Annual Report 2022

NORDIC FIBREBOARD AS

Annual report 2022
(Translation of the Estonian original)

Beginning of the financial year:	1.01.2022
End of the financial year:	31.12.2022
Business name:	Nordic Fibreboard AS
Registry code:	11421437
Legal form of entity:	Public limited liability company
Address:	Rääma 31, 80044 Pärnu, Estonia
Country of incorporation:	Republic of Estonia
Phone:	+372 44 78 323
E-mail:	group@nordicfibreboard.com
Homepage:	www.nordicfibreboard.com
Auditor:	AS PricewaterhouseCoopers
Main activity:	Production and wholesales of fibreboards

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INTRODUCTION

THE GROUP IN BRIEF

Nordic Fibreboard AS main activity is production and wholesale of building materials. In addition it owns a real estate company with one real estate project ongoing in Pärnu, Estonia. Nordic Fibreboard AS is a holding company with subsidiaries Nordic Fibreboard Ltd OÜ, Pärnu Riverside Development OÜ and Skano Furniture OÜ. Skano Furniture OÜ has had no activities for the last couple of years and was liquidated after the balance sheet date on 18.01.2023. Nordic Fibreboard Ltd OÜ owned a subsidiary Suomen Tuulileijona OY, which was liquidated on 06.06.2022.

The Group, as of 31.12.2022, therefore consists of the following companies, all 100% owned:

Subsidiary	Location	Activity
Nordic Fibreboard Ltd OÜ	Estonia	Production and sales
Pärnu Riverside Development OÜ	Estonia	Rental and property development
Skano Furniture OÜ	Estonia	Retail (liquidated on 18.01.2023)

Nordic Fibreboard Ltd OÜ produces and distributes softboard products for use in many different applications, the main categories being within construction (insulation, soundproofing, and interior finishing panels for walls and ceilings) and industry (packaging, door cores, expansion joint filler, pin and notice boards, acoustic reduction, cake boards, firelighters).

Pärnu Riverside Development OÜ owns and manages real estate located at Suur-Jõe Street in Pärnu, the Company provides rental service to local companies.

The principal markets of the company are the Nordic and Baltic region. Nordic Fibreboard's customers and partners are well recognized parties within their field of expertise, and value long-term relations with Nordic Fibreboard.

MANAGEMENT REPORT

OVERVIEW OF OPERATING RESULTS

REVENUE AND OPERATING RESULTS

Consolidated net sales for 2022 were € 11.07 million, which is an increase of 10% compared to 2021 sales of € 10.10 million. The sales revenue from the production of fibreboard was € 11.04 million in 2022 (2021: € 9.84 million). The reason for such sales increase is due to increased sales of fibreboards in our key markets such as Finland, Denmark, Estonia and Latvia. The increase is a combination of price and volume dependent on the Market. The sales revenue in 2022 from real estate management was € 39 thousand (2021: € 254 thousand), the decrease in sales revenue of the real estate management was caused by the loss of the largest tenant at the end of 2021, who occupied the old production halls of the territory. The Group does not foresee to rent the old production halls again.

The consolidated EBITDA of Nordic Fibreboard AS for 2022 was € 1.73 million (2021: € 1.56 million). EBITDA margin was 16% in 2022 and remained at a similar level compared to 2021 (2021: 15%). The 2022 EBITDA includes a one-time income of € 697 thousand from the revaluation of the real estate investment in Pärnu Riverside Development OÜ. However, the Group’s gross margin fell from 33% for full year 2021 to becoming 23% for full year 2022, the main reason for the decrease in the gross margin was the substantial increase in pricing of woodchips, the company`s main input costs.

The consolidated net profit of Nordic Fibreboard AS for 2022 was € 1.23 million (2021: € 1.20 million). In 2022, the net profit included dividends of € 129 thousand from shares owned by Nordic Fibreboard Ltd in the real estate company Trigon Property Development AS (TPD). In 2021 the net profit included profit from the revaluation of TPD shares in the amount € 265 thousand.

GROUP’S REVENUE BY ACTIVITY

	€ thousand		*% of net sales*	
	2022	**2021**	**2022**	**2021**
Fibreboards production and sales	11,035	9,842	100%	97%
Real Estate Management	39	254	0%	3%
TOTAL	**11,074**	**10,096**	**100%**	**100%**

GROUP’S REVENUE BY REGIONS

	€ thousand		*% of net sales*	
	2022	**2021**	**2022**	**2021**
European Union	10,336	8,479	93%	84%
Russia	427	1,356	4%	13%
Middle East	154	13	1%	0%
Asia	69	147	1%	1%
Africa	0	46	0%	0%
Other	88	55	1%	1%
TOTAL	**11,074**	**10,096**	**100%**	**100%**

THE GROUP'S PROFIT/LOSS BY SEGMENTS

€ thousand	2022	2021
EBITDA by business units:		
Fibreboards production and sales	1,092	1,555
Real Estate Management	672	15
Group transactions	(32)	(13)
TOTAL EBITDA	**1,732**	**1,557**
Depreciation	(497)	(498)
TOTAL OPERATING PROFIT/ LOSS	**1,235**	**1,059**
Net financial costs	(1)	143
NET PROFIT/ LOSS	**1,234**	**1,202**

STATEMENT OF FINANCIAL POSITION AND CASH FLOW STATEMENT

As of 31.12.2022 the total assets of Nordic Fibreboard AS were € 9.4 million (31.12.2021: 8.1 million). The liabilities of the company as of 31.12.2022 were € 4.3 million (31.12.2021: € 4.2 million), of which the Group has payables of € 0.5 million as at 31.12.2022 (31.12.2021: € 0.4 million) and borrowings of € 3.2 million as at 31.12.2022 (31.12.2021: also € 3.2 million).

Receivables and prepayments amounted to € 0.6 million as at 31.12.2022 (31.12.2021: € 0.9 million). Inventories were € 1.7 million as of 31.12.2022 (31.12.2021: € 0.4 million), such increase was due necessary inventory build-up in anticipation that the production year-end holiday will be extended until February. Fixed assets were € 7.2 million as of 31.12.2022 (€ 6.7 million as of 31.12.2021).

During 2022 twelve months, the Group's cash flows from operating activities totalled € 152 thousand (2021 twelve months: € 730 thousand). Cash outflows due to investment activities was € 129 thousand during 2022, mainly consisting of investments into production assets of € 254 thousand and dividend received from TPD shares of € 129 thousand (2021: cash outflow € 587 thousand). Financing activities also resulted in cash outflows of € 78 thousand during 2022 (2021: cash outflow € 112 thousand). Net cash effect during 2022 twelve months cash outflow of € 55 thousand, (2021: cash inflow € 31 thousand).

PERFORMANCE OF BUSINESS UNITS

NORDIC FIBREBOARD LTD

Nordic Fibreboard Ltd OÜ sales for 2022 were € 11.04 million, which is a 12% increase compared to the previous year (2021: € 9.84 million). The year 2022 was very strong in the building material markets, which resulted in strong sales growth of the company's fibreboard products in its main markets in the Nordic and Baltic regions. Such sales growth offset the termination of sales to Russia, which ended in May 2022 due to the Russian aggression in Ukraine. The company continues to be the market leader in Finland, where the competitive situation changed during the year when two of the company's three competitors exited in the latter part of the year. The company continued to stay in touch with old customers from far away markets such as Asia, the Middle East, and Africa, however, the demand in these markets continued to remain somewhat subdued.

The EBITDA of Nordic Fibreboard Ltd OÜ was € 1.09 million in 2022 (2021: € 1.56 million), the net profit in 2022 was € 0.6 million (2021: € 1.21 million).

THE SALES OF NORDIC FIBREBOARD LTD BY REGION

	€ thousand		*% of net sales*	
	2022	**2021**	**2022**	**2021**
European Union	10,297	8,225	93%	84%
Russia	427	1,356	4%	14%
Middle East	154	13	1%	0%
Asia	69	147	1%	1%
Africa	0	46	0%	0%
Other	88	55	1%	1%
Total	**11,035**	**9,842**	**100%**	**100%**

Nordic Fibreboard Ltd.’s products are divided into the following product groups: construction boards, interior finishing panels, door cores, packaging and for use in display boards.

PÄRNU RIVERSIDE DEVELOPMENT: REAL ESTATE MANAGEMENT

Rental income was € 39 thousand in 2022 (2021 € 254 thousand with the resale of utilities). The reason for the decrease in sales revenue was caused by the loss of the largest tenant at the end of 2021. All sales revenue for 2022 and 2021 are within Estonia. The company’s expenses consist of operating expenses and expenses related to the ongoing detail plan project.

The company recorded EBITDA and net profit of € 672 thousand for 2022 (2021 € 15 thousand). The reason for such a large change in EBITDA is due to the increase from the fair value revaluation of the real estate investment object located at Suur-Jõe Street 48 in Pärnu in the amount of € 697 thousand at the end of 2022. The revaluation on property was based on comparable property transactions.

FORECAST AND DEVELOPMENT

BUSINESS ENVIRONMENT 2022

The general instability of the world economy and the rapid rise in energy and commodity prices have been the main keywords in assessing the risks of the economic environment in 2022. The reporting year was affected by Russia's military aggression and accelerated inflation has slowed down economic growth and reduced purchasing power. The increase in uncertainty was most felt in the last quarter of 2022.

Demand in the group's core business, the building materials sector, remained strong in the first three quarters of 2022. A noticeable decline in demand was felt in the last quarter of 2022, mainly due to increased macroeconomic uncertainty related to the energy crisis, increasing interest rates, higher commodity prices and some supply volatility.

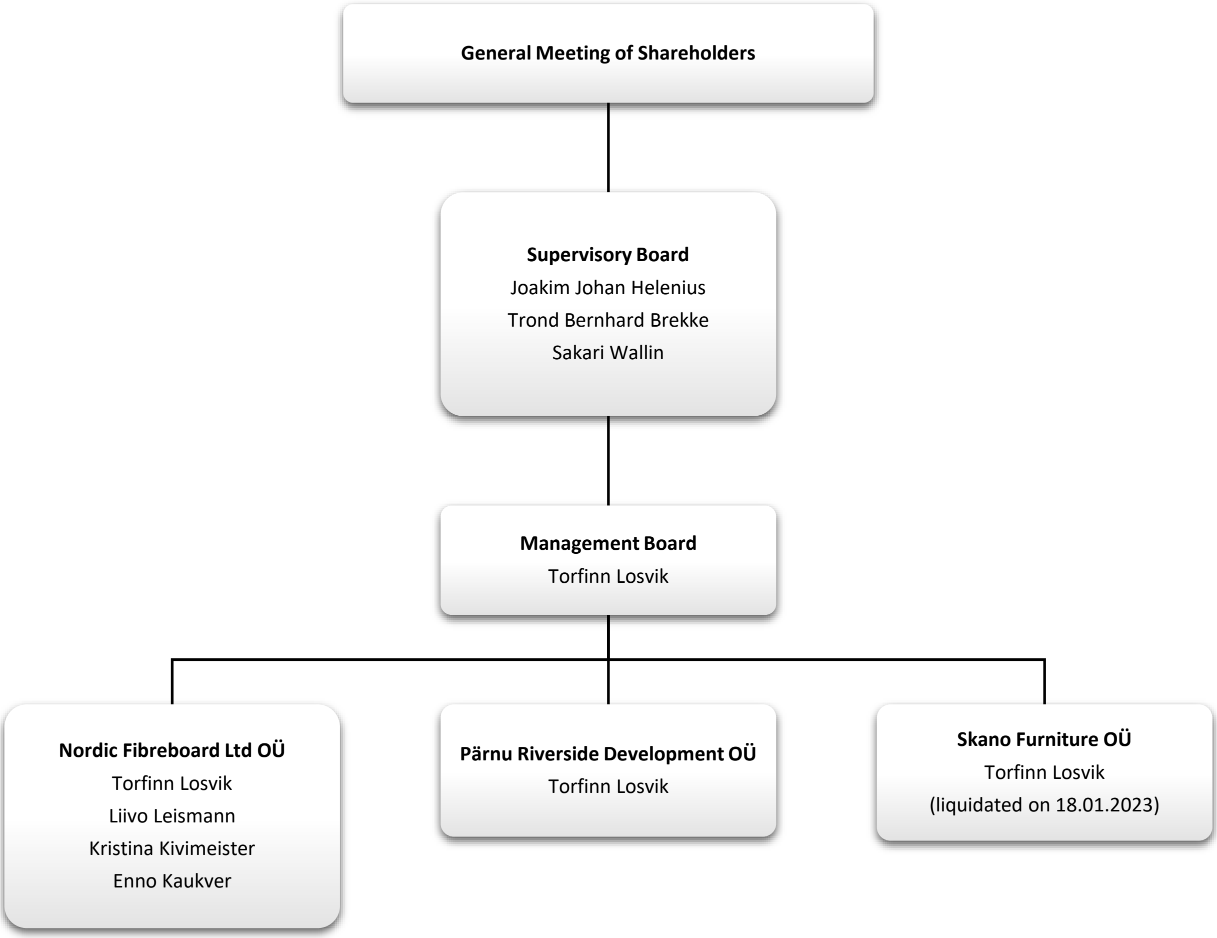
NORDIC FIBREBOARD LTD

The company had a longer maintenance period at start of 2023, with production restarted on 20th February. Demand is starting to recover, however sales in the company's main markets is less likely to match 2022 sales levels which were somewhat exceptional. The company is however seeing increased interest from other markets and some new customers, although too early to say how much impact this will have on sales in 2023. Pricing of the company's main raw material, woodchips, seem to be easing somewhat from end of last year. The market pricing for the company's second largest input cost, electricity, is currently at lower level than last autumn, when we entered into a fixed price contract for 2023. In 2023, the company's main challenge is to adapt to the volatile economic environment and create flexibility accordingly.

PÄRNU RIVERSIDE DEVELOPMENT

We will continue to manage and develop the property on Suur-Jõe Street 48, Pärnu. A detail plan for the property is ongoing (expected to be approved in the spring of 2023), with the intention of converting the property into a private residential property.

ELECTION AND POWERS OF MANAGEMENT BODIES AND PERSONNEL



THE GENERAL MEETING OF SHAREHOLDERS

The General Meeting is the highest directing body of the Company. Annual General Meeting shall be called within six months after the end of the financial year at the latest at the company's registered place of business. An extraordinary General Meeting shall be called if it is required by law.

The General Meeting of Nordic Fibreboard AS for 2023 will be held on 22 May 2023 in the Company's head office in Pärnu.

SUPERVISORY BOARD

The Supervisory Board plans the Company's (i.e. Nordic Fibreboard group) activities, organises its management, supervises the activities of the Management Board and adopts resolutions in matters provided by law or the Articles of Association. According to the Articles of Association, the Supervisory Board consists of between three and seven members. Members of the Supervisory Board are elected by the General Meeting for a term of five years. The Supervisory Board of Nordic Fibreboard AS has three members. As at the balance sheet date, the Supervisory Board was comprised of the chairman of the Supervisory Board Joakim Johan Helenius and members of the Supervisory Board Trond Bernhard Brekke and Sakari Wallin.

