ANNUAL REPORT 2023

NORDIC FIBREBOARD AS

Annual report 2023

(Translation of the Estonian original)

Beginning of the financial year:	1.01.2023
End of the financial year:	31.12.2023
Business name:	Nordic Fibreboard AS
Registry code:	11421437
Legal form of entity:	Public limited liability company
Address:	Rääma 31, Pärnu 80044, 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 sales of fibreboards

CONTENTS

Translation of the company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Tallinn Stock Exchange and digitally signed
(Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100092503/reports)

COMPANY PROFILE

THE GROUP IN BRIEF

Nordic Fibreboard AS is a holding company with subsidiaries Nordic Fibreboard Ltd OÜ, Pärnu Riverside Development OÜ. The main activity of the Nordic Fibreboard AS group is the production and wholesale of building materials in the subsidiary company Nordic Fibreboard Ltd OÜ. A side activity is real estate management at Pärnu Riverside Development OÜ. At the beginning of 2023, Nordic Fibreboard AS also owned a third subsidiary Skano Furniture OÜ, which has not had any economic activity in the last few years and was liquidated on 18.01.2023.

The Group, as of 31.12.2023, 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

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 main 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 have long-term relations with Nordic Fibreboard.

The shares of Nordic Fibreboard AS are listed on the Nasdaq Tallinn Stock Exchange secondary list.

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MANAGEMENT REPORT

OVERVIEW OF OPERATING RESULTS

REVENUE AND OPERATING RESULTS

Consolidated net sales for 2023 were € 7.71 million, which is a decrease of 30% compared to 2022 sales of € 11.07 million. The sales revenue from the production of fibreboard was € 7.66 million in 2023 (2022: € 11.04 million).). The main reason behind the decrease in sales revenue compared to 2022 was termination of deliveries to a major customer in Denmark and along with global economic uncertainty affecting both end-users and industrial-oriented business customers. The sales revenue in 2023 from real estate management was € 47 thousand (2022: € 39 thousand).

The consolidated EBITDA of Nordic Fibreboard AS for 2023 was € 0.58 million (2022: € 1.73 million). EBITDA margin was 8% in 2023, down 8 percentage points from 2022 (2022: 16%). The 2023 EBITDA does not include extraordinary other operating expenses but includes a one-time income of € 404 thousand from the revaluation of the real estate investment in Pärnu Riverside Development OÜ and Nordic Fibreboard Ltd OÜ (In 2022, income from revaluation of real estate investment was 697 thousand euros in Pärnu Riverside Development OÜ). However, the Group's gross margin fell from 23% for full year 2022 to 18% for full year 2023, the main reason for the decline in the gross margin was a significant increase in the prices of the company`s input costs and a decrease in sales volumes.

The consolidated net loss of Nordic Fibreboard AS for 2023 was € 0.68 million (2022: net profit € 1.23 million). The net loss of 2023 included the loss from the revaluation of the shares of Trigon Property Development AS (TPD) owned by Nordic Fibreboard Ltd in the amount of € 153 thousand, the net profit of 2022 included € 129 thousand of dividends from the shares of Trigon Property Development AS.

GROUP`S REVENUE BY ACTIVITY

	€ thousand		*% of net sales*	
	2023	**2022**	**2023**	**2022**
Fibreboards production and sales	7,657	11,035	99%	100%
Real Estate Management	47	39	1%	0%
TOTAL	**7,704**	**11,074**	**100%**	**100%**

GROUP`S REVENUE BY REGIONS

	€ thousand		*% of net sales*	
	2023	**2022**	**2023**	**2022**
European Union	7,021	10,336	91%	93%
Africa	197	0	3%	0%
Middle East	137	154	2%	1%
Asia	114	69	1%	1%
Russia	0	427	0%	4%
Other	235	88	3%	1%
TOTAL	**7,704**	**11,074**	**100%**	**100%**

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PROFIT BY BUSINESS SEGMENTS

€ thousand	2023	2022
EBITDA by business units:		
Fibreboards production and sales	510	1,092
Real Estate Management	113	672
Group transactions	(44)	(32)
TOTAL EBITDA	**579**	**1,732**
Extraordinary other operating expenses	(406)	0
Depreciation	(489)	(497)
TOTAL OPERATING PROFIT/ LOSS	**(316)**	**1,235**
Net financial costs	(366)	(1)
NET PROFIT/ LOSS	**(682)**	**1,234**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND CASH FLOW STATEMENT

As of 31.12.2023 the total assets of Nordic Fibreboard AS were € 8.5 million (31.12.2022: 9.4 million). The liabilities of the company as of 31.12.2023 were € 4.1 million (31.12.2022: € 4.3 million), of which the Group has payables of € 0.5 million as at 31.012.2023 (31.12.2022: € 0.5 million) and borrowings of € 3.2 million as at 31.12.2023 (31.12.2022: also € 3.2 million).

Receivables and prepayments amounted to € 0.5 million as at 31.12.2023 (31.12.2022: € 0.6 million). Inventories were € 0.7 million as of 31.12.2023 (31.12.2022: € 1.7 million). Fixed assets were € 7.2 million as of 31.12.2023 (€ 7.2 million as of 31.12.2022).

During 2023 twelve months, the Group's cash flows from operating activities totalled € 266 thousand (2022 twelve months: € 152 thousand). Cash outflows due to investment activities was € 257 thousand during 2023, mainly consisting of investments into production assets of € 251 thousand and real estate investments of € 6 thousand (2022: cash outflow € 129 thousand). Financing activities also resulted in cash outflows of € 4 thousand during 2023 (2022: cash outflow € 78 thousand). Net cash effect during 2023 cash inflow of € 5 thousand, (2022: cash outflow € 55 thousand).

