months in the amount of UAH 78 thousand.

The allowance for doubtful debts for trade receivables for products, goods, works and services as at 31 December 2022 was not recognised.

Other current receivables at nominal value, by maturity, as at 31 December 2022 were represented by receivables due within 12 months in the amount of UAH 628 thousand.

The allowance for doubtful debts for other current receivables as at 31 December 2022 was not recognised.

Receivables from settlements with the budget are presented by taxes and duties as follows:

| Name of tax or duty | 31 December 2022, UAH thousand |
|---|-----------------------------------|
| Value Added Tax (VAT) | 402 |
| Corporate Income Tax (CIT) | 1 603 |
| Other taxes and duties (environmental tax, rent payment for special use of water, rent payment for subsoil use, real estate tax and others) | 26 |
| Total | 2 031 |

14. Equity

Registered (share) capital and contributions to unregistered authorised capital

The registered capital of the Enterprise is formed by the authorised management body from state-owned real estate, funds, securities, other property and property rights.

The amount of the Enterprise's registered capital is presented below:

| Item | 31 December 2022, UAH thousand |
|--|-----------------------------------|
| Registered (share) capital | - |
| Contributions to unregistered authorized capital | 19 529 |
| Total | 19 529 |

Changes in the total amount of registered capital in 2022 occurred due to the registered capital transferred to the Enterprise from state forestry enterprises under transfer acts.

Additional capital

The Enterprise's additional capital as at 31 December 2022 amounted to UAH 169 205 thousand and was formed from additional capital transferred to the Enterprise from state forestry enterprises under transfer deeds.

Retained earnings and their allocation

Retained earnings are formed from the net financial result (profit/(loss)) of the branches and the administrative office and in 2022 amounted to UAH (2 789) thousand.

Revaluation reserve

Revaluation reserve represents the reserve arising from revaluation of the Enterprise's property, plant and equipment. As at 31 December 2022, revaluation reserve amounted to UAH 359 thousand and was formed from revaluation reserve transferred to the Enterprise from state forestry enterprises under transfer acts.

Other changes in equity

| Item | 2022, UAH thousand |
|--|-----------------------|
| Registered (share) capital | 19 529 |
| including: | |
| Registered (share) capital contributed upon accession of state enterprises under transfer acts | 19 529 |
| Revaluation reserve | 359 |
| including: | |
| Revaluation reserve contributed upon accession of state enterprises under transfer acts | 359 |
| Additional capital | 169 205 |
| including: | |
| Additional capital contributed upon accession of state enterprises under transfer acts | 168 617 |
| Non-current assets received free of charge and depreciation/amortisation of non-current assets received free of charge | 588 |
| Reserve capital | 500 |
| including: | |
| Reserve capital contributed upon accession of state enterprises under transfer acts | 500 |
| Total | 189 593 |

15. Payables

In the structure of payables as at 31 December 2022, the major part comprised other current liabilities, current payables for goods, works and services, and current payables for settlements with the budget:

| Item | 31 December 2022, UAH thousand |
|--|-----------------------------------|
| Current payables for: | |
| goods, works, services | 4 816 |
| settlements with the budget | 5 877 |
| social insurance contributions | 230 |
| payroll settlements | 1 070 |
| Current payables for advances received | 2 280 |
| Other current liabilities | 28 891 |
| Total | 43 164 |

Current payables for goods, works and services comprise payables for logging services, skidding services, repair works, transportation services and the supply of inventories.

Payables from settlements with the budget and insurance settlements are presented by taxes and duties as follows:

| Name of tax or duty | 31 December 2022, UAH thousand |
|--|-----------------------------------|
| Rent payment for special use of forest resources | 5 649 |
| Military levy | 18 |
| Personal income tax | 210 |
| Social insurance contribution | 230 |
| Total | 6 107 |

16. Provisions and Reserves

As at 31 December 2022, provisions comprised provision for vacation payments in the amount of UAH 38 563 thousand.

Information on movements in provisions during 2022 is presented in Section VII of Form No. 5 "Notes to the Annual Financial Statements" for the respective periods.

17. Contingent and Other Liabilities

The Enterprise does not recognise contingent liabilities.

Information on a contingent liability is disclosed if the possibility of an outflow of resources embodying economic benefits is not remote.

Contingent tax liabilities. Ukrainian tax legislation enacted or substantively enacted as at the end of the reporting period allows for different interpretations when applied to the Enterprise's transactions and activities. Accordingly, tax positions determined by management and official documentation supporting those tax positions may be challenged by the tax authorities. Ukrainian tax administration is gradually becoming more stringent, including an increased risk of reviews of transactions that do not have a clear financial and business purpose or involve counterparties that do not comply with tax legislation. The tax authorities may

review tax matters for financial periods within three calendar years. In certain circumstances, a review may cover longer periods.

Transfer pricing. Ukrainian transfer pricing legislation is, in most respects, consistent with the international transfer pricing principles developed by the Organisation for Economic Co-operation and Development (OECD), subject to certain specific features. The legislation allows the tax authorities to make additional tax assessments for controlled transactions, including transactions between related parties and certain transactions with unrelated parties, if such transactions are not carried out on arm’s length terms.