INFORMATION ABOUT MEMBERS OF THE SUPERVISORY BOARD

Joakim Johan Helenius (re-elected into office until 19.09.2027), member of the Supervisory Board since 1999. Joakim Johan Helenius was born in 27.11.1957 in Finland and he obtained a degree from Cambridge University in England. He is also member of the Supervisory Board of AS Trigon Property Development, member of the Management Board of the Company's majority shareholder Pärnu Holdings OÜ, Chairman of the Management Board of AS Trigon Capital. Joakim Johan Helenius owns 20 000 Nordic Fibreboard shares.

Trond Bernhard Brekke (re-elected into office until 19.09.2027), member of the Supervisory Board since 2017. Trond Bernhard Brekke was born in 26.06.1951 in Norway and he obtained bachelor's degree from University de Grenoble in France and University of Denver in Colorado. Trond Bernhard Brekke holds Managing Director's position in Bernhd. Brekke AS. Trond Bernhard Brekke is a Chairman and member of board in several companies. Since 1999 Trond Bernhard Brekke is an Honorary Consul of Estonia. Trond Bernhard Brekke does not own any shares in Nordic Fibreboard AS.

Sakari Wallin (elected into office until 15.11.2023), member of the Supervisory Board since 2018. Sakari Wallin was born in 03.05.1954 in Finland and he obtained bachelor's degree in Engineering from Polytechnik Turku. Sakari Wallin holds Managing Director's position in Finnish Fibreboard LTD. Sakari Wallin is Chairman of the Board of Finnish Fibreboard (UK) Ltd and Managing director of Finnish Fibreboard Filial Sverige. Sakari Wallin does not own any shares in Nordic Fibreboard AS.

MANAGEMENT BOARD

The powers of the Management Board of the Company are provided in the Commercial Code and are limited as established in the Company' Articles of Association. The members of the Management Board have no powers to issue shares. Members of the Management Board are appointed by the Company's Supervisory Board for three years. Members of the Management Board are appointed and recalled by simple majority voting of the Supervisory Board.

There are no agreements between Nordic Fibreboard AS and members of the Management Board as provided in Chapter 19 of the Securities Market Act. In accordance with the Articles of Association, the Management Board consists of up to seven members. As at the end of the financial year and at the approval of this annual report, the Management Board of Nordic Fibreboard AS has one member, Torfinn Losvik.

PERSONNEL

In 2022, the average number of employees in the Group was 88 (2021: the average number of employees was 92). At the end of the financial year, the Group employed 74 employees of which 54 workers and 20 specialists and executives (2021: number of employees was 91, of which 70 workers and 21 specialists and executives). The average age of the Group's employees was 51 years (2021: 52).

In 2022, employee wages and salaries with all applicable taxes totalled € 2.1 million (2021: € 2.0 million). In 2022, payments made to management and supervisory board members of all group companies including all subsidiaries with relevant taxes were € 267 thousand (€ 245 thousand in 2021).

The Group`s definition of labour costs includes payroll expenses (incl. holiday pay) with additional remuneration fees, payroll taxes, special benefits and taxes calculated on special benefits.

AUDIT COMMITTEE

The Audit Committee is a body advising the Supervisory Board in the area of accounting, auditing control, risk management, internal control and internal auditing, performance of supervision and budgeting and the legality of the activities of the Supervisory Board. Audit Committee has two members and as at balance sheet date includes Rando Tomingas and Kristi Aarmaa.

ELECTION OF THE AUDITOR

In 2022, the Management Board, in cooperation with the Audit Committee, organised a tender for the appointment of an auditor. As a result of the tender, AS PricewaterhouseCoopers was chosen and appointed the company's auditor at the annual general meeting of shareholders held on 13 June 2022. A one-year contract was entered with AS PricewaterhouseCoopers for the audit of the financial year 2022.

OTHER INFORMATION

The Group's Management Board publishes the annual report once a year and interim reports during the financial year. The information provided in reports is based on the reporting of financial indicators of intra-Group units that are monitored regularly. Reports are supplemented on a continuous basis in a process during which indicators influencing the achievement of agreed objectives are analysed. Shareholders are presented an annual report signed by the members of the Management Board and the Supervisory Board for consideration.

FINANCIAL RATIOS

€ thousand

Income statement	**2022**	**2021**
Revenue	11,074	10,096
EBITDA	1,732	1,557
EBITDA margin	16%	15%
Operating profit	1,235	1,059
Operating margin	11%	10%
Net profit	1,234	1,202
Net margin	11%	12%

Statement of financial position	**31.12.2022**	**31.12.2021**
Total assets	9,408	8,063
Return on assets	13%	15%
Equity	5,084	3,850
Return on equity	24%	31%
Debt-to-equity ratio	46%	52%

Share	**31.12.2022**	**31.12.2021**
Last Price (€)*	1.60	1.95
Earnings per share (€)	0.27	0.27
Price-earnings ratio	5.83	7.30
Book value of a share (€)	1.13	0.86
Market to book ratio	1.42	2.28
Market capitalization, € thousand	7,198	8,773
Number of shares, piece	4,499,061	4,499,061

EBITDA = Earnings before interest, taxes, depreciation and amortization
EBITDA margin = EBITDA / Revenue
Operating margin = Operating profit / Revenue
Net margin = Net profit / Revenue
Return on assets = Net profit / Total assets
Return on equity = Net profit / Equity
Debt-to-equity ratio = Liabilities / Total assets
Earnings per share = Net profit / Total shares
Price-earnings ratio = Last price / Earnings per share
Book value of a share = Equity / Total shares
Market to book ratio = Last price / Book value of a share
Market capitalization = Last price * Total number of shares
*http://www.nasdaqbaltic.com/

SHARE

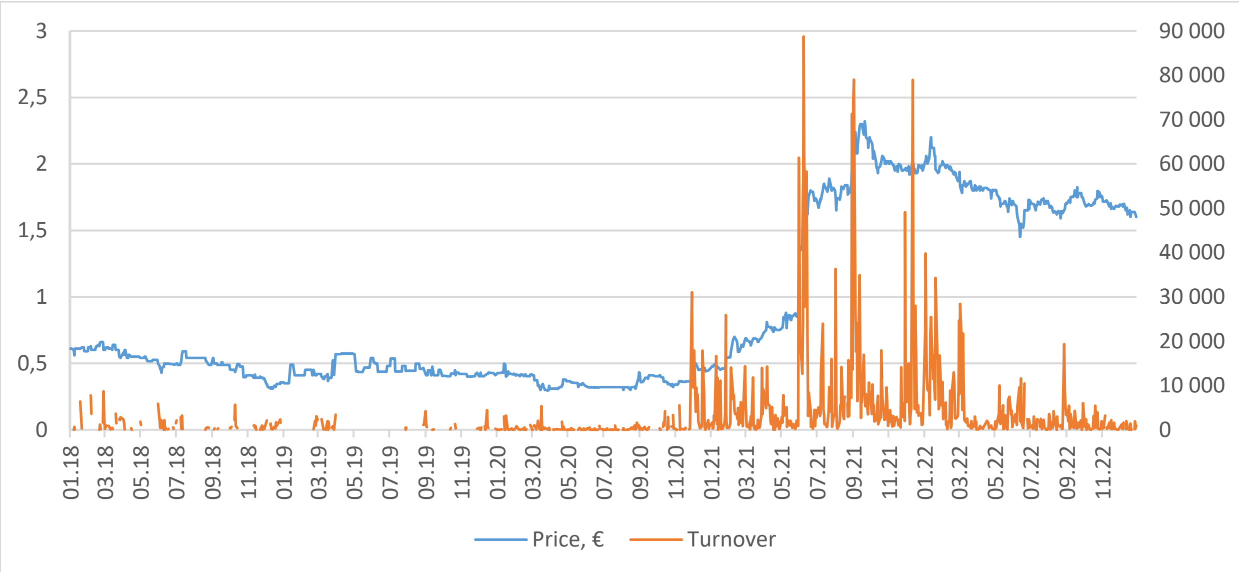
SHARE

Nordic Fibreboard AS has one type of shares and the Company's Statute have no provisions on restriction of sales of the Company's shares. The Company does not have shares that grant specific control rights and the Company has no information about agreements on restricting the voting rights of shareholders. The Company and shareholders have not entered into agreements between themselves that would restrict sale of shares.

VALUE OF SHARE

€	2022	2021	2020	2019	2018
Opening price €	1.98	0.45	0.41	0.36	0.62
Highest price €	2.24	2.42	0.51	0.58	0.66
Lowest price €	1.45	0.43	0.30	0.35	0.30
Last Price	1.60	1.95	0.45	0.41	0.36
Turnover, thousand shares	470	1,477	524	175	291
Turnover, thousand €	870	2,042	208	75	140
Market cap, mllion	7.20	8.77	2.02	1.84	1.61

The following graph show the movements of Nordic Fibreboard AS share price and turnovers for the years 2018 to 2022.



SHAREHOLDERS

SHARE CAPITAL BY THE NUMBER OF SHARES AS OF 31.12.2022:

	Number of shareholders	% from shareholders	Number of shares	% from share capital
1 – 99	588	52%	12,914	0%
100 – 999	371	33%	109,395	2%
1 000 - 9 999	145	13%	383,781	9%
10 000 - 99 999	23	2%	624,505	14%
100 000 - 999 999	2	0%	775,691	17%
1 000 000 - 9 999 999	1	0%	2,592,775	58%
TOTAL	**1,130**	**100%**	**4,499,061**	**100%**

SHARE CAPITAL GEOGRAPHICALLY AS OF 31.12.2022:

	Number of shareholders	% from shareholders	Number of shares	% from share capital
Estonia	1,094	97%	4 ,291,708	95%
Finland	13	2%	29,283	1%
Lithuania	5	0%	40,544	1%
Germany	4	0%	46,581	1%
Latvia	5	0%	78,739	2%
Other	9	1%	12,206	0%
TOTAL	**1,130**	**100%**	**4,499,061**	**100%**

SHARE CAPITAL BY THE TYPE OF THE OWNERS AS OF 31.12.2022:

	Number of shareholders	% from shareholders	Number of shares	% from share capital
Private individuals	1,057	94%	953,994	21%
Institutional investors	73	6%	3 545,067	79%
TOTAL	**1,130**	**100%**	**4,499,061**	**100%**

LIST OF THE SHAREHOLDERS WITH THE OWNERSHIP MORE THAN 1% AS OF 31.12.2022:

Shareholder	Number of shares	Shareholding %
Pärnu Holdings OÜ	2,592,775	58%
OÜ Kõik või Mittemidagi	617,291	14%
Madis Talgre	158,400	4%
Olegs Radcenko	52,992	1%
REGO PURIN	51,527	1%
TOIVO KULDMÄE	49,231	1%
STETIND OÜ	44,206	1%
Hille Kallas	37,000	1%
TRIANGEL KAPITAL OÜ	36,762	1%
JANNE TALGRE	35,000	1%
OÜ EKOTEK EESTI	35,000	1%
AS AVRAAL	34,000	1%
MAARIT TALGRE	33,000	1%
SIIM TALMAR	28,000	1%
M.C.E.FIDARSI OSAÜHING	27,000	1%
Markus Vardja	23,494	1%

Direct ownership of the members of the Management and Supervisory Boards as at 31.12.2022:

- Joakim Johan Helenius – 20,000 shares, i.e. 0.4%
- Trond Bernhard Brekke – does not hold any shares
- Torfinn Losvik – does not hold any shares
- Sakari Wallin – does not hold any shares

Both Joakim Johan Helenius and Torfinn Losvik have indirect ownership through parent company Pärnu Holdings OÜ. In addition Torfinn Losvik, through his company Stetind OÜ, owns shares in Nordic Fibreboard AS in the amount of 44,206 shares (2021: 44,206 shares).

DIVIDEND POLICY

As a rule, payment of dividends is decided annually and depends on the Group's performance and possible investment needs. The method of payment of the didvidend shall be determined by a resolution of the general meeting. Dividends or advancesare distributed proportionally among the shareholders, according to the list of shareholders, which is fixed on the 10th trading day after the general meeting where the decision was made to distribute the profit or make advances.

RISKS

INTEREST RATE RISK

Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in market interest rates. The interest rate risk of Nordic Fibreboard AS depends on a possible change in EURIBOR (Euro Interbank Offered Rate), since some of the Group`s loans are linked to EURIBOR, the Group`s financial cost also increase when the interest rate increases. At 31.12.2022 six months' EURIBOR rate was 2,693 % and at 31.12.2021 six months' EURIBOR rate was (0.546) %. For the last six years, EURIBOR has remained negative, which means that EURIBOR has been equated to zero in loan agreemens. The loan from the Rural Development Foundation is concluded with a fixed interest rate, thus bear no interest rate risk. However, the Group loan from Coop Pank AS does have a floating interest rate, but the management is of the opinion that the floating interest rate will not bear significant impact to Group's cash flows.

The dates for fixing interest rates on the basis of changes in EURIBOR are the 30th day of every six months for its bank loans.

The interest rate risk also depends on the overall economic situation in Estonia and in the euro zone. Nordic Fibreboard AS has a cash flow risk arising from the interest rate risk because one loan have a floating interest rate. Management believes that the cash flow risk is not significant, therefore no hedging instruments are used.

FOREIGN CURRENCY EXCHANGE RISK

The foreign exchange risk is the risk that the company may have significant loss because of fluctuating foreign exchange rates. Nordic Fibreboard has no operations outside of the euro zone and most of our export-import contracts to customers outside of the eurozone are nominated in €. The production has been sold and raw materials for production has mainly been purchased in €.

RISK OF THE ECONOMIC ENVIRONMENT

The risk of the economic environment for the Group depends on general developments in the construction and industrial segments. The economic environment in the 2022 has been most affected by Russia`s agression against Ukraine, which has had an impact on the world economy, especially in Europe. Commodities prices have therefore been volatile, supply chains have been disturbed, and interest rates have increased. At the start of 2023, there were signs of some easing of the macroeconomic risks that the Group faced in 2022, however the ongoing uncertainty created by the war in Ukraine, and its implications and effects on the global, and especially European, economic environment makes it most difficult to predict the economic outlook for the year 2023.

FAIR VALUE

The management estimates that the fair values of cash, accounts receivables and payables, short-term loans and borrowings do not materially differ from their carrying amounts. The fair values of long-term loans do not materially differ from their carrying amounts because their interest rates correspond to the interest rate risks prevailing on the market.

LIQUIDITY RISK

The liquidity risk is a potential loss arising from the existence of limited or insufficient financial resources that are necessary for performing the obligations related to the activities of the Group. The Management Board continuously monitors cash flow movements, using the existence and sufficiency of the Group's financial resources for performing the assumed obligations and financing the strategic objectives of the Group.