PERFORMANCE OF BUSINESS UNITS

NORDIC FIBREBOARD LTD: FIBREBOARD PRODUCTION AND SALES

Nordic Fibreboard Ltd OÜ sales for 2023 were € 7.66 million, which is a 31% decrease compared to the previous year (2022: € 11.04 million). The main reason for the decrease in sales revenue in 2023 compared to 2022 was termination of deliveries to a major customer in Denmark, leading to a 63% decrease in sales to Denmark compared to 2022. Sales to Finland decreased by 2% in 2023 compared to 2022, but at the same time, there was a noticeable 9% increase in sales revenue to other European Union countries, and sales to African clients began to recover.

The EBITDA of Nordic Fibreboard Ltd OÜ was € 0.51 million in 2023 (2022: € 1.09 million), the main reason for the decrease in EBITDA was the increase in input costs and the decrease in production volume, which in turn proportionally increased the cost of production. The net loss in 2023 was € 0.72 million (2022: net profit € 0.60 million).

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

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FIBREBOARD SALES BY GEOGRAPHICAL SEGMENTS

	€ thousand		% of net sales	
	2023	**2022**	**2023**	**2022**
European Union	6,974	10,297	91%	93%
Africa	197	0	3%	0%
Middle East	137	154	2%	1%
Asia	114	69	1%	1%
Russia	0	427	0%	4%
Other	235	88	3%	1%
Total	**7,657**	**11,035**	**100%**	**100%**

PÄRNU RIVERSIDE DEVELOPMENT: REAL ESTATE MANAGEMENT

Rental income was € 47 thousand in 2023 (2022 € 39 thousand). All sales revenue for 2023 and 2022 are within Estonia. The company's expenses consist of operating costs and expenses related to detailed planning.

EBITDA in 2023 was € 113 thousand and net profit was € 110 thousand (in 2022 both EBITDA and net profit was € 672 thousand). The impact of such a large change in EBITDA and net profit is due to the fair value revaluation of the real estate investment object located at Suur-Jõe Street 48 in Pärnu, in 2023 income from the fair value revaluation was € 142 thousand, in 2022 € 697 thousand. The revaluation on property was based on comparable property transactions.

FORECAST AND DEVELOPMENT

BUSINESS ENVIRONMENT 2023

In 2023, the economic environment remained volatile and uncertain, primarily affected by rising base interest rates, rapid inflation growth, and geopolitical threats. The construction materials market was no exception, experiencing significant impact from the overall economic environment, which in turn influenced customer purchasing behaviour and decisions. The December 2023 forecast by the Central-Bank of Estonia predicted a -3.5% economic decline for 2023, with the main reasons being the poor state of Estonia's export markets and diminished competitiveness. People's uncertainty about the future and the resulting increased savings and cost-cutting measures have limited companies' sales opportunities in the domestic market. The rise in production costs and the disruption of several supply chains due to war have also played a significant role, leading to the decline of various business models. Uncertain conditions and higher interest rates have also not favored the addition of new investments.

As a company, we experienced a continued decline in demand throughout the year. Both exports and domestic consumption declined, which required quick response and sales efforts to find new customers and markets. As the crisis also affected other European countries, there was a noticeable slowdown, making it challenging to find new markets and clients. Order portfolios in both domestic and foreign markets were sparse and unstable, and in the wood industry, in addition to a decline in turnover, sales prices were also predicted to decline, as demand was low. Insufficient demand has been the main obstacle to increasing production volumes in all industries. Declining volumes and turnover affected the planned investment decisions.

NORDIC FIBREBOARD LTD

Overall demand in the building materials market is modest and the short-term outlook remains uncertain, but we are moving into 2024 with moderately positive expectations. There are signs of renewed interest from customers in the markets, and the company has reached some agreements with new clients, providing hope for some recovery in sales volumes.