Management has implemented internal control procedures to ensure compliance with the requirements of transfer pricing legislation.

Tax liabilities for controlled transactions are determined based on the actual transaction price. Taking into account that timber is a type of product traded exclusively through auctions/public tenders, the actual transaction price complies with the arm’s length principle. Accordingly, the consequences of this risk cannot be material to the financial position and/or activities of the Enterprise.

Environmental matters. The system of measures to ensure compliance with environmental legislation in Ukraine is still developing, and the position of the authorities regarding its enforcement is subject to ongoing review. The Enterprise periodically assesses its obligations under environmental legislation. When obligations arise, they are recognised in the financial statements in the period in which they arise. Potential obligations that may arise as a result of changes in existing regulations and legislation, as well as court proceedings, cannot be reliably estimated but may have a material effect. Under the existing procedures that ensure compliance with applicable legislation, management believes that there are no material obligations arising from environmental pollution.

As at 31 December 2022, management of the Enterprise believes that there are no contingent liabilities that require recognition in accounting or may have a material effect on the financial position of the Enterprise.

As at the date of approval of these financial statements, management of the Enterprise is not aware of any circumstances that would require additional material disclosure of contingent liabilities.

18. Risks

SFE “Forests of Ukraine” faces a wide range of risks in its activities that may have a significant impact on its financial stability, operating efficiency and strategic development. These risks differ by origin, level of impact and possible consequences, and include both external and internal factors. Uncertainty in business activities gives rise to the possibility of unforeseen expenses, reduced income or loss of capital.

The most critical risks for the Enterprise may be classified as follows:

Risk of impact of hostilities. Military conflicts, armed attacks and the unstable security situation may significantly complicate the Enterprise’s operations. Destruction of forest areas as a result of hostilities, disruption of logistics chains,

mobilisation of personnel and damage to infrastructure are the main threats that may cause significant economic losses. The Enterprise includes frontline branches, as well as branches located along the borders with Belarus. The state forest fund areas of these branches are subject to constant provocative shelling, significant damage has been caused to infrastructure facilities, the logistics system has deteriorated, and there are significant areas of forest where the Enterprise is unable to carry out economic activities. All of the above has an adverse effect on the operations of the branches due to complications associated with restricted access to resources. In addition, processing enterprises may suspend operations due to power supply interruptions that may arise as a result of hostilities, missile strikes on energy infrastructure or other emergencies. Loss of electricity may lead to downtime in the Enterprise's production processes due to the absence of demand for timber from processors.

Liquidity risk arises from a decrease in the liquidity of current assets, which may cause a timing mismatch between cash inflows and cash outflows. In terms of its potential financial consequences, this risk is also among the most significant.

Analysis of liquidity risk is presented by the following indicators:

| Item | 31 December 2022 |
|---|---------------------|
| Current liquidity ratio K1 = line 1195 / line 1695 | 1,28 |
| Total liquidity ratio K2 = line 1195 / (line 1595 + line 1695) | 1,28 |
| Equity working capital coverage ratio K3 = (line 1495 - line 1095) / line 1195 | 0,22 |

The current and total liquidity ratios as at 31 December 2022 indicate that SFE "Forests of Ukraine" is able to settle its short-term liabilities on time using current assets and has sufficient solvency.

The equity working capital coverage ratio of SFE "Forests of Ukraine" as at 31 December 2022 indicates financial stability and the ability to carry out active operations even without access to borrowed funds and external sources of financing.

The financial position of SFE "Forests of Ukraine" as at 31 December 2022 may be characterised as stable.

Liquidity risk is the risk that the Enterprise will be unable to meet its financial obligations on time due to insufficient liquid assets. Liquidity risk is defined as the possibility of losses arising from inability to meet obligations when due. This may occur due to the inability to quickly convert financial assets into cash without significant losses. The Enterprise manages liquidity by monitoring receivables and payables.

As at 31 December 2022, all current payables had maturities of up to one year, and the Enterprise had sufficient assets to settle them:

| Item | 31 December 2022, UAH thousand |
|--------------------------------|-----------------------------------|
| Current payables for: | |
| goods, works, services | 4 816 |
| settlements with the budget | 5 877 |
| social insurance contributions | 230 |
| payroll settlements | 1 070 |
| Other current liabilities | 28 891 |
| Total | 40 884 |

Investment risk is the risk of financial losses arising in the course of investment activities.

Inflation risk is the risk of a decrease in the real value of capital, including the Enterprise's financial assets, as well as expected income from financial transactions, under inflationary conditions.

Foreign currency risk is inherent in entities that conduct foreign economic activities or carry out transactions in foreign currency. It arises from the risk of not receiving expected income as a direct result of changes in foreign exchange rates.

Management sets risk limits by currency and determines the overall acceptable level of risk, with monitoring performed on a daily basis.