GROUP STRUCTURE

SHARES OF SUBSIDIARIES

Domicile		Number of shares (pcs) 31.12.2022	Ownership % 31.12.2022	Number of shares (pcs) 31.12.2021	Ownership % 31.12.2021
Nordic Fibreboard Ltd OÜ	Estonia	1	100	1	100
Skano Furniture OÜ*	Estonia	1	100	1	100
Pärnu Riverside Development OÜ	Estonia	1	100	1	100

** Liquidated on 18.01.2023.*

Nordic Fibreboard AS is a holding company of subsidiaries Nordic Fibreboard Ltd OÜ, Pärnu Riverside Development OÜ and Skano Furniture OÜ. Skano Furniture OÜ liquidated after the balance sheet date of 31.12.2022 on 18.01.2023.

Nordic Fibreboard Ltd OÜ manufactures and distributes wood fibreboards for the construction sector (wind barrier, insulation, sound protection), interior panels for ceiling and walls, as well as various industrial applications for use in packaging, door cores, pin boards, and expansion joint fillers. Nordic Fibreboard Ltd OÜ previously owned a subsidiary Suomen Tuulielijona OY, which was involved in the distribution of fibreboard in Finland, which was liquidated on 06.06.2022. Pärnu Riverside Development OÜ owns and manages the property located at Suur-Jõe 48 in Pärnu.

CORPORATE GOVERNANCE RECOMMENDATIONS REPORT

The Corporate Governance Recommendations is a set of guidelines and recommended rules to be carried out primarily by entities whose shares have been admitted to trading on a regulated market in Estonia. From 1 January 2006, the listed entities are required to follow the principle "Comply or Explain".

The Corporate Governance Recommendations lay down the principles of calling and conducting general meetings of shareholders, composition, activities and responsibilities of Supervisory and Management Boards, disclosures and financial reporting.

As the principles outlined in the Corporate Governance Recommendations are recommended, the Company does not have to comply with all of them but needs to explain in the Corporate Governance Recommendations Report why these requirements are not complied with.

In its business, Nordic Fibreboard AS adheres to prevailing laws and legislative provisions. As a public entity, Nordic Fibreboard AS also follows the requirements of the Tallinn Stock Exchange and the principles of equal treatment of shareholders and investors. Pursuant to this, the Company follows most of the guidelines set out in the Recommendations. Below are arguments for noncompliance of the Recommendations that the Company does not comply with.

Clause 1.3.2 Members of the Management Board, the Chairman of the Supervisory Board and if possible, all members of the Supervisory Board and at least one of the auditors shall participate in the General Meeting.

The General Meeting of Shareholders held on 13th of June 2022 was attended by the Members of the Management Board of Nordic Fibreboard AS. Neither Members of the Supervisory Board nor the auditor were present at the meeting. The auditor was not present at the meeting, because the Management Board did not consider the auditor's participation necessary, as there were not any issues on the agenda that might have needed the auditor's comments. The auditor has expressed his opinion in the auditor's report, stating that the consolidated financial statements of the Group give a true and fair view, in all material respects of the financial position of the Group as at 31.12.2021 and the financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union. At the same time the agreement with the auditors was in force that in case the shareholders have questions to the auditors, the auditors were ready to answer all questions immediately by phone during the General Annual meeting. In accordance with good practice, shareholders had the opportunity to ask questions to the members of the Management Board during the meeting.

Clause 1.3.3 The Issuer shall make participation in the General Meeting possible by means of communication equipment (Internet) if the technical equipment is available and where doing so is not too cost prohibitive to the Issuer.

At General Meeting the Issuer did not make monitoring and participation by communication equipment's possible, because no technical equipment was available.

Clause 2.2.1 The Management Board shall have more than one (1) member and the Chairman shall be elected from among the members of the Management Board. The Management Board or Supervisory Board shall establish an area of responsibility for each member of the Management Board. The Chairman of the Supervisory Board shall conclude a contract of service with each member of the Management Board for discharge of their functions.

The Management Board of the Issuer has one member only, who is the Chairman of the Management Board. The Subsidiaries Nordic Fibreboard Ltd OÜ have five (5) member of the Management Board. Contracts of service have been concluded with the member of the Management Board which also regulate the areas of responsibility.

Clause 2.2.7 Basic wages, performance pay, termination benefits, other payable benefits and bonus schemes of a member of the Management Board as well as their essential features (incl. features based on comparison, incentives and risk) shall be published in a clear and unambiguous form on the website of the Issuer and in the Corporate Governance Recommendations Report. Information published shall be deemed clear and unambiguous if it directly expresses the amount of expense to the Issuer or the amount of foreseeable expense as at the day of disclosure.

The Issuer has disclosed the remuneration policy and remuneration of a member of the Management Board in the Remuneration Report, which is a part of the 2022 annual report of Nordic Fibreboard AS.

Clause 3.1.3 Upon the establishment of committees by the Supervisory Board, the Issuer shall publish their existence, duties, membership and position in the organisation on its website. Upon a change in the committee's structure, the Issuer shall publish the content of such changes and the period during which the procedures are in effect.

During 2022, the Supervisory Board of the Issuer has not established any committees.

Clause 3.2.5 The amount of remuneration of a member of the Supervisory Board appointed at the meeting and the procedure for his payment shall be published in the Corporate Governance

Recommendations Report, outlining separately basic and additional remuneration (incl. termination and other payable benefits).

The Issuer does not pay any remuneration to the members of the Supervisory Board.

Clause 5.2 The Issuer shall publish the disclosure dates of information subject to disclosure throughout the year at the beginning of the financial year in a separate notice, called a financial calendar.

The Issuer did not disclose a separate notice but information subject to disclosure was made public no later than at the dates set out in the law.

Clause 5.6 The Issuer shall disclose the dates and places of meetings with analysts and presentations and press conferences organized for analysts, investors or institutional investors on its website.

According to the rules and regulations of the Tallinn Stock Exchange, the Group shall disclose all relevant information through the stock exchange. The Issuer does not regularly organise press conferences and meetings, therefore, the schedule of meetings cannot be disclosed. At the meetings with investors, only previously disclosed information shall be supplied.

Clause 6.2.1 Together with a notice calling the General Meeting, the Supervisory Board shall make information on an auditor's candidate available to shareholders. If it is desired to appoint an auditor who has audited the Issuer's reports for the previous financial year, the Supervisory Board shall pass judgement on his work.

The auditor shall be paid a fee according to the concluded contract. According to the contract, the amount of the fee shall be confidential. However, the Issuer believes that the disclosure of the fee does not affect the reliability of the audit. As the Supervisory Board wants to continue cooperation with the auditor, it is a proof that the Supervisory Board is satisfied with the current auditor.

The activities of the Issuer comply with the requirements of the Corporate Governance Recommendations in all other aspects.

REMUNERATION REPORT

This remuneration report has been prepared in accordance with the Estonian Securities Market Act and provides an overview of the remuneration paid to the Head of AS Nordic Fibreboard according to the remuneration principles for the 2022 financial year. In 2022, the Executive Board of the AS Nordic Fibreboard had one member.

In the context of the Estonian Securities Market Act, the Head of Nordic Fibreboard is Member of the Management Board Torfinn Losvik, whose duties and remuneration are further specified in the employment contract concluded with him, in which the Chairman of the Supervisory Board represented the Group. In accordance with the contracts of the member of the management board, the Management Board Member has been awarded a monthly basic remuneration and, upon termination of the contract, the severance pay prescribed on the initiative of the Supervisory Board in the amount of up to three months' remuneration, the performance pay is not prescribed for the Member of the Management Board.

Remuneration of Torfinn Losvik, Member of the Executive Board:

thousand €	2018	2019	2020	2021	2022
Total remuneration	73	56	72	72	72
Incl. basic remuneration	*73*	*56*	*72*	*72*	*72*
Incl. performance pay	*0*	*0*	*0*	*0*	*0*

Under the terms of the contract of the Member of the Management, Torfinn Losvik has been paid monthly basic remuneration of € 6 thousand and annual remuneration of € 72 thousand in total in 2022.

Annual change in the remuneration of Torfinn Losvik, member of the Executive Board, performance of the Group, and average remuneration of full-time employees of the Group:

	2018	2019	2020	2021	2022
Net profit growth	(602.1%)	(56.9%)	176.8%	11.9%	2.7%
Increase in manager reuneration	0.0%	(23.7%)	28.9%	0.0%	0.0%
Increase in the average remuneration of full-time employees	8.7%	23.1%	(6.0%)	9.0%	10.1%

COMPATIBILITY OF REMUNERATION WITH THE REMUNERATION PRINCIPLES

The basic remuneration of a manager is determined on the basic remuneration would be sufficiently motivating for the manager to act in the best interests of Nordic Fibreboard, fairly and in accordance with the law, and to refrain from acting in the personal or other interests.

ENVIRONMENTAL POLICY

According to the Environmental Pollution Prevention and Control Act, both the Pärnu and Püssi factories have environmental permits of indefinite duration for special water use and air pollution. Adherence to the requirements of the permits ensures that production activity has a minimal impact on the environment, the requirements set out in the environmental permit ensure the protection of water and air in an environmentally generated waste in an environmentally sound manner. As of 01.01.2020, the amended Waste Act is in force, on basis of which § 73 (2) a waste permit is required for the generation of waste only upon extraction or enrichment of mineral resources. Consequently, Nordic Fibreboard is not obliged to have a waste permit for waste generation.

To meet the requirements of the Packaging Act, in 2005 the Company entered into a contract with the Estonian Recovery Organisation (ERO). Under the contract, all responsibilities of Nordic Fibreboard AS related to packaging collection, recovery and related reporting were transferred to ERO. The contract ensures that all end consumers may return the packaging free of charge to containers bearing the Green Point sign.

The Forest Stewardship Council (FSC) is an international non-profit independent organisation the goal of which is foster environmentally friendly forest management. By possessing the FSC certificate we support such forest management goals that will preserve biodiversity, productivity and natural processes of forests. Upon implementation of the FSC policy, Nordic Fibreboard AS precludes the use of such timber that has been felled illegally; that comes from genetically modified trees, that comes from regions where traditional or civil rights are violated and timber which is not certified in old growth forests with high conservation value. The soft fibre factories hold the FSC certificate since 14 January 2011. From 27th of November 2018 Nordic Fibreboard Ltd OÜ has been assessed and certified as meeting the requirements of PEFC standard. The Certificate is valid from 27th of November 2018 to 26th of November 2023.

WATER USAGE AND WASTEWATER DISCHARGE

thousands of m³	2022	2021	Change %
Water usage:	88.2	100.1	(12%)
groundwater (own bore wells)	26.9	27.8	(3%)
surface water	61.3	72.3	(15%)
Water discharge:	63.3	77.8	(19%)
conditionally clean wastewater	11.4	11.5	(0%)

wastewater	51.9	66.3	(22%)
Water loss	24.9	22.2	12%

€ thousand	**2022**	**2021**	**Change %**
Water usage:	4.5	4.5	(0%)
groundwater (own bore wells)	2.7	2.4	13%
surface water	1.8	2.1	(15%)
Water discharge:	104.4	132.7	(21%)
wastewater	104.4	132.7	(21%)
Total expenses	**108.9**	**137.2**	**(20%)**

MAIN POLLUTANTS

tons	**2022**	**2021**	**Change %**
Volatile organic components	8.2	7.2	15%
Organic dust	50.3	44.9	12%
Total	**58.5**	**52.1**	**12%**

WASTE HANDLING

€ thousand	**2022**	**2021**	**Change %**
Handling of hazardous waste	0.0	0.2	(100%)
Handling of non-hazardous waste	31.1	28.4	10%
Total expenses	**31.1**	**28.6**	**9%**

€thousand	**2022**	**2021**	**Change %**
Sales of metal waste	4.5	3.9	17%
Total conditionl income	**4.5**	**3.9**	**17%**

MANAGEMENT BOARD'S CONFIRMATIONS

The Management Board has prepared the management report and the consolidated financial statements of Nordic Fibreboard AS for the financial year ended 31 December 2022.

The Management Board confirms that the management report, corporate governance report and remuneration report on pages 4-18 provides a true and fair view of the business operations, financial results and financial condition of the parent company and the entities included in consolidation as a whole and confirms their correctness and completeness.

The Management Board confirms that according to their best knowledge the consolidated financial report on pages 20-59 presents a fair view of the assets, liabilities, financial position and profit or loss of the issuer and the entities involved in the consolidation as a whole according to the International Financial Reporting Standards as they are adopted by the European Union and contains a description of the main risks and doubts.

/signed digitally/

Torfinn Losvik

Chairman of the Management Board ....

Pärnu, April 26, 2023

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand	31.12.2022	31.12.2021
Cash and cash equivalents	2	57
Receivables and prepayments (Note 5)	559	902
Inventories (Note 6)	1,672	390
Total current assets	**2,233**	**1,349**
Investment property (Note 7)	1,859	1,152
Financial assets at fair value through profit or loss (Note 9)	644	644
Property, plant and equipment (Note 8)	4,670	4,915
Intangible assets (Note 8)	2	3
Total non-current assets	**7,175**	**6,714**
TOTAL ASSETS	**9,408**	**8,063**
Borrowings (Notes 10)	290	146
Payables and prepayments (Notes 11)	1,014	829
Short-term provisions (Note 12)	18	19
Total current liabilities	**1,322**	**994**
Long-term borrowings (Notes 10)	2,875	3,074
Long-term provisions (Note 12)	127	145
Total non-current liabilities	**3,002**	**3,219**
Total liabilities	**4,324**	**4,213**
Share capital (at nominal value) (Note 13)	450	450
Statutory reserve capital	45	0
Retained earnings (loss)	4,589	3,400
Total equity	**5,084**	**3,850**
TOTAL LIABILITIES AND EQUITY	**9,408**	**8,063**

*The notes to the financial statements presented on pages 24 to 59 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

€ thousand	**2022**	**2021**
Revenue (Note 22)	**11,074**	**10,096**
Cost of goods sold (Note 15)	9,024	7,294
Gross profit	**2,050**	**2,802**
Distribution costs (Note 16)	1,112	1,168
Administrative expenses (Note 17)	424	565
Other operating income (Note 19)	730	5
Other operating expenses (Note 20)	9	15
Operating profit	**1,235**	**1,059**
Finance income (Note 21)	129	265
Finance costs (Note 21)	130	122
PROFIT BEFORE INCOME TAX	1,234	1,202
NET PROFIT FOR THE FINANCIAL YEAR	**1,234**	**1,202**
Basic earnings per share (Note 14)	0.27	0.27
Diluted earnings per share (Note 14)	0.27	0.27