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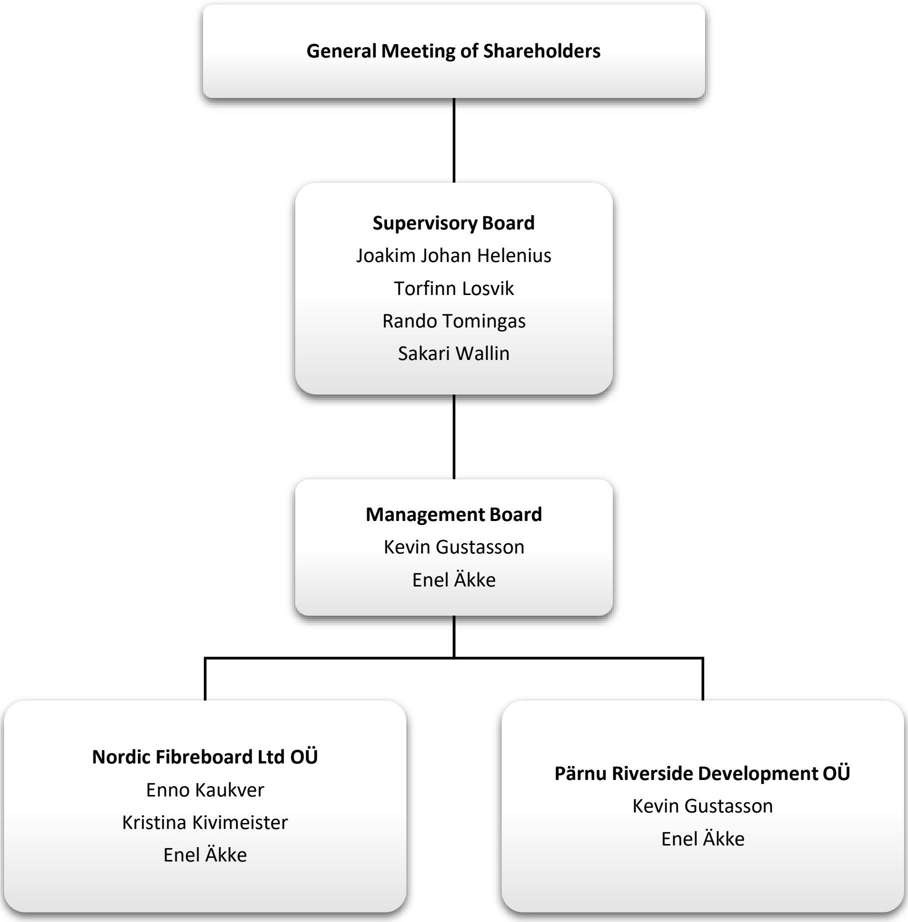
Currently, the company's primary focus is on finding new customers, aiming to expand the client portfolio and balance the decreased export and domestic sales turnover. At the same time, the company continues to actively invest in product development to ensure its sustainability and growth in the market. Several important product development projects are underway, which would expand the product range and increase the field of use of our product, thereby enabling the growth of the customer portfolio.

PÄRNU RIVERSIDE DEVELOPMENT

We will continue to manage and develop the property on Suur-Jõe Street 48, Pärnu. A detail plan for the property has been completed, with the intention of converting the property into a residential property.

ELECTION AND POWERS OF MANAGEMENT BODIES AND PERSONNEL

The management bodies of Nordic Fibreboard AS as of 31.12.2023:



THE GENERAL MEETING 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.

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The General Meeting of Nordic Fibreboard AS for 2024 will be held on 11 June 2024 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 up to 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 four 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 Torfinn Losvik, Rando Tomingas and Sakari Wallin.

INFORMATION ABOUT MEMBERS OF THE SUPERVISORY BOARD

Joakim Johan Helenius (re-lected into office until 09.10.2028), 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. Joakim Helenius is the owner and chairman of the board of AS Trigon Capital, and the owner and chairman of the council of companies such as AS Trigon Property Development, Trigon Carbon Negative Agriculture OÜ, AS Väätsa Agro and Fenestra AS. As of 31.12.2023, Joakim Johan Helenius owns 20 000 Nordic Fibreboard shares. In addition, he owns 100% of NFB Pärnu Holdings OÜ, which owns 38.9% of the shares of Nordic Fibreboard AS, and 50% of Pärnu Holding OÜ, which owns 18.73% of the shares of Nordic Fibreboard AS.

Sakari Wallin (re-elected into office until 26.07.2028), 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 shares in Nordic Fibreboard AS.

Rando Tomingas (elected into office until 27.06.2028), member of the Supervisory Board since 2023. Rando Tomingas has obtained his Bachelor´s and Master´s degree (cum laude) in finance from Tallinn University of Technology and has worked in the Trigon Capital group since 2014. Rando Tomingas does not own any shares of Nordic Fibreboard AS but Triangel Kapital OÜ, a company 100% owned by Rando Tomingas, owns 36,762 Nordic Fibreboard AS shares.

Torfinn Losvik (elected into office until 22.11.2028), member of the Supervisory Board since 2023. Before being elected to the member of the Supervisory Board, Torfinn Losvik was a Chairman of the Board of Nordic Fibreboard AS in 2017-2023. Torfinn Losvik is a Norwegian citizen, active in the Estonian business scene since 1998. Torfinn has extensive management experience in production-related companies, having been CEO at Marat AS (2003-2014) and Finnwear OY (1998-2002) and Chairman of the Board at Particia Group OY (since 2002). In addition, he has approximately ten years of experience in investment banking. Torfinn Losvik does not own any shares of Nordic Fibreboard AS but Stetind OÜ, a company 100% owned by Torfinn Losvik, owns 44,206 Nordic Fibreboard AS shares, and he owns 50% of Pärnu Holdings OÜ, which owns 18.73% of Nordic Fibreboard AS shares.

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.

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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, the Management Board of Nordic Fibreboard AS has two member, Kevin Gustasson and Enel Äkke. After the balance sheet date of 31.12.2023, a third member was added to the Management Board of Nordic Fibreboard AS, and from 03.04.2024 the board members of Nordic Fibreboard AS are Kevin Gustasson, Enel Äkke and Kristjan Erm.

PERSONNEL

In 2023, the average number of employees in the Group was 68 (2022: the average number of employees was 88). At the end of the financial year, the Group employed 67 employees of which 48 workers and 19 specialists and executives (2022: number of employees was 74, of which 54 workers and 20 specialists and executives). The average age of the Group’s employees was 53 years (2022: 51).

In 2023, employee wages and salaries with all applicable taxes totalled € 1.6 million (2022: € 2.1 million). In 2023, payments made to management and supervisory board members of all group companies including all subsidiaries with relevant taxes were € 274 thousand (€ 267 thousand in 2022).

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 Kristi Aarmaa and Kairi Ratas.