The tables below present the Enterprise's foreign currency risk concentration as at:

| Currency | 31 December 2022, UAH thousand | | |
|--------------------|--------------------------------|-----------------------------------|--------------------------|
| | Monetary financial assets | Monetary financial liabilities | Net carrying position |
| Ukrainian hryvnias | 41 780 | (40 714) | 1 066 |
| US dollars | - | (68) | (68) |
| Euros | 420 | (102) | 318 |
| Other | - | - | - |
| Total | 42 200 | (40 884) | 1 316 |

A 10% weakening of the hryvnia against the currencies listed in the table below would have resulted in a decrease / increase in equity and net profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

The risk was calculated only for monetary balances denominated in currencies other than the Enterprise's functional currency:

| Item | 31 December 2022, UAH thousand |
|-----------------------------|-----------------------------------|
| US dollars | (7) |
| Euros | 32 |
| Other | - |
| Change in net assets | 25 |

A 10% strengthening of the hryvnia against the currencies listed in the table would have had an equal but opposite effect on the above amounts, assuming that all other variables remain constant.

Market risk is associated with the possibility of losses arising from adverse changes in market conditions, including changes in foreign exchange rates, interest rates and other price indicators. The Enterprise continuously monitors the impact of such changes on its results of operations and financial position.

Tax risk has a number of forms, including the possibility of introduction of new taxes and duties on certain aspects of business activities, an increase in rates of existing taxes and duties, changes in the timing and terms of individual tax payments, and the possible cancellation of existing tax benefits in the Enterprise's business activities. Being unpredictable, this risk may have a significant impact on the results of the Enterprise's financial activities.

Credit risk. The Enterprise is exposed to credit risk, i.e. the risk of possible financial losses if counterparties fail to fulfil their obligations. Credit risk is mainly associated with receivables and cash balances.

The Enterprise's cash is placed with banking institutions that management considers reliable. Credit risk is monitored on an ongoing basis through analysis of the status of settlements with customers and other debtors, as well as monitoring of past due receivables. Taking into account the specific nature of the Enterprise's activities, sales of products are carried out mainly through exchange-based auction arrangements.

The maximum exposure to credit risk is limited to the carrying amount of financial assets recognised in the statement of financial position. In management's opinion, the Enterprise is not exposed to a significant risk of losses in excess of the doubtful debts recognised in respect of financial assets. Information on receivables and their maturities is presented in Note 13.

Other risks. The group of other financial risks is broad; however, in terms of probability of occurrence or level of financial losses, these risks are not as significant for business entities as those discussed above. These include risks of natural disasters and other similar force majeure risks, which may result not only in loss of expected income but also in loss of part of an entity's assets, including property, plant and equipment and inventories; the risk of untimely settlement and cash servicing operations, associated with an unsuccessful choice of servicing commercial bank; issue risk; and other risks.

Capital management

The Enterprise's capital management is aimed at ensuring going concern, financial stability and timely fulfilment of obligations. The Enterprise monitors its capital structure by analysing liquidity and solvency indicators, the amount of liabilities and the availability of own working capital.

The main source of cash flows is cash generated from operating activities, which is used to finance current operations, capital investments and fulfilment of the Enterprise's obligations.

In management's opinion, as at 31 December 2022, the Enterprise's capital structure was acceptable and did not create significant risks to its financial stability.

19. Events after the Reporting Date

On 26 September 2025, the State Forest Resources Agency of Ukraine decided to transform the Enterprise into a joint-stock company, 100% of whose shares are owned by the state, guided by the Civil Code of Ukraine, the Laws of Ukraine "On Management of State-Owned Assets" and "On Specifics of Regulation of Activities of Legal Entities of Certain Legal Forms during the Transitional Period and Associations of Legal Entities", Resolutions of the Cabinet of Ministers of Ukraine No. 1003 "Certain Issues of Reforming Forestry Sector Management" dated 7 September 2022 and No. 1104 "On Approval of the Procedure for Transforming a State Enterprise into a Joint-Stock Company or Limited Liability Company, 100% of whose shares/interests are owned by the state" dated 8 September 2025, and the Regulation on the State Forest Resources Agency of Ukraine approved by Resolution of the Cabinet of Ministers of Ukraine No. 521 dated 8 October 2014. Relevant information on the termination of the Enterprise as a result of its reorganisation through transformation was entered in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Associations.

The transformation of SFE "Forests of Ukraine" into a joint-stock company became the final stage of the reform that started three years ago. It provides for the establishment of a commission to conduct an inventory and oversee the transformation. This reform forms part of the Government's Action Plan for 2025 and is aimed at reducing forest management costs and improving efficiency.

This event occurred after the reporting date and does not require adjustment of the financial statements for 2022, but is subject to disclosure in the notes as a material event after the reporting date.

As at the date of approval of these financial statements, the process of transforming the Enterprise into a joint-stock company has not been completed. The relevant organisational and registration procedures are ongoing.

There were no other material events after the reporting date that affect the understanding of these financial statements.

20. Authorisation of the Financial Statements

These financial statements of the Enterprise for the year ended 31 December 2022 were authorised for issue and signed by management on *6 April 2026*.

Chairman of the Transformation
Commission

Chief Accountant



Yurii Bolokhovets

Olha Miroshnikova