*The notes to the financial statements presented on pages 24 to 59 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand	**2022**	**2021**
Cash flows from operating activities		
Operating profit (loss)	**1,235**	**1,059**
Adjustments:		
Depreciation charge (Note 8)	498	497
Profit/loss from revalution of real estate investment (Note 7)	(697)	0
Profit/loss from sale of non-current asset (Note19)	1	(2)
Change in trade and other receivables (Note 5)	343	(108)
Change in inventories (Note 6)	(1,282)	154
Change in trade and other payables (Note 11)	185	(745)
Cash generated from operations	**283**	**855**
Interest payments (Note 21)	(120)	(118)
Net other financial income and expense (Note 21)	(11)	(7)
Net cash generated from operating activities	**152**	**730**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets (Note 8)	(254)	(643)
Disposal of property, plant and equipment and intangible assets (Note 8)	6	2
Purchase of real estate investment (Note 7)	(10)	(18)
Received dividends	129	0
Payout from share capital reduction (Note 9)	0	72
Net cash used in investing activities	**(129)**	**(587)**
Cash flows from financing activities		
Loans received (Note 10)	0	1,200
Repayment of loans received (Note 10)	(102)	(1,266)
Loans received from related parties (Note 10)	0	503
Repayment of loans received from related parties (Note 10)	0	(503)
Repayment of principal element of lease liabilities (Note 10)	(46)	(46)
Change in overdraft (Note 10)	70	0
Net cash (used in)/from financing activities	**(78)**	**(112)**
NET CHANGE IN CASH	**(55)**	**31**
OPENING BALANCE OF CASH	**57**	**26**
CLOSING BALANCE OF CASH	**2**	**57**

*The notes to the financial statements presented on pages 24 to 59 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Statutory reserve capital	Retained earnings	Total
Balance at 31.12.2020	**450**	**0**	**2,198**	**2,648**
Net profit for 2021	*0*	*0*	*1,202*	***1,202***
Total comprehensive income for 2021	0	0	1,202	**1,202**
Balance at 31.12.2021	**450**	**0**	**3,400**	**3,850**
Other changes	0	45	(45)	**0**
Net profit for 2022	*0*	*0*	*1,234*	***1,234***
Total comprehensive income for 2022	0	0	1,234	**1,234**
Balance at 31.12.2022	**450**	**45**	**4,589**	**5,084**

* More detailed information about share capital and changes in equity is disclosed in Note 13.
*The notes to the financial statements presented on pages 24 to 59 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

General information about Nordic Fibreboard AS (hereinafter the Company) (with previous names Viisnurk AS and Skano Group AS), is an entity registered in the Republic of the Estonia. It operates in Estonia and previously through its subsidiary in Finland. The consolidated financial statements prepared for the financial year ended 31 December 2022 include the financial information of the Company and its 100% subsidiaries (together referred to as the Group):

	Nordic Fibreboard Ltd OÜ	Skano Furniture OÜ*	Pärnu Riverside Development OÜ
Domicile	(Estonia)	(Estonia)	(Estonia)
Share %	100	100	100

* Skano Furniture OÜ is liquidated on 18.01.2023

Nordic Fibreboard AS was established on 19 September 2007 in the demerger of the former Skano Group AS, currently AS Trigon Property Development, as a result of which the manufacturing units, i.e. the building materials division and furniture division were spun off and transferred to the new entity.

The Group’s shares were listed in the Main List of the Nasdaq Tallinn until 2nd of April 2018, when the shares were moved from the Main List to the Secondary List. The Group`s largest shareholder is Pärnu Holdings OÜ (owning 57.63%), and its largest owners as of 31 December 2022 are OÜ Stetind (50%) and Joakim Johan Helenius (50%), as of 31 December 2021 the largest owners were OÜ Stetind (49.75%) and Joakim Johan Helenius (49.75%).

In addition to the production and sale of soft fibreboards, the Group also handles real estate management to a small extent.

The Management Board of Nordic Fibreboard AS authorised these consolidated financial statements for issue on 26 April, 2023. Pursuant to the Commercial Code of the Republic of Estonia, the financial statements are subject to approval by the Supervisory Board of Nordic Fibreboard AS and the General Meeting of Shareholders. Shareholders have the right not to approve the annual report prepared and approved by the Management Board, and request preparation of a new annual report.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

A. BASIS OF PREPARATION

The 2022 consolidated financial statements of Nordic Fibreboard AS have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS).

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of the financial statements in accordance with IFRS requires management to make assumptions and pass judgements, which affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and related assumptions are based on the historical experience and several other factors that are believed to be relevant and that are based on circumstances which help define principles for the evaluation of assets and liabilities and which are not directly available from other sources. Actual results may not coincide with these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognised prospectively after the period in which a change in the estimate occurred. Note 4 includes those areas which require more complicated estimates and where accounting estimates and assumptions have a material impact on the information recognised in the financial statements.

CHANGES IN ACCOUNTING POLICIES

a) Adoption of New or Revised Standards and Interpretations

The following new or revised standards and interpretations became effective for the Group from 1 January 2022:

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

The amendment to **IAS 16** prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to **IAS 37** clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to **IFRS 9** addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies **IFRS 16** was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under **IAS 41** was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The implementation of these new amendments did not have a significant impact on the Group`s financial statements.

The remaining new or amended standards or interpretations that entered into force for the first time in the financial year beginning on or after 1 January 2022, have not had a significant impact on the Group.

b) New accounting pronouncements

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2023, and which the Group has not early adopted.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023).

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, **IFRS Practice Statement 2**, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 8: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023).

The amendment to **IAS 8** clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Classification of liabilities as current or non-current, deferral of effecticve date - Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024; not yet adopted by the EU).

These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The Group expects that there will not be a material impact on the Group's financial position, performance nor cash flows.

The other new and revised standards are interpretations that are not yet effective are not expected to have a material impact on the Group.

B. COMPARABILITY

The financial statements have been prepared in accordance with the consistency and comparability principles, the nature of the changes in methods and their effect is explained in the respective notes. When the presentation of items in the financial statements or their classification method has been amended, then also the comparative information of previous periods has been restated.

C. FOREIGN CURRENCY TRANSACTIONS, FINANCIAL LIABILITIES AND ASSETS DENOMINATED IN A FOREIGN CURRENCY

(A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of their primary economic environment (the functional currency). The consolidated financial statements are presented in euros (€), which is the functional currency of the parent and the presentation currency of the Group.

The consolidated financial statements are presented in thousands of euros (€), which is in compliance with the requirements of the Nasdaq Tallinn.

(B) FOREIGN CURRENCY TRANSACTIONS, ASSETS AND LIABILITIES DENOMINATED IN A FOREIGN CURRENCY

Foreign currency transactions have been translated into the functional currency using the official exchange rate of the European Central Bank prevailing at the transaction day. Exchange rate differences between the cash transfer date and the transaction date, the currency translation differences are recognised in the consolidated income statement. Monetary assets and liabilities denominated in a foreign currency are translated using the official euro exchange rate of the European Central Bank applicable at the end of the reporting period. Any translation gains and losses are recognised in the consolidated income statement. Gains and losses on translation of payables and cash and cash equivalents are recognised as finance income and costs in the consolidated income statement; other gains and losses from exchange rate changes are recognised as other operating income or operating expenses.

(C) CONSOLIDATION OF FOREIGN ENTITIES

The functional currency of the Group`s foreign subsidiaries does not differ from the presentation currency of the Group.

(D) PRINCIPLES OF CONSOLIDATION AND ACCOUNTING FOR SUBSIDIARIES

All subsidiaries have been consolidated in the Group's financial statements. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary or business unit is the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquirer either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets.

Goodwill is initially recognised as the amount by which the consideration transferred, and the value of non-controlled interests exceeds the fair value of identifiable assets and transferred liabilities. If this amount is lower than the fair value of net assets of the acquired subsidiary, the difference is recognised in the income statement.

In the consolidated financial statements, the financial statements of the subsidiaries under the control of the Parent company (except for the subsidiaries acquired for resale) are combined on a line-by-line basis. Intercompany balances, transactions and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset. The Group and all of its subsidiaries use uniform accounting policies consistent with the Group's policies. Where necessary, the accounting policies of the subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Revenues and expenses of the subsidiaries acquired within the financial year are consolidated into the Group's statement of profit or loss and other comprehensive income starting from the date of acquisition to the end of the financial year. Result of operations of subsidiaries disposed of during the year are consolidated into Group's statement of profit or loss and other comprehensive income from the beginning of the financial year until the date of disposal.

Pursuant to the Accounting Act of the Republic of Estonia, information of the unconsolidated financial statements (primary statements) of the consolidating entity (parent company) shall be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the parent company, the same accounting policies have been used as in preparing the consolidated financial statements. The accounting policy for accounting subsidiaries has been amended in the separate primary financial statements disclosed as supplementary information in the Annual Report in conjunction with IAS 27 "Separate Financial Statements".

In the parent separate primary financial statements, disclosed in these consolidated financial statements (see Note 26 Supplementary disclosures on the Group`s parent), the investments into the shares of subsidiaries are accounted for at cost less any impairment recognised.

(E) FINANCIAL ASSETS

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss);
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

All Group's debt instruments are classified in amortised cost measurement category.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses). Foreign exchange gains and losses and impairment losses are presented as separate line items in the statement of profit or loss.

As at 1 January 2022 and 31 December 2022, the following financial assets of the Group were classified in this category:

- trade receivables;
- cash and cash equivalents.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has made an irrevocable election to present in OCI the fair value gains and losses on equity investments that are not held for trading, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income/(expenses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables without a significant financing component the Group applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. The Group uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

(F) CASH AND CASH EQUIVALENTS

For the purposes of the statement of financial position and the cash flow statement, cash and cash equivalents comprise cash on hand, bank account balances (except for overdraft) and term deposits with maturities of three months or less. Cash and cash equivalents are carried at the adjusted acquisition cost.

(G) TRADE RECEIVABLES

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method, less a provision for impairment.

Impairment of receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Evidence of potential impairment includes the bankruptcy or major financial difficulties of the debtor and non-adherence to payment dates. The impairment of the receivables that are individually significant (i.e. need for a write-down) is assessed individually for each customer, based on the present value of expected future collectible amounts. Receivables that are not individually significant or for which no objective evidence of impairment exists, are collectively assessed for impairment using previous years' experience on uncollectible receivables. The amount of loss of the impaired receivables is the difference between the carrying amounts of receivables and the present value of expected future cash flows discounted at the original effective interest rate. The carrying amount of receivables is reduced by the amount of doubtful receivables and the impairment loss is recognised in profit or loss within Other operating expenses. If a receivable is deemed irrecoverable, the receivable and its impairment loss are taken off the financial position statement. The collection of the receivables that have previously been written down is accounted for as a reversal of the allowance for doubtful receivables.

(H) INVENTORIES

Inventories are stated at the lower of acquisition cost and net realisable value. Inventories are initially recognised at acquisition cost which consists of purchase costs, direct and indirect production costs and other costs incurred in bringing the inventories to their current condition and location.

In addition to the purchase price, purchase costs also include custom duties, other non-refundable taxes and directly attributable transport, less discounts and subsidies. The production costs of inventories include costs directly related to the units of production (such as direct raw materials and materials and packing material costs, unavoidable storage costs related to work in progress, direct labour costs), and also fixed and variable production overheads that are allocated to the cost of products on the basis of normal production capacities.

The weighted average cost method is used for the evaluation of inventories at the Group.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of the inventory write-down is recognised in the income statement line Cost of goods sold.

(I) INVESTMENT PROPERTY

Real estate properties (land, buildings) that the Group owns or leases to earn lease income or for capital appreciation, and that are not used for the Group's operating activities, are classified as investment property.

Real estate properties consist of land owned by the Group that is not used by the Group for its own economic activities (plots of Suur-Jõe 48 and Rääma 31).

Investment property is initially measured at its cost, including related transaction costs. Investment properties are subsequently carried at fair value, which based on yearly market price set by an independent valuer or market, based in the prices of recent transactions for similar items (adjusting for estimates for differences) or using the discounted cash flow method. Changes in fair value are recognized in the income statement in line item "Other operating income". Investment property carried at fair value is not deprecated.

Subsequent costs are included in the carrying amount of the investment property when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the period in which they are incurred.

Real estate that is being constructed or developed for future use as investment property is recognized as investment property.

(J) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are non-current assets used in the operating activities of the Group with a useful life of over one year and with a cost of 1000 euro. An item of property, plant and equipment is initially recognised at its cost which consists of the purchase price (including customs duties and other non-refundable taxes) and other expenditures directly related to the acquisition that are necessary for bringing the asset to its operating condition and location. Borrowing costs related to the acquisition of non-current assets, the completion of which occurs over a longer period of time, are included in the cost of non-current assets. The cost of a self-constructed asset is determined using the same principles as for an acquired asset.

Costs of reconstruction and improvements are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are charged to the income statement during the period in which they are incurred.

Property, plant and equipment are subsequently carried at cost less accumulated depreciation and any impairment losses (see accounting policy L). The difference between the acquisition cost and the residual value of an asset is depreciated over the useful life of the asset. Each part of an item with a cost that is significant in relation to the total cost of the item and with a useful life different from other significant parts of that same item is depreciated separately based on its useful life.

Depreciation is calculated based on useful lives of items of property, plant and equipment, using the straight-line method. The annual depreciation rates applied to individual assets by groups of property, plant and equipment are as follows (per cent):

- buildings and facilities 2 – 15
- machinery and equipment 10 – 50
- motor vehicles 10 – 40
- other fixtures and fittings 20 – 50
- information technology equipment 30 – 50
- land is not depreciated

Depreciation of an asset begins when the asset is available for use for the purpose intended by management and is ceased when the residual value exceeds the carrying amount, when the asset is permanently withdrawn from use or upon its reclassification as held for sale. At each balance sheet date, the appropriateness of the depreciation rates, the depreciation method and the residual values are reviewed.

Where an asset's carrying amount exceeds its estimated recoverable amount (higher of an asset's fair value less costs to sell and its value in use), it is written down immediately to its recoverable amount (see the accounting policy in Section L).

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from the disposal of items of property, plant and equipment are included either within other operating income or other operating expenses in the income statement.

Items of property, plant and equipment that are expected to be sold within the next 12 months and for which the management has commenced active sales activities, and which are offered for sale at their fair value for a realistic price are reclassified as assets held for sale.

(K) INTANGIBLE ASSETS

Intangible assets are recognised in the financial statements only if the following terms have been satisfied:

- the asset is controlled by the Group;
- it is probable that the Group will benefit from the use of the asset in the future;
- acquisition cost of the asset can be reliably measured.

Intangible assets are amortised by using the straight-line method during the estimated useful life.

Intangible assets are tested for impairment if there are circumstances indicating such a possibility, similarly with the evaluation of impairment of property, plant and equipment.

Expenses related to current maintenance of computer software are recognised as cost at the time they are incurred. Purchased computer software that is not an inseparable part of specific hardware is recognised as intangible asset. Intangible assets with finite useful lives are amortised over their useful lives (2.5-5 years) using the straight-line method. The Group has no intangible assets with indefinite useful lives.

(L) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to depreciation and amortisation, and assets with unlimited useful lives (land) are reviewed for any indication of impairment. Whenever such indication exists, the recoverable amount of the asset is estimated and compared with the carrying amount. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. If the fair value of an asset less sales expenses cannot be determined, the recoverable amount of the asset is its market value. The value in use of assets is determined as the current value of estimated cash flows generated in the future. Impairment of assets is estimated if following possible circumstances exist:

- market value of similar assets has decreased;
- general economic environment and the market situation has deteriorated which makes it probable that revenue generated from assets will decrease;
- interest rates of market have increased;
- physical condition of assets has suddenly deteriorated;
- income received from assets are lower than planned;
- results of some areas of activity are worse than expected;
- activities of certain money-earning units are planned to be terminated.