ELECTION OF AUDITOR

The company prioritized a balance between the price and quality of audit services, as well as professionalism, when selecting an auditor. In 2023, a competition was held to choose the auditor, and as a result, AS PricewaterhouseCoopers was selected. This decision was confirmed at the company's regular shareholders' meeting on May 22, 2023, where AS PricewaterhouseCoopers was appointed as the company's auditor, and an annual contract was signed with them for auditing the financial year 2023.

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.

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FINANCIAL HIGHLIGHTS

€ thousand

Income statement	**12M 2023**	**12M 2022**
Revenue	7,704	11,074
EBITDA	579	1,732
EBITDA margin	8%	16%
Operating profit	(316)	1,235
Operating margin	(4%)	11%
Net profit	(682)	1,234
Net margin	(9%)	11%

Statement of financial position	**31.12.2023**	**31.12.2022**
Total assets	8,505	9,408
Return on assets	(8%)	13%
Equity	4,402	5,084
Return on equity	(16%)	24%
Debt-to-equity ratio	48%	46%

Share	**31.12.2023**	**31.12.2022**
Last Price (€)*	0.90	1.60
Earnings per share (€)	(0.15)	0.27
Price-earnings ratio	(5.93)	5.83
Book value of a share (€)	0.98	1.13
Market to book ratio	0.92	1.42
Market capitalization, € thousand	4,049	7,198
Number of shares, piece	4,499,061	4,499,061

EBITDA = Earnings before interest, taxes, depreciation, extraordinary other operating expenses 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/

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SHARE

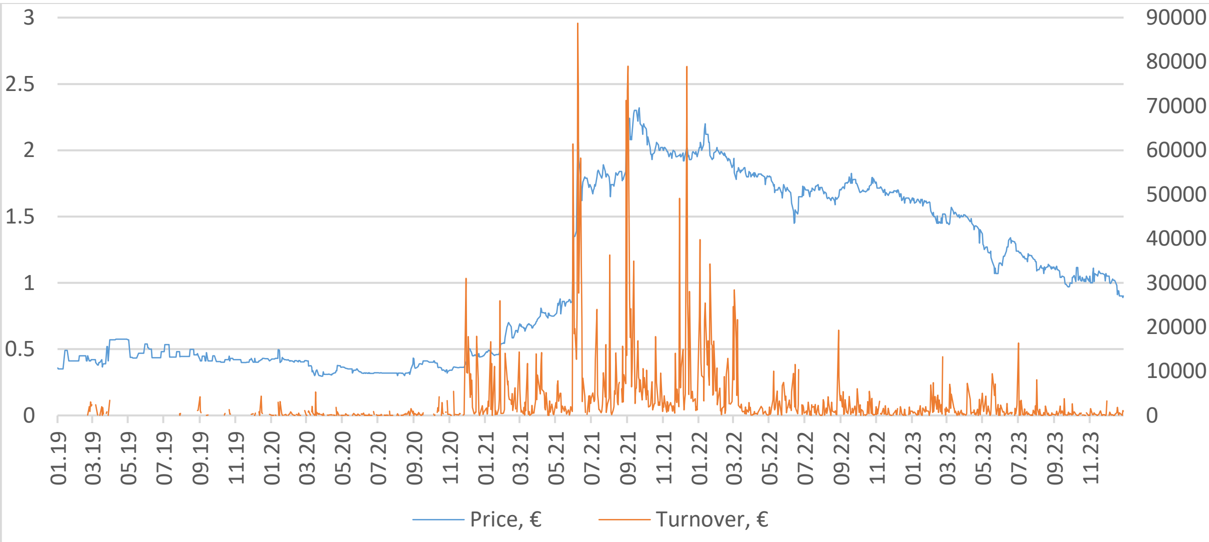
SHARE

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

€	2023	2022	2021	2020	2019
Opening price €	1.61	1.98	0.45	0.41	0.36
Highest price €	1.65	2.24	2.42	0.51	0.58
Lowest price €	0.80	1.45	0.43	0.3	0.35
Last Price	0.90	1.60	1.95	0.45	0.41
Turnover, thousand shares	231	470	1,477	524	175
Turnover, thousand €	289	870	2,042	208	75
Market cap, mllion	4.05	7.20	8.77	2.02	1.84

The following graph show the movements of Nordic Fibreboard AS share price and turnovers for the years 2019 to 2023.



SHAREHOLDERS

SHARE CAPITAL BY THE NUMBER OF SHARES AS OF 31.12.2023:

	Number of shareholders	% from shareholders	Number of shares	% from share capital
1 – 99	588	53.31%	13,201	0.29%
100 – 999	354	32.09%	108,195	2.40%
1 000 - 9 999	134	12.15%	349,008	7.76%
10 000 - 99 999	23	2.09%	633,583	14.08%
100 000 - 999 999	3	0.27%	1,644,939	36.57%
1 000 000 - 9 999 999	1	0.09%	1,750,135	38.90%
TOTAL	**1,103**	**100.00%**	**4 499 061**	**100.00%**

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SHARE CAPITAL GEOGRAPHICALLY AS OF 31.12.2023:

	Number of shareholders	% from shareholders	Number of shares	% from share capital
Estonia	1,067	96.74%	4,275,641	95.04%
Finland	12	1.09%	28,465	0.63%
Latvia	7	0.63%	95,147	2.12%
Lithuania	5	0.45%	43,861	0.97%
Germany	4	0.36%	43,841	0.97%
Other	8	0.73%	12,106	0.27%
TOTAL	**1,103**	**100.00%**	**4,499,061**	**100.00%**

SHARE CAPITAL BY THE TYPE OF THE OWNERS AS OF 31.12.2023:

	Number of shareholders	% from shareholders	Number of shares	% from share capital
Private individuals	1,038	94.11%	948,900	21.09%
Institutional investors	65	5.89%	3,550,161	78.91%
TOTAL	**1,103**	**100.00%**	**4,499,061**	**100.00%**

LIST OF THE SHAREHOLDERS WITH THE OWNERSHIP MORE THAN 1% AS OF 31.12.2023:

Shareholder	Number of shares	Shareholding %
NFB Pärnu Holdings OÜ	1,750,135	38.90%
Pärnu Holdings OÜ	842,640	18.73%
OÜ Kõik või Mittemidagi	646,399	14.37%
Madis Talgre	155,900	3.47%
REGO PURIN	57,014	1.27%
Olegs Radcenko	52,992	1.19%
TOIVO KULDMÄE	49,231	1.09%

Direct ownership of the members of the Management and Supervisory Boards as at 31.12.2023:

- Joakim Johan Helenius – 20,000 shares, i.e. 0.4%
- Rando Tomingas – does not hold any shares
- Sakari Wallin – does not hold any shares
- Torfinn Losvik – does not hold any shares
- Enel Äkke – does not hold any shares
- Kevin Gustasson – does not hold any shares

Joakim Johan Helenius owns 100% of NFB Pärnu Holdings OÜ, which owns 38.9% of the shares of Nordic Fibreboard AS, and 50% of Pärnu Holding OÜ, which owns 18.73% of the shares of Nordic Fibreboard AS. Torfinn Losvik owns 50% of Pärnu Holdings OÜ, which owns 18.73% of Nordic Fibreboard AS shares and addition owns shares through Stetind OÜ in the amount of 44,206 shares (2022: 44,206 shares). Rando Tomingas owns shares through Triangel Kapital OÜ in the amount of 36,762 shares (2022: 36,762 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 dividend shall be determined by a resolution of the general meeting. Dividends or advances are distributed proportionally among the

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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 increases when the interest rate increases. At 31.12.2023 six months' EURIBOR rate was 3.861% and at 31.12.2022 2.693%. The loan from the Rural Development Foundation is concluded with a fixed interest rate, thus bear no interest rate risk. However, the Company 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 Company'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 eurozone. Nordic Fibreboard AS has a cash flow risk arising from the interest rate risk, as part of the loans have a floating interest rate. Management believes that the cash flow risk is not significant, therefore no hedging instruments are used.

CURRENCY 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 euros. Raw materials for production purchased mainly in euros.

RISK OF THE ECONOMIC ENVIRONMENT

The risks of the Group's economic environment depend to a significant extent on events in the construction-renovation and industrial sectors. Additionally, macroeconomic factors such as fluctuations in interest rates, global economic downturns, and geopolitical tensions impact consumption and export reduction, which in turn reflects in low production volumes and sales revenue. The rise in input prices can increase production costs, making products less affordable or forcing companies to raise prices, thereby potentially reducing demand. Changes resulting from government policies, such as changes in tax policy, regulations or trade policy, can affect the operating environment of companies.

In recent years, the aggression of Russia against Ukraine has had a particularly significant impact, affecting the global economy extensively, especially in Europe. This has caused fluctuations in raw materials prices, disruptions in supply chains, and an increase in interest rates. Currently, uncertainty continues regarding the prospect of higher interest rates, which will have a significant impact on end consumers as well as the construction-renovation and industrial sectors and the global economic environment as a whole, and makes it difficult to prepare future economic forecasts.

Management is aware of these risks and implement strategies to mitigate and adapt to them, ensuring sustainability and resilience in changing economic conditions.

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

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loans do not materially differ from their carrying amounts because their interest rates correspond to the interest rate risks prevailing on the market. The fair values of investment property do not materially differ from their carrying amounts.

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.

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. The FSC Certificate is valid to 13th of January 2026.

From 27th of November 2018 Nordic Fibreboard Ltd OÜ was assessed and certified as meeting the requirements of PEFC standard. The Certificate was valid until 26th of November 2023, since there was no demand for PEFC certified products when the certificate expired, it was decided not to extend the certificate.

WATER USAGE AND WASTEWATER DISCHARGE

thousands of m³	2023	2022	Change %
Water usage:	45.0	88.2	(49%)
groundwater (own bore wells)	14.5	26.9	(46%)
surface water	30.5	61.3	(50%)
Water discharge:	33.9	63.3	(46%)
conditionally clean wastewater	8.1	11.4	(29%)
wastewater	25.8	51.9	(50%)
Water loss	11.1	24.9	(55%)

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€ thousand	**2023**	**2022**	**Change %**
Water usage:	2.1	4.5	(53%)
groundwater (own bore wells)	1.2	2.7	(56%)
surface water	0.9	1.8	(50%)
Water discharge:	47.8	104.4	(54%)
wastewater	47.8	104.4	(54%)
Total expenses	**49.9**	**108.9**	**(54%)**

MAIN POLLUTANTS

tons	**2023**	**2022**	**Change %**
Volatile organic components	3.8	8.2	(54%)
Organic dust	24.6	50.3	(51%)
Total	**28.3**	**58.5**	**(52%)**

WASTE HANDLING

€thousand	**2023**	**2022**	**Change %**
Handling of non-hazardous waste	16.0	31.1	(49%)
Total expenses	**16.0**	**31.1**	**(49%)**

€thousand	**2023**	**2022**	**Change %**
Sales of metal waste	4.5	4.5	0%
Total conditionl income	**4.5**	**4.5**	**0%**

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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. Supervisory Board member candidates who have not formerly been a Supervisory Board member and candidates for auditor shall participate in the General Meeting.