An impairment test is also carried out if the Group identifies other circumstances indicating loss of value of assets.

For impairment, the recoverable amount is evaluated either for a single asset item or for the smallest possible group of assets for which cash flow can be identified (cash generating unit). A cash generating unit is the smallest separately group of identifiable assets the cash flow generated can be forecast for significant part regardless of cash flow generated from the rest of assets. The impairment loss is expensed immediately in the income statement.

At the end of every reporting period it is assessed whether there are circumstances indicating that the impairment loss of assets recognised in previous years no longer exists or it has decreased. If any such circumstance exists, the recoverable amount of the asset is re-evaluated. In accordance with the results of the test, the impairment can be reversed in part or in full. Earlier loss is reversed only to the degree where the carrying amount does not exceed the carrying amount of such assets considering normal amortization of earlier years.

(M) LEASES

Lessees are required to recognise:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value;
(b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

The Group leases various machinery and equipment used in economic activities. Rental contracts are typically made for fixed periods of up to 5 years but as a rule, include extension and termination options. Lease terms are negotiated on an individual basis and may contain a wide range of different terms and conditions.

The Group recognises as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Lease liabilities were recognised as present value of lease payments. The right-of use assets were measured at the amount equal to the lease liability, as no adjustments to right of use assets were necessary. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life or the lease term on a straight-line basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable,
- variable lease payment that are based on some kind an index (for example inflation, Euribor),

- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease, if it is readily determinable, or the Group's incremental borrowing rate. The alternative interest rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT-equipment and small items of office furniture. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The management reviews the assessment if a significant event or a significant change in circumstances occurs which affects the probability of using options and that is within the control of the management. Alternatively, the extension period of the contract has changed (for example, Group has exercised an option, which initially was considered reasonably uncertain or has not exercised an option, which was initially considered reasonably certain).

According to the contracts, Group has not granted any residual value guarantees in the end of the contracts.

The lease payments are discounted at the alternative interest rate 2.49%.

(N) FINANCIAL LIABILITIES

Financial liabilities (trade payables, borrowings, accrued expenses and other short and long-term borrowings) are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest rate method. Upon the initial recognition of such financial liabilities which are not accounted for at fair value through profit or loss, the transactions costs directly attributable to the acquisition are deducted from their fair value.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are charged to period financial expenses.

The amortised cost of current financial liabilities generally equals their nominal value; therefore, current financial liabilities are carried in the statement of financial position in their redemption value. For determining the amortised cost of non-current financial liabilities, they are initially recognised at the fair value of the consideration received (less any transaction costs), calculating interest expense on the liability in subsequent periods using the effective interest rate method.

A financial liability is classified as current when it is due to be settled within 12 months after the balance sheet date or the Group does not have an unconditional right to defer settlement of the liability for more than 12 months after the balance sheet date. Borrowings due to be settled within 12 months after the balance sheet date that are refinanced as long-term after the balance sheet date but before the financial statements are authorised for issue, are recognised as current liabilities. Borrowings that the lender has the right to recall at the balance sheet date because of a breach of contractual terms are also recognised as current liabilities.

(O) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised in the statement of financial position when the Group has a present legal or contractual obligation which has arisen as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the liability can be reliably estimated.

The provisions are recognised based on management's (or independent experts') estimates regarding the amount and timing of the expected outflows. Risks and uncertainties are taken into consideration when measuring provisions; the provisions for which the effect of the time value of money is significant are discounted. The increase of the provision due to the passage of time is recognised as an interest expense.

Other commitments that in certain circumstances may become obligations, but it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability are disclosed in the notes to the financial statements as contingent liabilities.

Provision for long-term disability compensations

Under law, the Group is obliged to pay compensation to employees for permanent injuries incurred during their employment at the Group. The level of the benefit depends on the extent of disability, the average monthly salary of the employee prior to injury, and the changes in pension payments by the state. The level of the benefit does not depend on the length of service. For the Group, the obligation to pay benefits arises at the time when the degree of the employee's incapacity for work is determined.

Disability compensation is recognised in the statement of financial position in its discounted present value. In measuring the liability, management has used demographic assumptions (such as mortality), and financial assumptions (e.g. the discount rate and future benefit levels).

The rate used to discount the obligation is determined by reference to market yields at the balance sheet date on high quality corporate bonds, the currency and term of which are consistent with the currency and estimated term of the obligation.

(P) LIABILITIES TO EMPLOYEES

Short-term labour expenses

Payables to employees contain the contractual right arising from employment contracts and performance-based pay which is calculated on the basis of Group's financial results and meeting of objectives set for the employees. Performance-based pay is included in period expenses and as a liability if it is paid out in the next financial year.

Pursuant to employment contracts and current legislation, payables to employees also include an accrued holiday pay liability as at the balance sheet date. This liability also includes accrued social and unemployment taxes calculated on it.

Disability compensation (see accounting policy O).

(Q) TAXATION

Corporate income tax and deferred corporate income tax

According to the current legislation, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business-related disbursements and adjustments of the transfer price. From 1 January 2015, the tax rate on the net dividends paid out of retained earnings is 20/80. The corporate income tax arising from the payment of dividends is recognised as a liability and an income tax expense in the period in which dividends are declared, regardless of the period for which the dividends are paid or the actual payment date. An income tax liability is due on the 10th day of the month following the payment of dividends.

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be considered.

Due to the nature of the taxation system, the companies registered in Estonia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise. However, according to the decision of the IFRS Interpretation Committee in June 2020, the parent is required to recognize an income tax liability on the profits on the subsidiary unless profits are not planned to be distributed to parent company in the foreseeable future. The Group does not plan to take dividends from the Nordic Fibreboard Ltd OÜ profits of 2022, the Group also does not plan to take dividends from the profit of Pärnu Riverside Development OÜ in 2022, as the profit is obtained from the revaluation of the fair value of the real estate investment. Therefore no deferred tax liability has been recognized for the profits of the subsidiaries in the Group's consolidated financial statements. The maximum income tax liability which would accompany the distribution of the Group's retained earnings is disclosed in the notes to the financial statements.

As at 31.12.2022 and 31.12.2021, the subsidiaries did not have any deferred tax assets and liabilities. The management of the Group estimates that the realisation of the income tax asset is not reliably assessable, thus it is not recorded in the financial statements.

(R) REVENUE

Revenue is income arising in the course of the Group's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a good or service to a customer.

Sale of goods – wholesale

The Group manufactures and sells fibreboard products in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Fibreboard products are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable the wholesaler in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of 30-75 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

If the Company provides any additional services to the customer after control over the goods has passed, revenue from such services is considered to be a separate performance obligation and is recognised over the time of the service rendering.

Financing component

Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

(S) CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. Cash flows from operating activities are determined by adjusting the net profit for the financial year through elimination of the effect of non-monetary transactions, changes in the balances of assets and liabilities related to operating activities and revenue and expenses related to investing or financing activities. Cash flows from investing or financing activities are recognised under the direct method.

(T) STATUTORY RESERVE CAPITAL

Statutory reserve capital is formed from annual net profit allocations as well as other provisions which are entered in reserve capital pursuant to legislation or articles of association. The amount of reserve capital is stipulated in the articles of association and it cannot be less than 1/10 of share capital. Each financial year, at least 1/20 of net profit shall be entered in the reserve capital. When reserve capital reaches the level required by the articles of association, the allocations to reserve capital from the net profit may be terminated.

Based on the decision of the General Meeting of Shareholders, the statutory legal reserve may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from the statutory legal reserve.

(U) EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the financial year attributable to the equity holders of the parent by the period's weighted average number of outstanding ordinary shares. Diluted earnings per share are calculated by dividing the net profit for the financial year attributable to the equity holders of the parent by the weighted average number of outstanding ordinary shares, adjusted for the effect of dilutive potential ordinary shares.

(V) EVENTS AFTER THE BALANCE SHEET DATE

Significant circumstances that have an adjusting effect on the evaluation of assets and liabilities and that became evident between the balance sheet date and the date of approving the financial statements (April 26, 2023) but that are related to the reporting period or prior periods, have been recorded in the financial statements. Non-adjusting events and the events that have a significant impact on the results of the next financial year have been disclosed in the notes to the financial statements.

(W) FACTORING

Factoring is the transfer (sale) of receivables, whereby depending on the type of the factoring contract the buyer has the right to resell the transferred receivable within time agreed (factoring with recourse) or there is no right for resale and all the risks and gain associated with the receivable are transferred from seller to purchaser (factoring without recourse). If the seller of the receivable retains the repurchase obligation, the transaction is recognised as a financing transaction (i.e. as a loan with the receivable as a collateral) and not as a sale. The receivable is not considered as sold as a result of factoring, but it remains in the financial statement position until the receivable is collected, or the recourse right has expired. The related liability is recorded similarly to other borrowings. If there is no repurchase obligation and the control over the receivable and the related risks and gain of the ownership are transferred to the buyer, the transaction is recognised as a sale of the receivable. The related expense is recognised as a finance cost (similarly to interest expense) or as an impairment loss of receivables, depending on whether the purpose of the transaction was to manage the cash flows or to manage credit risk.

(X) SHARE-BASED PAYMENTS

The grant by Nordic Fibreboard AS of options over its equity instruments to the Management Board members of subsidiary undertakings in the Group is treated as a capital contribution in the statement of changes in equity. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts. According to the contractual conditions of the share options there are no social security tax charges when exercising the options after the 3-year period.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the vesting conditions (other than market conditions). It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity. When the options are exercised, the Group issues new shares.

As of 31.12.2022, Nordic Fibreboard AS has no valid option programs.

(Y) SEGMENT REPORTING

Operating segments have been determined and information about operating segments has been disclosed in a manner consistent with preparation of reporting for making management decisions and analysing the results. Segment reporting is in compliance with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of Nordic Fibreboard AS.

Segment results, assets and liabilities include items which are directly related to the segment or can be allocated to it on a reasonable basis.

NOTE 3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISKS

The operations of the Group expose it to several financial risks: credit risk, liquidity risk, fair value risk, capital management risk and market risk (which involves foreign currency exchange risk and interest rate risk of cash flows). The general risk management programme of the Group focuses on unpredictability of the financial market and attempts to minimise any possible negative effects on the financial activities of the Group. The Group's financial instruments include cash for funding operating activities and receivables from debtors and payables to creditors arising in operating activities as well as loans. Management defines risk as a potential deviation from the expected results. The Group's risk management is based on the requirements of the Tallinn Stock Exchange, Financial Supervision Authority and other regulatory bodies as well as compliance with Corporate Governance Recommendations and the Group's internal regulations. Financial assets of the Group in the categories of "Cash and cash equivalents" and "Receivables" and all financial liabilities in the category of "Other financial liabilities" are carried at amortised cost.

The Group has also financial assets in the category financial assets at fair value through profit or loss, carried at fair value through profit or loss statement.

€ thousand	31.12.2022	31.12.2021
Financial assets		
Cash and cash equivalents	2	57
Recievables (Note 5)	**392**	**730**
incl. trade receivables	391	729
incl. other receivables	1	1
Financial assets at fair value through profit or loss (Note 9)	**644**	**644**
Total financial assets	**1,038**	**1,431**
Financial liabilities		
Borrowings (Note 10)	**3,102**	**3,134**
Lease liabilities (Note 10)	**63**	**86**
Payables (Note 11)	**490**	**391**
incl. trade payables	471	367
incl. other payables	19	24
Total financial liabilities	**3,655**	**3,611**

(A) CREDIT RISK

Nordic Fibreboard AS's credit risk is the risk of the inability of its business partners to meet their contractual obligations. The Group's credit risk arises from cash and cash equivalents, deposits in banks and financial institutions as well as receivables exposed to risk.

Cash and cash equivalents

The Group approves banks and financial institutions with the credit ratings of "A" and “B” as its long-term collaboration partners, however, for short period banks without a credit rating are also approved.

€ thousand	31.12.2022	31.12.2021
Credit rating "Aa3"	2	30
Credit rating "Baa2"	0	27
Total	**2**	**57**

The credit rating is derived from the website of Moody's Investor Service.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2021 and 31 December 2022.

Receivables

Pursuant to the Group's credit policy, no security is required from wholesale customers to ensure collection of receivables, but focus is laid on monitoring collection, balances of accounts receivable and compliance with payment terms on a continuous basis. In riskier markets, complete or partial prepayment, credit limits and shorter payment terms are applied.

As at the balance sheet date, the Group was not aware of any major risks related to accounts receivable, which had been deemed as uncollectible, see Notes 5 and 20. The Group monitors the financial position of its current and potential partners and their ability to meet the obligations they have assumed.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2022 or 1 January 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis described above, the loss allowance as at 31 December 2022 and 31 December 2021 was determined immaterial.

Key customers and their share

Key customers are defined as those to whom the sales amount to more than 5% of the Group's revenue. The Group has five external customers whose revenue exceeds the previously pointed condition. Receivable balances from key customers based on overdue days:

thousand €	31.12.2022	31.12.2021
Not due	300	428
Overdue:		
Up to 90 days	7	33
TOTAL	**307**	**461**

See also Note 5 for additional information regarding receivables.

As of 28.02.2023 there were no receivables outstanding from key customers that were outstanding as of 31.12.2022, as of 28.02.2023, there were outstanding receivables as of 31.12.2022 in the amount € 2.5 thousand.

In 2022, there were no doubtful receivables related to customers, in 2021 there were doubtful receivables related to customers in the amount of € 1 thousand (see also Note 5 and Note 20).

(B) LIQUIDITY RISK

Liquidity risk is a potential loss arising from limited or insufficient monetary funds necessary for the meeting of obligations arising from the Group's operations. Management constantly monitors cash flow forecasts, evaluating the existence and availability of the Group's monetary resources to meet the obligations assumed and to fund the Group's strategic goals.

Analysis of financial liabilities by maturity as at 31.12.2022:

	Balance at	Undiscounted cash flows			
thousand €	31.12.2022	Up to 3 months	4-12 months	2-5 years	Total
Borrowings (Note 10)	3,165	103	320	3,142	**3,565**
Trade payables (Note 11)	471	471	0	0	**471**
Other payables (Note 11)	19	19	0	0	**19**
TOTAL	**3,655**	**593**	**320**	**3,142**	**4,055**

Analysis of financial liabilities by maturity as at 31.12.2021:

	Balance at	Undiscounted cash flows			
thousand €	31.12.2021	Up to 3 months	4-12 months	2-5 years	Total
Borrowings (Note 10)	3,220	60	174	3,441	**3,674**
Trade payables (Note 12)	367	367	0	0	**367**
Other payables (Note 12)	24	24	0	0	**24**
TOTAL	**3,611**	**451**	**174**	**3,441**	**4,065**

Interest rates on borrowings are set out in Note 10.

For determining cash flows for interest bearing borrowings which are based on floating interest rate, the spot interest rate in effect at the balance sheet date has been used.

As of 31.12.2022 and 31.12.2021, the Group had a valid overdraft agreement. The Group's working capital position was positive by 911 thousand euros as at the year end 31 December 2022 (positive by 355 thousand as at 31 December 2021).