The attendance of the above persons depends on the matters to be decided at the meeting. The General Meeting of Shareholders held on 22th of May 2023 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 31.12.2022 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. 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.

The Issuer does not make it possible to follow a general meeting by means of communication equipment, as all shareholders can vote electronically on items on the agenda.

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 2023 annual report of Nordic Fibreboard AS.

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 6.2.1 Together with Notice Calling the General Meeting the Supervisory Board shall make available to shareholders information on a candidate for auditor, including information on their business connections specified below. 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.

At the annual regular general meeting of shareholders, the auditor for the next financial year is confirmed. When selecting the auditor, the company considers the significant balance between the price and quality of audit services, as well as professionalism. The auditor is remunerated according to the contract signed. If the council wishes to continue cooperation with the auditor, it expresses satisfaction with the current auditor's work, without separately assessing the auditor's performance.

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 members of the board of AS Nordic Fibreboard according to the remuneration principles for the 2023 financial year.

In the context of the Estonian Securities Market Act, as of 31.12.2023, the Heads of Nordic Fibreboard are Members of the Management Board Enel Äkke and Kevin Gustasson, whose duties and remuneration are further specified in the employment contract concluded with them, in which the Chairman of the Supervisory Board represented the Group. The Members of the Management Board are not remunerated on the basis of the employment contracts of the board, but the remuneration of the Members of the Management Board is determined in the employment contract concluded with them.

Remuneration of members of the Executive Board

thousand €	**2019**	**2020**	**2021**	**2022**	**2023**
Torfinn Losvik (until November 2023)					
Total remuneration	56	72	72	72	61
Incl. basic remuneration	*56*	*72*	*72*	*72*	*61*
Incl. performance pay	*0*	*0*	*0*	*0*	*0*
Kevin Gustasson (from June 2023)					
Total remuneration	-	-	-	-	31
Incl. basic remuneration	-	-	-	-	*28*
Incl. performance pay	-	-	-	-	*3*
Enel Äkke (from October 2023)					
Total remuneration	-	-	-	-	11
Incl. basic remuneration	-	-	-	-	*11*
Incl. performance pay	-	-	-	-	*0*

Under the terms of the contract of the Member of the Management, Torfinn Losvik has been paid monthly base remuneration of € 6 thousand per month and annual remuneration until the end of contract of the Member of the Management of € 61 thousand in total in 2023. According to the Employment contract, Kevin Gustasson has been paid a basic monthly salary of € 4 thousand per month in 2023, which, since he became a Member of the Management Board, amounted to a total annual fee of € 28 thousand and performance fees for sales development in 2023 totaling € 3 thousand. According to the Employment contract, since becoming a member of the board, Enel Äkke has been paid a monthly basic salary of € 4 thousand per month in 2023, which, since she became a Member of the Management Board, amounted to a total annual fee of € 11 thousand.

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

	2019	**2020**	**2021**	**2022**	**2023**
Net profit grow	(56.9%)	176.8%	11.9%	2.7%	(155.3%)
Increase in managers reuneration	(23.6%)	28.9%	0.0%	0.0%	42.7%
Increase in the average remuneration of full-time employees	34.0%	(6.0%)	9.0%	10.1%	(0.1%)

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COMPATIBILITY OF REMUNERATION WITH THE REMUNERATION PRINCIPLES

The basic remuneration of a managers is determined on the basic remuneration would be sufficiently motivating for the managers 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.

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DECLARATION OF THE MANAGEMENT BOARD

The Management Board has prepared the management report and the consolidated financial statements of Nordic Fibreboard AS for the financial year ended 31 December 2023.

The Management Board confirms that the management report, corporate governance recommendations report and remuneration report on pages 4-19 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 21-56 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/

Enel Äkke

Member of the Management Board

/signed digitally/

Kevin Gustasson

Member of the Management Board

/signed digitally/

Kristjan Erm

Member of the Management Board

Pärnu, April 26, 2024

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

€ thousand	**31.12.2023**	**31.12.2022**
Cash and cash equivalents	7	2
Receivables and prepayments (Note 5)	534	559
Inventories (Note 6)	728	1,672
Total current assets	**1,269**	**2,233**
Investment property (Note 7)	2,269	1,859
Financial assets at fair value through profit or loss (Note 9)	491	644
Property, plant and equipment (Note 8)	4,475	4,670
Intangible assets (Note 8)	1	2
Total non-current assets	**7,236**	**7,175**
TOTAL ASSETS	**8,505**	**9,408**
Borrowings (Notes 10)	556	290
Payables and prepayments (Notes 11)	756	1,014
Short-term provisions (Note 12)	21	18
Total current liabilities	**1,333**	**1,322**
Long-term borrowings (Notes 10)	2,659	2,875
Long-term provisions (Note 12)	111	127
Total non-current liabilities	**2,770**	**3,002**
Total liabilities	**4,103**	**4,324**
Share capital (at nominal value) (Note 13)	450	450
Statutory reserve capital	45	45
Retained earnings	3,907	4,589
Total equity	**4,402**	**5,084**
TOTAL LIABILITIES AND EQUITY	**8,505**	**9,408**

*The notes to the financial statements presented on pages 25 to 56 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

€ thousand	**2023**	**2022**
Revenue (Note 22)	**7,704**	**11,074**
Cost of goods sold (Note 15)	6,810	9,024
Gross profit	**894**	**2,050**
Distribution costs (Note 16)	673	1,112
Administrative expenses (Note 17)	514	424
Other operating income (Note 19)	404	730
Other operating expenses (Note 20)	427	9
Operating profit (loss)	**(316)**	**1,235**
Finance income (Note 21)	0	129
Finance costs (Note 21)	366	130
Profit (loss) before income tax	(682)	1,234
NET PROFIT (LOSS) FOR THE FINANCIAL YEAR	**(682)**	**1,234**
Basic earnings per share (Note 14)	(0.15)	0.27
Diluted earnings per share (Note 14)	(0.15)	0.27

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CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand	2023	2022
Cash flows from operating activities		
Operating profit (loss)	**(316)**	**1,235**
Adjustments:		
Depreciation charge (Note 8)	489	498
Profit from revaluation of real estate investment (Note 7)	(404)	(697)
Loss from sale of non-current assets (Note 19)	0	1
Change in trade and other receivables (Note 5)	25	343
Change in inventories (Note 6)	944	(1,282)
Change in trade and other payables (Note 11)	(258)	185
Cash generated from operations	**480**	**283**
Interest payments (Note 21)	(181)	(120)
Net other financial income and expense (Note 21)	(33)	(11)
Net cash generated from operating activities	**266**	**152**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets (Note 8)	(251)	(254)
Disposal of property, plant and equipment and intangible assets (Note 8)	0	6
Purchase of real estate investment (Note 7)	(6)	(10)
Received dividends	0	129
Net cash used in investing activities	**(257)**	**(129)**
Cash flows from financing activities		
Repayment of loans received (Note 10)	(408)	(102)
Loans received from related parties (Note 10)	200	0
Finance lease payments (Note 10)	(50)	(46)
Change in overdraft (Note 10)	254	70
Net cash (used in)/from financing activities	**(4)**	**(78)**
NET CHANGE IN CASH	**5**	**(55)**
OPENING BALANCE OF CASH	**2**	**57**
CLOSING BALANCE OF CASH	**7**	**2**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	**Share capital**	**Statutory reserve capital**	**Retained earnings**	**Total**
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**
Net loss for 2023	*0*	*0*	*(682)*	***(682)***
Total comprehensive income for 2023	0	0	(682)	**(682)**
Balance at 31.12.2023	**450**	**45**	**3,907**	**4,402**

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CONSOLIDATED NOTES TO THE CONSOLIDATED INTERIM REPORT

NOTE 1 GENERAL INFORMATION

Nordic Fibreboard AS (hereinafter the Company), registration number: 11421437; address: Rääma 31, Pärnu, is an entity registered in the Republic of Estonia, whose activities take place in Estonia. At the beginning of 2023, Nordic Fibreboard AS also owned a third subsidiary Skano Furniture OÜ, which has not had any economic activity in the last few years and was liquidated on 18.01.2023.

The consolidated financial statements prepared for the financial year ended 31 December 2023 include the financial information of the Company and its 100% subsidiaries (together referred to as the Group):

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

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 NFB Pärnu Holdings OÜ (owning 38.9%), whose sole owner as of 31 December 2023 is Joakim Johan Helenius. As of 31 December 2022 the largest shareholder of the Group was Pärnu Holdings OÜ (owning 57.63%) and its largest owners as of 31 December 2022 were OÜ Stetind (50%) and Joakim Johan Helenius (50%).

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, 2024. 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 2023 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

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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 2023:

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 management of the Group has reviewed the accounting principles and disclosed important accounting principles to the group.

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

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2023).

The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

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

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 01.01.2023 have nosignificant impact to 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 01.01.2024, and which the Group has not early adopted.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024; not yet adopted by the EU).

The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

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

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024; not yet adopted by the EU).

In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.

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

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. SIGNIFICANT ACCOUNTING POLICIES

(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) 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.

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.

(C) 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.

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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.

As at 1 January 2023 and 31 December 2023, 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.

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(D) 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 recognized at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest method, less expected credit losses.

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortized 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 the Company 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 Company uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

Trade receivables are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event.

(E) INVENTORIES

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

(F) 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".

(G) 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.

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%

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- information technology equipment 30 – 50%
- land is not depreciated

(H) 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.

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.

(I) LEASES

The Group leases and records machines and equipment used in economic activities as right-of-use assets. The contracts do not contain significant renewal and termination options. Short-term leases with a lease period of less than 12 months and low-value assets are not recognized as right-of-use assets, and their lease payments are recognized as an expense in the income statement under the other expenses. Low-value assets include IT equipment and smaller items of office furniture.

(J) 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.

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(K) 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. Provisions are recorded in the separate statement of financial position as current and non-current liabilities in the line item provisions. More detailed information on provisions is disclosed in note 12.

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.

(L) 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 K).

(M) 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

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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 Pärnu Riverside Development OÜ in 2023, as the profit is obtained from the revaluation of the fair value of the real estate investment and Nordic Fibreboard Ltd OÜ had a loss in 2023 and there is also a loss from previous years, then no deferred tax liability has been recognized for the profits of the subsidiary 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 31.12.2023 and 31.12.2022, 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.

(N) 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 significant element of financing is deemed present as the sales are made with a credit term of 15-90 days, which is consistent with market practice. In rare cases a prepayment is received, but the period between the prepayment and the delivery of goods to the customer is less than 12 months.

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.

(O) 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.

(P) 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.

(Q) 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.

(R) 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.