(C) MARKET RISK

Interest rate risk of cash flows

The interest rate risk of the Group's cash flows is mainly related to long-term debt obligations with a floating interest rate.

The Group is exposed to cash flow risk affected by interest rate changes, as one of the loans has a variable interest rate. The management estimates that the cash flow risk related to changes in interest rates is not material, therefore financial instruments are not used to hedge risks.

The interest rate risk of Nordic Fibreboard AS depends mainly on possible changes in EURIBOR (Euro Interbank Offered Rate), because the one of the Group's loans are tied to 6-month EURIBOR. As at 31.12.2022, 6-month EURIBOR was 2,693% (31.12.2021: 6-month was (0.546) %). The loan from the Rural Development Foundation is concluded with a fixed interest rate, thus bear no interest rate risk. However, our loan from Coop Pank AS does have a floating interest rate, but the management is of the opinion that the floating interest rate will not bear significant impact to Group's cash flows.

The dates for fixing interest rates on the basis of changes in EURIBOR are the 30th day of every month. Six month's EURIBOR is fixed every six months.

As at 31.12.2022, the total carrying amount of the long-term loans were € 2,843 thousand and as at 31.12.2021 € 3,034 thousand. The residual value of the long-term lease obligations as of 31.12.2022 were € 31 thousand (as of 31.12.2021 € 40 thousand).

As of 31.12.2022 Nordic Fibreboard had a valid fixed interest overdraft agreement with a limit of € 200 thousand, of which € 70 thousand has been used as of 31.12.2022 (€ 0 used as of 31.12.2021). Since most of the loan liability is with fixed interest, the interest rate risk is insignificant for the Group.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the Group may incur a significant loss because of fluctuations in foreign currency exchange rates. Group's foreign currency rate exchange risk from export-import transactions is very low because most of the contracts have been concluded in Euro. In the financial year, the Group had no transactions in currencies not directly or indirectly tied to the Euro. All Group companies whose assets and liabilities are located outside Estonia are exposed to changes in the local currency exchange rates, the base currency being EURO.

As the effect of currency risk is marginal, the Group has not acquired any derivative financial instruments to manage the currency risk.

As the Group had no transactions and balances in foreign currencies in 2022 and 2021, no currency position and sensitivity analyses have been prepared as of the balance sheet date.

Price risk

The group's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet as financial assets at fair value through profit or loss. The Group owns Trigon Property Development shares. The shares are publicly traded, with rather small volumes and therefore poor liquidity. The share price has had an average volatility over last 3 years (2020-2022) of 529%. The table below shows potential impact on post tax profit with assumptions of 10%, 25%, 50%, 75% of sensitivity.

thousand €	Fair Value as at 31.12.2022	Impact on after-tax-profit (2022)	Fair Value as at 31.12.2021	Impact on after-tax-profit (2021)
TPD shares				
-current value (Note 9)	644		644	
Impact:				
- change by 10%		64		64
- change by 25%		161		161
- change by 50%		322		322
- change by 75%		483		483

3.2 CAPITAL MANAGEMENT

In capital risk management, the Group's main goal is to ensure the Group's sustainability of operations to generate returns to its shareholders and benefits to other stakeholders, thereby maintaining the optimal capital structure to lower the cost of capital. To preserve or improve the capital structure, the Group can regulate the dividends payable to shareholders, reimburse the paid in capital, issue new shares or sell assets to lower its liabilities. The management monitors capital based on the debt to capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated financial position statement) less cash and cash equivalents. Total capital is calculated as the sum of equity as shown in the consolidated financial position statement and net debt.

thousand €	31.12.2022	31.12.2021
Borrowings (Note 10)	3,165	3,220
Cash and cash equivalents (Note 3)	2	57
Net debt	3,163	3,163
Total equity (Note 13)	5,084	3,850
Total capital	8,247	7,014
Debt to capital ratio	38%	45%

As at 31.12.2022 and 31.12.2021 the Group's equity was in compliance with the requirements of the Commercial Code.

3.3. FAIR VALUE

The Group divides financial instruments into three levels depending on their revaluation:

- Level 1: Financial instruments that are valued using unadjusted price from the stock Exchange or some other active regulated market.
- Level 2: Financial instruments that are evaluated by assessment methods based on monitored inputs. This level includes, for instance, financial instruments that are assessed by using prices of similar instruments in an active regulated market or financial instruments that are re-assessed by using the price on the regulated market, which have low market liquidity.
- Level 3: The valuation of financial assets and liabilities that are accounted as amortised cost is made on level 3.

Trade receivable, trade payable and short-term loans are recorded at amortised cost and since trade receivable, trade payable and short-term loans are short-term, management estimates that their carrying amounts are close to their fair values.

The fair values of long-term loans and borrowings do not significantly differ from their carrying value because the floating interest rates of loans correspond to fluctuation of the interest rates prevailing in the market. The risk margin of loans is dependent on ratio of total debt and EBITDA; therefore, the performance of the company's operations is reflected also in the risk margin.

Taking the previous information into account, the management estimates that the fair values of long-term liabilities do not materially differ from their carrying amounts. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

For financial assets at fair value through profit or loss, (ie Trigon Property Development shares) are carried in the balance sheet at fair value based on the price valid on the Nasdaq Tallinn.

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make accounting estimates. Management also needs to pass judgement regarding the choice of accounting policies and their application.

Management judgements and estimates are reviewed on an ongoing basis and they are based on historical experience and other factors such as forecasts of future events which are considered reasonable under current circumstances.

The areas which require more significant or complex management decisions and estimates, and which have a major effect on the financial statements, include estimation of recoverable value of property, plant and equipment (Note 8) and valuation of the fair value of investment property (Note 7).

IMPAIRMENT TESTING OF NON-CURRENT ASSETS

If there exist any indications that an asset may be impaired, the Group estimates the recoverable amount (higher of the asset's fair value (less costs to sell) and its value in use) of the asset (see also the accounting policy in Section 2 L).

If the cash flows used in the asset value test are uncertain, external experts are used to estimate the value of the fixed assets. The need for external experts became apparent when the machines and equipment at the Püssi factory were evaluated in 2021. The Püssi factory was closed in March 2020 and therefore the projected cash flows of the Püssi factory would have been too vague for a recoverable amount test. The valuation reports of Püssi factory include valuation for machinery and equipment. Machinery and equipment valuation takes into account several inputs such as age and location of the production line, cost of the new line and replacement cost, valuation report was drawn up on 19.04.2021. According to the management, this expert assessment is valid as of 31.12.2022 and therefore no impairment indicators exist.

Pärnu factory is generating strong EBITDA for the Group and therefore no impairment indicators exist at the balance sheet date.

FAIR VALUE OF INVESTMENT PROPERTY

Management determined the fair value of investment properties using valuation results from independent experts. More specifically, information on the fair value measurement of investment properties is disclosed in Note 7.

NOTE 5 RECEIVABLES AND PREPAYMENTS

€ thousand	**31.12.2022**	**31.12.2021**
Trade receivables	391	729
Prepaid taxes	150	151
Prepaid services	17	22
Other receivables	1	1
TOTAL	**559**	**902**

No write-downs of receivables have been made in 2022 or 2021.

ANALYSIS OF TRADE RECEIVABLES BY AGING:

thousand €	**31.12.2022**	**31.12.2021**
Not past due	**373**	**678**
incl receivables from customers who also have receivables past due	236	95
incl receivables from customers who have no receivables past due	137	583
Past due but not impaired	**18**	**51**
Overdue up to 90 days	16	51
Overdue more than 90 days	2	0
TOTAL	**391**	**729**

Of the trade receivables as of 31.12.2022, there were unpaid trade receivables in the amount € 2.5 thousand as of 28.02.2023.

Other current receivables were not overdue as at 31.12.2022 (no overdues also 31.12.2021). The receivables and prepayments are pledged as part of the commercial pledge (Note 10).

NOTE 6 INVENTORIES

€ thousand	**31.12.2022**	**31.12.2021**
Raw materials and other materials	401	303
Work-in-progress	228	41
Finished goods	1,081	32
Goods in transit	0	11
Prepayments to suppliers	2	43
Write-off reserve for inventories	(40)	(40)
TOTAL	**1,672**	**390**

In the year 2022, finished and work-in-progress goods were written off at acquisition cost of € 0.4 thousand (2021: € 1 thousand), no write-off of raw materials was performed in 2022 and in 2021. The inventory write-down reserve did not change in 2022, (in 2021 decreased by € 1 thousand).

The balance of finished and unfinished production as of 31.12.2022 is considerably higher compared to 31.12.2021, because capital maintenance of the Pärnu factory is planned for January 2023, and therefore production will not take place. The inventory is planned to be sold based existing orders in January and February 2023.

Inventory are pledged as part of the commercial pledge (Note 10).

NOTE 7 INVESTMENT PROPERTY

The investment properties consist of the real estate owned by Pärnu Riverside OÜ in Pärnu, Suur-Jõe street 48 and the part of the real estate owned by Nordic Fibreboard Ltd OÜ, Rääma street 31.

	thousand €
Carrying amount 31.12.2020	**1,134**
Capitalized cost	18
Carrying amount 31.12.2021	**1,152**
Capitalized cost	10
Fair value revaluation	697
Carrying amount 31.12.2022	**1,859**

Capitalized cost of investment property in the amount € 10 thousand during 2022 are related to expenses of Suur-Jõe 48, Pärnu detail plan (2021: € 18 thousand, as well as expenses related to the detailed plan of Suur-Jõe 48).

Investment property is measured at fair value. The fair value of property No. 1409705 located at 48 Suur-Jõe Street in Pärnu was reassessed as of 31.12.2022, the revaluation was based on an expert assessment based on the comparison method prepared by an independent assessor on 09.09.2022. When choosing the valuation method, the valuer based on the appraised asset and available market information, and the fact the valuer is aware of the purchase and sale transactions of the appraised analogous assets in competing market areas, the given information was a sufficient basis for using the comparison method.

At the end of 2020, a new expert appraisal was performed on the registered immovable (no. 1409605) at Rääma Street 31 property using a comparison method by an independent valuer, and on the 31.12.2020, the Rääma Street 31 investment property was recognized in the balance sheet at the new fair value. In selecting the valuating method, the valuer has assumed that there have been recent free market transactions and similar market situations in competing regions for similar assets, which was a sufficient basis for using the comparison method. According to the management, the fair value presented in the valuation report of the independent appraiser was also representative as of the balance sheet date of 31.12.2022.

FAIR VALUE OF INVESTMENT PROPERTY BY OBJECTS:

	thousand €
31.12.2020	
Share of registered immovable property at Suur-Jõe 48, Pärnu	959
Share of registered immovable property at Rääma Street 31, Pärnu	175
31.12.2021	
Share of registered immovable property at Suur-Jõe 48, Pärnu	977
Share of registered immovable property at Rääma Street 31, Pärnu	175
31.12.2022	
Share of registered immovable property at Suur-Jõe 48, Pärnu	**1,684**
Share of registered immovable property at Rääma Street 31, Pärnu	**175**

The amount of expenses related to the management of investments properties during the 2022 was € 64 thousand and with reinvoiced utility expenses during the 2021 were € 218 thousand. Rental income from investment properties was € 39 thousand for 2022 and for 2021 was € 254 thousand with resold utilities.

Investment properties are encumbered with mortgages (Note 10).

NOTE 8 PROPERTY PLANT EQUIPMENT, RIGHT-OF-USE ASSETS & INTANGIBLE ASSETS

PROPERTY PLANT EQUIPMENT AND RIGHT-OF-USE ASSETS

thousand €	Land	Buildings and facilities	Machinery and equipment	Other fixtures	Construction-in-progress	Right-of-use asset	TOTAL
Cost at 31.12.2020	**191**	**2,541**	**10,747**	**89**	**31**	**130**	**13,728**
Accumulated depreciation at 31.12.2020	**0**	**(1,701)**	**(7,165)**	**(87)**	**0**	**(81)**	**(9,034)**
Carrying amount at 31.12.2020	**191**	**840**	**3,582**	**3**	**31**	**49**	**4,694**
Additions	0	0	48	0	580	104	**732**
Reclassification	0	15	123	0	(138)	0	**0**
Disposals and write-offs (Note 20)	0	0	(72)	0	0	(120)	**(192)**
Accumulated depreciation of fixed assets written off	0	0	72	0	0	100	**172**
Depreciation (Notes 15;17)	0	(78)	(365)	(1)	0	(47)	**(491)**
Cost at 31.12.2021	**191**	**2,556**	**10,845**	**89**	**473**	**114**	**14,268**
Accumulated depreciation at 31.12.2021	**0**	**(1,779)**	**(7,459)**	**(88)**	**0**	**(28)**	**(9,353)**
Carrying amount at 31.12.2021	**191**	**777**	**3,387**	**1**	**473**	**86**	**4,915**
Additions	0	4	44	0	187	44	**279**
Reclassification	0	0	265	0	(255)	(10)	**0**
Accumulated depreciation of reclassified fixed assets	0	0	(10)	0	0	10	**0**
Disposals and write-offs (Note 20)	(7)	0	(124)	0	0	(29)	**(160)**
Accumulated depreciation of fixed assets written off	0	0	124	0	0	9	**133**
Depreciation (Notes 15;17)	0	(78)	(371)	0	0	(48)	**(497)**
Cost at 31.12.2022	**184**	**2,560**	**11,030**	**89**	**405**	**119**	**14,387**
Accumulated depreciation at 31.12.2022	**0**	**(1,857)**	**(7,716)**	**(88)**	**0**	**(57)**	**(9,717)**
Carrying amount at 31.12.2022	**184**	**703**	**3,314**	**1**	**405**	**62**	**4,670**

In 2022, depreciated and not in use machinery and equipment were written off at measured cost of € 124 thousand and accumulated depreciation of machinery and equipment was written off in the amount of € 124 thousand. One rental lease with a measured cost of € 29 thousand were terminated prematurely, therefore their measured cost of € 29 thousand and accumulated depreciation of € 9 thousand were written off. One rental lease ended, in connection with which the right-of-use was reclassified to the machinery and equipment group at a measured cost of € 10 thousand and accordingly accumulated depreciation in the amount of € 10 thousand. One rental lease for the right-of-use was added at the measured cost of € 44 thousand.

As at 31.12.2022, the cost of fully depreciated property, plant and equipment still in use amounted to € 5.42 million and as at 31.12.2021, the respective amount was € 5.12 million.

Construction-in-progress

As at 31.12.2022 the construction-in-progress included investment in production technology in the amount of € 405 thousand, (31.12.2021: € 473 thousand). During 2022, investments in production technology amounted to € 187 thousand and € 255 thousand was reclassified to the group of machinery and equipment.

INTANGIBLE ASSETS

thousand €	**Computer software**
Cost at 31.12.2020	**77**
Accumulated amortisation at 31.12.2020	**(71)**
Carrying amount 31.12.2020	**6**
Additions 2021	2
Disposals and write-offs (Note 20)	(66)
Accumulated depreciation of fixed assets written off	66
Amortisation charge (Notes 15;17)	(5)
Cost at 31.12.2021	**13**
Accumulated amortisation at 31.12.2021	**(10)**
Carrying amount 31.12.2021	**3**
Amortisation charge (Notes 15;17)	(1)
Cost at 31.12.2022	**13**
Accumulated amortisation at 31.12.2022	**(11)**
Carrying amount 31.12.2022	**2**

Tangible and intangible fixed assets include both movable assets that are pledged and form part of a commercial pledge, as well as real estate used in the Group`s economic activities that is encumbered with mortgages (Note 10).

As at 31.12.2022, the carrying amount of non-current assets pledged as mortgages (investment property, land, buildings and facilities) was € 2.75 million and as at 31.12.2021 € 2.12 million. The remaining non-current assets are part of the commercial pledge; see also Note 10.

NOTE 9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

thousand €	**31.12.2022**	**Change 2022**	**31.12.2021**
Non-current assets			
Listed securities - Equity securities - cost at	338	0	338
Revaluation	306	0	306
Fair value as at	**644**	**0**	**644**

Financial assets at fair value through profit or loss (Trigon Property Development AS shares) have been revaluated to reflect fair value based on last price at 31.2.2022 and 31.12.2021 and as shown on Nasdaq Tallinn.

NOTE 10 BORROWINGS AND FINANCIAL LEASE

INFORMATION REGARDING BORROWINGS AS AT:

thousand €	Interest rate	31.12.2022	31.12.2021
Current borrowings			
Current portion of long-term loan (Coop Bank)	6 month EURIBOR+3.5%	106	100
Current portion of long-term loan (RDF)	Until 30.12.2022 2%, later 4%	83	0
Current portion of long-term lease liabilities	6 month EURIBOR+2.49%	31	46
Bank overdrafts (Coop Pank)	3.5%	70	0
Total		**290**	**146**
Non-current borrowings			
Non-current portion of long-term loan (Coop Pank)	6 month EURIBOR+3.5%	926	1,034
Non-current portion of long-term loan (RDF)	Until 30.12.2022 2%, later 4%	1,917	2,000
Non-current portion of long-term lease liabilities	6 month EURIBOR+2.49%	32	40
Total		**2,875**	**3,074**
Total borrowings		**3,165**	**3,220**

INFORMATION REGARDING MOVEMENT OF BORROWINGS (TABLE SHOWING CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES):

Changes in liabilities arising from financing activities *thousand €*	**31.12.2021**	**Cash flows**	**Non-monetary settlements**	**Interest accrued**	**Interest paid**	**Reclassi fication**	**31.12.2022**
Current portion of long-term loan (Coop Bank)	100	(102)	0	81	(81)	108	106
Current portion of long-term loan (RDF)	0	0	0	0	0	83	83
Current portion of long-term lease liabilities	46	(46)	0	1	(1)	31	31
Bank overdrafts (Coop Pank)	0	70	0	2	(2)	0	70
Non-current portion of long-term loan (Coop Pank)	1,034	0	0	0	0	(108)	926
Non-current portion of long-term loan (RDF)	2,000	0	0	37	(37)	(83)	1,917
Non-current portion of long-term lease liabilities	40	0	23	0	0	(31)	32
Total liabilities from financing activities	**3,220**	**(78)**	**23**	**120**	**(120)**	**0**	**3,165**

Changes in liabilities arising from financing activities *thousand €*	**31.12.2020**	**Cash flows**	**Non-monetary settlements**	**Interest accrued**	**Interest paid**	**Reclassi fication**	**31.12.2021**
Current portion of long-term loan (Swedbank)	717	(717)	0	26	(26)	0	0
Current portion of long-term loan (Coop Bank)	0	(66)	0	49	(49)	166	100
Current portion of long-term lease liabilities	39	(46)	(12)	2	(2)	65	46
Bank overdrafts (Coop Pank)	0	0	0	1	(1)	0	0
Non-current portion of long-term loan (Swedbank)	483	(483)	0	0	0	0	0
Non-current portion of long-term loan (Coop Pank)	0	1,200	0	0	0	(166)	1,034
Non-current portion of long-term loan (RDF)	2,000	0	0	40	(40)	0	2,000
Non-current portion of long-term lease liabilities	10	0	95	0	0	(65)	40
Total liabilities from financing activities	**3,249**	**(112)**	**83**	**118**	**(118)**	**0**	**3,220**

In the second quarter of 2021, Nordic Fibreboard AS and its subsidiary Nordic Fibreboard Ltd entered into loan agreements with Coop Bank for the full refinancing of Swedbank AS Group loan. The interest rate of the loan granted by Coop Bank AS was initially 6M EURIBOR + 4.5% margin per annum, in March 2022 Coop Pank AS lowered the margin to 3.5% per annum. There is also a one-year overdraft agreement with Coop Bank AS entered into in the second quarter of 2022 with a limit of € 200 thousand. The interest rate on the overdraft is 6M EURIBOR + 3.5% margin per annum. As of the end of 2022, the overdraft limit was used in the amount of € 70 thousand.

In 2022, repayments of lease obligations in the amount of € 46 thousand and interest on lease obligations of € 2 thousand were made.

Undiscounted future cash flows of loan payments are provided in section (B) of Clause 3.1 of Note 3. The borrowings of the Group have been secured as follows:

- commercial pledge in the total amount of € 2.0 million;
- mortgages amount of € 2.6 million.
- Rular Development Foundation (RDF) guaranteed Coop Bank loan in the amount of 80% of the outstanding loan amount to Coop Bank AS.

Information regarding financial risks arising from borrowings is disclosed in Note 3. Information regarding the carrying amounts of assets pledged as collateral for bank loans is disclosed in Notes 5, 6, 7 and 8.

thousand €	
In the statement of cash flows:	
Increase of lease liability	44
Early termination of lease liability	(21)
Lease liability repayments	(46)
Loans repayment to Coop Bank	(102)
Change in overdraft payments	70
Total	**(55)**
In the statement of financial position	
Borrowings as at 31.12.2021	3,220
Borrowings as at 31.12.2022	3,165
Change	**(55)**

NOTE 11 PAYABLES AND REPAYMENTS

thousand €	**31.12.2022**	**31.12.2021**
Trade payables	471	367
Payables to employees	145	149
incl. accrued holiday pay reserve	50	46
Tax liabilities	133	137
incl. social security and unemployment insurance	83	87
personal income tax	40	40
contribution to mandatory funded pension	2	2
other taxes	8	8
Prepayments received	246	152
Other payables	19	24
TOTAL	**1,014**	**829**

NOTE 12 PROVISIONS

thousand €	
Balance at 31.12.2020	**179**
incl. current portion of provision	18
incl. non-current portion of provision	161
Movements 2021:	
Use of provision	(25)
Interest cost (Note 21)	7
Increase of reserve	3
Balance at 31.12.2021	**164**
incl. current portion of provision	19
incl. non-current portion of provision	145
Movements 2022:	
Use of provision	(25)
Interest cost (Note 21)	6
Balance at 31.12.2022	**145**
incl. current portion of provision	18
incl. non-current portion of provision	127

Provisions are made in relation to the compensations for loss of working capacity of former employees after work accidents. The total amount of the provision has been estimated considering the number of persons receiving the compensation, extent of their disability, their former level of salary, level of pension payments and estimations of the remaining period of payments.

NOTE 13 EQUITY

	Nominal value	Number of shares	Share capital
	€	pcs	*thousand €*
Balance at 31.12.2022	0.10	4,499,061	450
Balance at 31.12.2021	0.10	4,499,061	450

As of 31.12.2022 the share capital of Nordic Fibreboard AS totalled 449,906.10 euros which consisted of 4,449,061 no par value registered shares with a book value of 0.10 euros per share. Each ordinary share grants its owner one vote in the General Meeting of Shareholders and the right to receive dividends. The minimum share capital outlined in the Articles of Association is 250,000 euros and the maximum share capital is 1,000,000 euros. No dividends were paid to shareholders during 2022 and 2021.

As at 31.12.2022 the Group had 1,130 shareholders of which with more than 5% ownership interest were:

Shareholder	Number of shares (pcs)	Ownership interest (%)
Pärnu Holdings OÜ	2,592,775	57.63
OÜ Kõik või Mittemidagi (previously named Gamma Holding Investment OÜ)	617,291	13.72

As at 31.12.2021 the Group had 1,048 shareholders of which with more than 5% ownership interest were:

Shareholder	Number of shares (pcs)	Ownership interest (%)
Pärnu Holdings OÜ	2,592,775	57.63
Gamma Holding Investment OÜ	605,300	13,45

The number of Nordic Fibreboard AS shares owned by the members of the Management Board and Supervisory Board of Nordic Fibreboard AS as of 31.12.2022 was as follows:

- Joakim Johan Helenius 20,000 shares (31.12.2021: 20,000 shares)
- Trond Brekke 0 shares (31.12.2021: 0 shares)
- Sakari Wallin 0 shares (31.12.2021: 0 shares)
- Torfinn Losvik 0 shares (31.12.2021: 0 shares)

Both Joakim Johan Helenius and Torfinn Losvik have indirect ownership through parent company Pärnu Holdings OÜ. In addition Torfinn Losvik owns shares in Nordic Fibreboard AS directly through Stetind OÜ in the amount of 44,206 shares (2021: 44,206 shares).

NOTE 14 EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated based on the net profit (loss) and the number of shares.

Diluted earnings per share have been calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period, taking into account the number of shares potentially issued. As the Group has no option programs valid from 31.12.2020, the Group does not own any potential shares.

	31.12.2022	31.12.2021
Net profit (-loss) (in thousands of euros)	1,234	1,202
Weighted average number of shares (th pc)	4,499	4,499
Basic earnings per share (in euros)	0.27	0.27
Weighted average number of shares used for calculating the diluted earnings per shares (th pc)	4,499	4,499
Diluted earnings per share (in euros)	0.27	0.27
Book value of share (in euros)	1.13	0.86
Price/earnings ratio (P/E)	5.83	7.30
Last price of the share of Nordic Fibreboard AS on Tallinn Stock Exchange at 31.12.2022 ja 31.12.2021 (in euros)	1.60	1.95

The share of Nordic Fibreboard AS has been listed on Nasdaq Tallinn starting from 25.09.2007.

NOTE 15 COST OF GOODS SOLD

thousand €	2022	2021
Raw materials and main materials	4,056	2,483
Electricity and heat	3,870	2,329
Labour expenses (Note 18)	1,621	1,532
Depreciation (Note 8)	497	497
Change in balances of finished goods and work in progress	(1,225)	269
Other expenses	205	184
TOTAL	**9,024**	**7,294**

NOTE 16 DISTRIBUTION COSTS

thousand €	2022	2021
Transportation expenses	831	837
Labour expenses (Note 18)	186	199
Commission fees	77	107
Marketing expense	1	1
Other expenses	17	24
TOTAL	**1,112**	**1,168**

NOTE 17 ADMINISTRATIVE AND GENERAL EXPENSES

thousand €	2022	2021
Labour expenses (Note 18)	226	220
Purchased services	80	266
Office supplies	51	13
Depreciation (Note 8)	0	1
Other expenses	67	65
TOTAL	**424**	**565**

NOTE 18 LABOUR EXPENSES

thousand €	2022	2021
Wages and salaries (Note 15,16,17,23)	1,533	1,465
Social security and unemployment insurance (Note 15,16,17,23)	496	473
Accrued holiday pay provision (Note 15,16,17,23)	4	13
Fringe benefits paid to employees (Note 15,16,17,23)	12	19
TOTAL	**2,045**	**1,970**

NOTE 19 OTHER OPERATING INCOME

thousand €	2022	2021
Compensation from insurance	33	0
Profit from sale of fixed assets (Note 8)	0	2
Profit from revaluation of real estate investments (Note 7)	697	0
Other operating income	0	3
TOTAL	**730**	**5**

NOTE 20 OTHER OPERATING EXPENSES

thousand €	2022	2021
Reclamations	3	1
Commission	1	8
Membership fees	1	1
Penalties paid	3	5
Loss from sales of fixed assets	1	0
TOTAL	**9**	**15**

NOTE 21 FINANCIAL INCOME AND EXPENSES

thousand €	2022	2021
Financial income:		
Revaluation of TPD shares	0	265
Received dividends	129	0
Total financial income	**129**	**265**
Financial cost:		
Interest expenses	126	122
including interest expenses related to provisions (Note 12)	6	7
Other finance cost	4	0
Total financial cost	**130**	**122**

NOTE 22 OPERATING SEGMENTS

Operating segments have been determined based on the reports reviewed by the Management Board that are used to make strategic decision. The Management Board considers the current business based on the types of products and services as follows:

- Fibreboard manufacturing and sale (Nordic Fibreboard Ltd OÜ) - manufacture general construction boards based on soft wood fibre boards and interior finishing boards in the Pärnu factory and wholesale of those boards.
- Real Estate Management (Pärnu Riverside Development OÜ) – real estate management and development on Suur-Jõe 48, Pärnu.

In 2022, the furniture retail sales in Estonia (Skano Furniture OÜ) has not treated separately since the said subsidiary ceased active operations in the first quarter of 2020, so this segment is no longer important. Skano Furniture OÜ was liquidated on 18.01.2023.

The Management Board assesses the performance of operating segments based on operating profit and EBITDA as a primary measure. As a secondary measure, the Management Board also reviews net revenue. The Group defines EBITDA as profit before net finance costs and tax, depreciation and impairment charges. EBITDA is not a performance measure defined in IFRS. The Group`s definition of EBITDA may not be comparable to similarly titled operating profit measures and disclosures by other entities.

All amounts provided to the Management Board are measured in a manner consistent with that of the financial statements.

SEGMENT INFORMATION FOR OPERATING SEGMENTS 2022:

2022 **thousand €**	**Fibreboard manufacturing and wholesale**	**Real Estate Management**	**Group's general expenses and eliminations**	**SEGMENTS TOTAL**
Revenue from external customers	11,035	39	0	**11,074**
EBITDA	1,092	672	(32)	**1,732**
Amortisation/ depreciation (Note 8)*	497	0	0	**497**
Operating profit/-loss	595	672	(32)	**1,235**
Finance income (Note 21)	129	0	0	**129**
Finance costs (Note 21)	129	0	1	**130**
Net profit/-loss	595	672	(33)	**1,234**
Segment assets	7,934	1,688	(214)	**9,408**
Non-current assets of the segment (Notes 7; 8; 9)*	5,491	1,684	0	**7,175**
Segment liabilities	4,175	36	113	**4,324**
Additions to non-current assets (Note 8)*	279	10	0	**289**

SEGMENT INFORMATION FOR OPERATING SEGMENTS 2021:

2021 *thousand €*	**Fibreboard manufacturing and wholesale**	**Real Estate Management**	**Group's general expenses and eliminations**	**SEGMENTS TOTAL**
Revenue from external customers	9,842	254	0	**10,096**
EBITDA	1,555	15	(13)	**1,557**
Amortisation/ depreciation (Note 8)*	496	0	1	**497**
Operating profit/-loss	1,057	15	(13)	**1,059**
Finance income (Note 21)	265	0	0	**265**
Finance costs (Note 21)	117	0	5	**122**
Net profit/-loss	1,205	15	(18)	**1,202**
Segment assets	7,209	994	(140)	**8,063**
Non-current assets of the segment (Notes 7; 8; 9)*	5,736	977	1	**6,714**
Segment liabilities	4,049	14	150	**4,213**

Additions to non-current assets (Note 8)*	734	18	0	**752**

** Property, plant and equipment of the segment*

Eliminations includes unrealized profits on inter-segment transactions.

BUSINESS SEGMENT SALES BY THE GEOGRAPHICAL LOCATION OF CUSTOMERS:

thousand €	**2022**			**2021**		
	Fibreboard manufacturing and wholesale	**Real Estate Manage-ment**	**SEGMENTS TOTAL**	**Fibreboard manufacturing and wholesale**	**Real Estate Manage-ment**	**SEGMENTS TOTAL**
European Union	10,297	39	**10,336**	8,225	254	**8,478**
Russia	427	0	**427**	1,356	0	**1,356**
Middle East	154	0	**154**	13	0	**13**
Asia	69	0	**69**	147	0	**147**
Africa	0	0	**0**	46	0	**46**
Other	88	0	**88**	55	0	**55**
TOTAL	**11,035**	**39**	**11,074**	**9,842**	**254**	**10,096**

Revenue is generated from sales of own production and goods purchased for resale. Majority of the Group's assets, 100% both in 2022 and 2021, are located in Estonia.

NOTE 23 RELATED PARTIES

The following parties are considered to be related parties:

- Parent company Pärnu Holdings OÜ and owners of the parent company;
- Other entities in the same consolidation group;
- Members of the Management, the Management Board and the Supervisory Board of Nordic Fibreboard AS and their close relatives;
- Entities under the control of the members of the Management Board and Supervisory Board;
- Individuals with significant ownership unless these individuals lack the opportunity to exert significant influence over the business decisions of the Group.

As of 31 December 2022 and 31 December 2021, the largest shareholder of Pärnu Holdings OÜ and the entities with significant influence over the Group are: Joakim Johan Helenius (50%) and Stetind OÜ (50%). The owner of Stetind OÜ is Torfinn Losvik.

Benefits (incl. tax expenses) include payments of parent and subsidiary company Management Board and Supervisory Board fees paid within the period.

thousand €	**2022**	**2021**
Membership fees (Note 18)	200	184
Social tax	67	61
Total	**267**	**245**

In 2022 short term benefits in the amount of € 200 thousand were paid to members of the Management Board of all consolidated group companies (2021: € 184 thousand). The member of the Management Board of Nordic Fibreboard AS will receive severance pay to three months' remuneration according to the contract. No short-term benefits were paid for Supervisory Board members neither during 2022 nor 2021.

Nordic Fibreboard AS has purchased mainly consultation services from related parties. Transactions with related parties are based on market terms.

thousand €	**2022**	**2021**
Purchased services	17	17

Total	**17**	**17**

Balances with related parties as of 31.12.2022 were € 1 thousand and 31.12.2021 were also € 1 thousand from purchased services.

thousand €	**31.12.2022**	**31.12.2021**
Purchased services	1	1
Total	**1**	**1**

NOTE 24 CONTINGENT LIABILITIES

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and upon establishing errors, may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

CONTINGENT INCOME TAX LIABILITY

Due to the nature of the taxation system, the companies registered in Estonia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise. However, according to the decision of the IFRS Interpretation Committee in June 2020, the parent is required to recognize an income tax liability on the profits on the subsidiary unless profits are not planned to be distributed to parent company in the foreseeable future. As the Group does not plan to take dividends from the Nordic Fibreboard Ltd OÜ profits of 2022, the Group also does not plan to take dividends from the profit of Pärnu Riverside Development OÜ in 2022, no deferred tax liability has been recognized for the profits of the subsidiary in the Group’s consolidated financial statements.

The maximum potential income tax liability of Nordic Fibreboard AS would be € 918 thousand. The maximum potential income tax liability is calculated under the assumption that the distributable net dividends and the amount of the income tax expense on dividends cannot exceed the distributable retained earnings as at the balance sheet date.

NOTE 25 EVENTS AFTER BALANCE SHEET DATE

In January and February 2023, major maintenance and repair work was carried out on machines and equipment at the Pärnu factory. Production will not take place at this time, the sale of the product will continue as planned in 2023, as the product to be sold was ready at the end of 2022 according to the orders received.

The Pärnu factory started normal production on 20.02.2023 with three shifts.

The new electricity contract for period commencing 1.1.2023 was terminated at 31.3.2023. This electricity contract was finalised in autumn 2022, at a time when the energy prices were substantially higher than the recent market pricing of electricity. Thus, the contract had a substantial negative effect on the company's profitability during the first quarter of 2023. The new electricity contract, valid from 1.4.2023, is at a price substantially lower than the previous contract.

NOTE 26 SUPPLEMENTARY DISCLOSURES ON THE GROUP'S PARENT

The financial information on the parent is included in the separate primary financial statements (pages 57 to 59), the disclosure of which in the notes to the consolidated financial statements is required by the Estonian Accounting Act. The separate financial statements of the parent have been prepared using the same accounting policies as for the consolidated financial statements, except for measurement of investment in subsidiaries, which are stated at cost (less any impairment losses).

STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY

€ thousand	**31.12.2022**	**31.12.2021**
Receivables and prepayments	21	0
Total current assets	**21**	**0**
Shares in subsidiaries	1,158	1,158
Intangible assets	0	1
Total non-current assets	**1,158**	**1,159**
TOTAL ASSETS	**1,179**	**1,159**
Payables and prepayments	225	153
Short-term provisions	14	16
Total current liabilities	**239**	**169**
Long-term provisions	109	123
Total non-current liabilities	**109**	**123**
Total liabilities	**348**	**292**
Share capital (at nominal value)	450	450
Retained earnings (loss)	381	417
Total equity	**831**	**867**
TOTAL LIABILITIES AND EQUITY	**1,179**	**1,159**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE PARENT COMPANY

€ thousand	**2022**	**2021**
Revenue	**5**	**3**
Includes sales to subsidiares	*5*	*3*
Gross profit	**5**	**3**
Administrative expenses	36	25
Other operating income	0	3
Other operating expenses	0	14
Operating loss	**(31)**	**(33)**
Finance income	1	1
Finance costs	5	5
PROFIT/LOSS BEFORE INCOME TAX	(35)	(37)
NET PROFIT/LOSS FOR THE FINANCIAL YEAR	**(35)**	**(37)**
TOTAL COMPREHENSIVE PROFIT/LOSS FOR THE FINANCIAL YEAR	**(35)**	**(37)**

CASH FLOW STATEMENT OF THE PARENT COMPANY

€ thousand	**2022**	**2021**
Cash flows from operating activities		
Operating profit (loss)	**(31)**	**(33)**
Adjustments:		
Depreciation charge	0	1
Loss on write-off in subsidiary loan	0	14
Profit from closing a subsidiary	(1)	0
Change in trade and other receivables	(0)	(5)
Change in trade and other payables	(9)	(8)
Cash generated from operations	**(41)**	**31**
Net other financial income and expense	(5)	(5)
Net cash generated from operating activities	**(46)**	**(36)**
Cash flows from investing activities		
Interest received	0	1
Disposal of property, plant and equipment and intangible assets	0	3
Loans to related parties	(22)	(28)
Repayment of loans by related parties	1	24
Net cash used in investing activities	**(21)**	**0**
Cash flows from financing activities		
Loans from related parties	67	104
Repayments of loans received from related parties	0	(68)
Net cash (used in)/from financing activities	**67**	**36**
NET CHANGE IN CASH	**0**	**0**
OPENING BALANCE OF CASH	**0**	**0**
CLOSING BALANCE OF CASH	**0**	**0**

STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY

€ thousand	**Share capital**	**Retained earnings**	**Total**
Adjusted unconsolidated equity at 31.12.2020	**450**	**2,198**	**2,648**
Net loss for 2021	*0*	*(36)*	***(36)***
Other comprehensive income for 2021	*0*	*0*	***0***
Total comprehensive loss for 2021	0	(36)	**(36)**
Balance at 31.12.2021	**450**	**416**	**867**
Carrying amount of investment under control and significant influence	0	(1,158)	(1,158)
Value of investment under control and significant influence under equity method	0	4,141	**4,141**
Adjusted unconsolidated equity at 31.12.2021	**450**	**3,400**	**3,850**
Net loss for 2022	*0*	*(35)*	***(35)***
Other comprehensive income for 2022	*0*	*0*	***0***
Total comprehensive loss for 2022	0	(35)	**(35)**
Balance at 31.12.2022	**450**	**381**	**831**
Carrying amount of investment under control and significant influence	0	(1,158)	**(1,158)**
Value of investment under control and significant influence under equity method	0	5,411	**5,411**
Adjusted unconsolidated equity at 31.12.2022	**450**	**4,634**	**5,084**

Adjusted unconsolidated equity is the maximum amount that can be distributed to shareholders according to Estonian legislation.

Independent auditor's report

To the Shareholders of Nordic Fibreboard AS

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nordic Fibreboard AS (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2022, and the Group´s consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 26 April 2023.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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 consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

During the period from 1 January 2022 to 31 December 2022 we have not provided any non-audit services to the Company and its subsidiaries.

Translation note:

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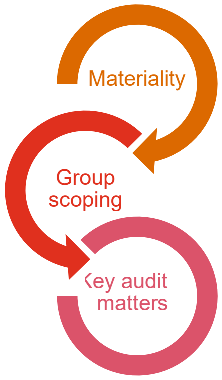
Our audit approach

Overview



- Overall Group audit materiality is EUR 110 thousand, which represents approximately 1% of the Group`s consolidated revenue.
- We performed a full scope audit for the company and its subsidiary Nordic Fibreboard Ltd OÜ and specific audit procedures over material profit or loss and balance sheet items for the other subsidiaries.
- Revenue recognition.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group audit materiality	EUR 110 thousand
How we determined it	Overall Group materiality represents approximately 1% of the Group's consolidated revenue.
Rationale for the materiality benchmark applied	We have applied this benchmark, as in our view total revenue is a key performance indicator that determines the Group's value

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and is monitored by management, investors and other stakeholders.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition *Refer to Note 2 "Summary of significant accounting policies" and Note 22 "Operating segments".* In 2022, the Group recognised net revenue in the amount of EUR 11,074 thousand, which mostly comprises of wholesale revenue from sale of goods. In our view, the vast majority of the Group's revenue transactions are non-complex, with no significant judgment required to be applied in respect of the timing of revenue or amounts recorded. However, revenue is subject to considerable inherent risk due to: • the users' ongoing attention to this financial reporting line item as a performance measure, • its sizeable amount in value terms, • essential associated risks of material misstatement due to both fraud and error. As such, revenue recognition requires significant time and resource to audit due to its magnitude, and is, therefore, considered to be a key audit matter.	We assessed the consistency of the application of the revenue recognition policy by performing following procedures: • We updated our understanding of the revenue accounting policy and evaluated it against the requirements of IFRS. • We updated our understanding of the revenue process and controls and observed key management controls related to recognition and measurement of revenue. • We assessed the opportunity or incentive for management override of controls and tested certain journal entries impacting revenue, which were selected using professional judgement. • We reconciled, on a sample basis, confirmations from customers regarding revenue transactions and outstanding receivables with underlying accounting data. • We reconciled a sample of revenue transactions with receipts of payments and underlying invoices.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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The Group consists of a number of entities that are further disclosed in Note 1 of financial statements. Based on the size and risk characteristics, we performed a full scope audit of the financial information for Nordic Fibreboard AS and Nordic Fibreboard Ltd OÜ.

In addition, specific audit procedures, including analytical procedures, were performed in respect of the other subsidiaries. At the Group level, we audited the consolidation process and performed procedures to assess that the audits of the Group entities and of specified account balances covered all material items in the Group's consolidated financial statements.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises Introduction, Management Report, Corporate Governance Recommendations Report, Remuneration report, Management Board`s confirmations and Revenue of the parent company by EMTAK classificators (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

In accordance with the Securities Market Act of the Republic of Estonia with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information in accordance with the requirements of Article 135^3 (3) of the Securities Market Act of the Republic of Estonia.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements;
- the Management report has been prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia; and
- the Remuneration Report has been prepared in accordance with Article 135^3 (3) of the Securities Market Act of the Republic of Estonia.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group'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 the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 can arise from fraud or error and 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether 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 for one 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged based our agreement by the Management Board of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of Nordic Fibreboard AS for the year ended 31 December 2022 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Management Board of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and those charged with governance

The Management Board of the Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (Estonia) 3000 (revised) “Assurance Engagements other than Audits and Reviews of Historical Financial Information" (ISAE (EE) 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE (EE) 3000 (revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Management (Estonia) 1 (revised) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

Appointment and period of our audit engagement

We were first appointed as auditors of Nordic Fibreboard AS, as a public interest entity, for the financial year ended 31 December 2007. Our appointment has been renewed by tenders and shareholder resolutions in the intermediate years, representing the total period of our uninterrupted engagement appointment for Nordic Fibreboard AS, as a public interest entity, of 16 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of Nordic Fibreboard AS can be extended for up to the financial year ending 31 December 2026.

AS PricewaterhouseCoopers

/signed digitally/	/signed digitally/
Jüri Koltsov Certified auditor in charge, auditor's certificate no. 623	Peep Kivistik Auditor's certificate no. 732

26 April 2023
Tallinn, Estonia

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

This independent auditor's report (translation of the Estonian original) should only be used with the original document submitted in machine-readable .xhtml format that is submitted to the Tallinn Stock Exchange (Link: https://nasdaqbaltic.com/statistics/et/instrument/EE3100092503/reports).

PROPOSAL FOR PROFIT ALLOCATION

The Management Board of AS Nordic Fibreboard proposes to the General Meeting of shareholders to distribute the profit of thefinancial year 2021 as follows:

	thousand €
Retained earning at 31.12.2021	**3,355**
Net profit in 2022	1,234
Distribution:	
To retained earnings	1,234
Retained earnings after profit allocation	**4,589**

/signed digitally/

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Torfinn Losvik

Chairman of the Management Board

SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE 2022 ANNUAL REPORT

The Management Board has prepared the Company's Annual Report for 2022. The Annual Report (pages 1 to 70) consists of the management report, remuneration report, financial statements, auditor's report and proposal for profit allocation. The Supervisory Board has reviewed the Annual Report prepared by the Management Board and approved it for presentation at the General Meeting of Shareholders

Chairman of the Management board	Torfinn Losvik	_____________
26.04.2023		/signed digitally/
Chairman of the Supervisory Board	Joakim Johan Helenius	_____________
Member of the Supervisory Board	Trond Bernhard Brekke	_____________
Member of the Supervisory Board	Sakari Wallin	_____________

REVENUE OF THE PARENT COMPANY BY EMTAK CLASSIFICATORS

€ thousand	**2022**	**2021**
96099 Other services	**5**	**3**