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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. All financial assets of the Group in the categories of "Cash and cash equivalents" and "Receivables" and all financial liabilities in the categories "Loan obligations" and "Liabilities" are recorded at adjusted acquisition 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	**31.12.2023**	**31.12.2022**
Financial assets		
Cash and cash equivalents	7	2
Recievables (Note 5)	**450**	**392**
incl. trade receivables	*443*	*391*
incl. other receivables	*7*	*1*
Financial assets at fair value through profit or loss (Note 9)	**491**	**644**
Total financial assets	**948**	**1,038**
Financial liabilities		
Borrowings (Note 10)	**3,147**	**3,102**
Financial lease (Note 10)	**69**	**63**
Payables (Note 11)	**523**	**490**
incl. trade payables	*500*	*471*
incl. other payables	*23*	*19*
Total financial liabilities	**3,738**	**3,655**

(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. The Group has current accounts in two banks, in the table below the bank account balances are divided according to the ratings of the banks as follows:

€ thousand	**31.12.2023**	**31.12.2022**
Credit rating "Aa3"	7	2
Total	**7**	**2**

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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 2022 and 31 December 2023.

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 2023 or 1 January 2023 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 2023 and 31 December 2022 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 six external customers whose revenue exceeds the previously pointed condition. Receivable balances from key customers based on overdue days:

thousand €	**31.12.2023**	**31.12.2022**
Not due	193	300
Overdue:		
Up to 90 days	0	7
TOTAL	**193**	**307**

See also Note 5 for additional information regarding receivables.

As of 31.12.2023, all receivables from large customers had been received as of 31.03.2024. Invoices not received from buyers as of 31.12.2023 had all been received as of 31.03.2024.

In 2023 and 2022, there were no doubtful receivables related to customers.

(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.

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Analysis of financial liabilities by maturity as at 31.12.2023:

thousand €	Balance at 31.12.2023	Undiscounted cash flows Up to 3 months	4-12 months	2-5 years	Total
Borrowings and financial lease (Note 10)	3,215	98	278	2,972	**3,348**
Trade payables (Note 11)	500	500	0	0	**500**
Other payables (Note 11)	23	23	0	0	**23**
TOTAL	**3,738**	**621**	**278**	**2,972**	**3,871**

Analysis of financial liabilities by maturity as at 31.12.2022:

thousand €	Balance at 31.12.2022	Undiscounted cash flows Up to 3 months	4-12 months	2-5 years	Total
Borrowings and financial lease (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**

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 31.12.2023 and 31.12.2022, the Group had a valid overdraft agreement. The Group's working capital position was negative by € 64 thousand as at the year end 31 December 2023 (positive by € 911 thousand as at 31 December 2022). This situation was caused by the Group's negative economic results in 2023. The main reason for the negative economic result was the increase in input costs and the decrease in production volume, which in turn proportionally increased the cost of production. Although the situation in the building materials market is still uncertain, there are early signs of some recovery of customer interest in the markets. Considering the outlook for 2024, the Group's management believes that negative working capital will not cause problems for the company and will be positive at the end of 2024.

(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 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.

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 31.12.2023, 6-month EURIBOR was 3.861% (31.12.2022: 6-month was 2.693%). The loan from the Rural Development Foundation (RDF) 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.

A sensitivity analysis is used to assess a Group's interest rate risk, which describes the impact of interest rate risk on a Group's profits through estimated fluctuations in the market interest rate. If the 6-month EURIBOR had been 1% higher/lower during 2023, the Company's financial year loss and equity would have increased/decreased by 5.6 thousand euros, provided that all other variables remain the same. If the 6-month EURIBOR had been 1% higher/lower during 2022, the Group's financial year profit and equity would have decreased/increased by 8.6 thousand euros, provided that all other variables remain the same.

Loan and lease obligations by type of interest rate and loan terms:

thousand €	31.12.2023	% of total loans	31.12.2022	% of total loans
Variable rate borrowings	1,258	39%	1,032	33%
Fixed rate borrowings - maturity dates				
Less than 1 years	135	4%	184	6%
1-5 years	1,822	57%	1,949	61%
Total	**3,215**	**100%**	**3,165**	**100%**

As at 31.12.2023, the total carrying amount of the long-term loans were € 2,614 thousand and as at 31.12.2022 € 2,843 thousand. The residual value of the long-term lease obligations as of 31.12.2023 were € 45 thousand (as of 31.12.2022 € 31 thousand).

As of 31.12.2023 Nordic Fibreboard had a valid agreement with a limit of € 700 thousand, of which € 324 thousand has been used as of 31.12.2022 (as of 31.12.2022 limit € 200 thousand, of which € 70 thousand has been used). Until 15.11.2023, the overdraft had a fixed interest rate of 3.5% per year, due to the increase in the overdraft limit, the contract conditions changed, and from 15.11.2023, the new interest rate for the overdraft is 6-month EURIBOR+2.9% per year. Since more than half 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.

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 2023 and 2022, 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 (2021-2023) of 242%. The table below shows potential impact on post tax profit with assumptions of 10%, 25%, 50%, 75% of sensitivity.

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thousand €	Fair Value as at 31.12.2023	Impact on after-tax-profit (2023)	Fair Value as at 31.12.2022	Impact on after-tax-profit (2022)
TPD shares				
-current value (Note 9)	491		644	
Impact:				
- change by 10%		49		64
- change by 25%		123		161
- change by 50%		245		322
- change by 75%		368		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 €	31.12.2023	31.12.2022
Borrowings (Note 10)	3,215	3,165
Cash and cash equivalents (Note 3)	7	2
Net debt	3,208	3,163
Total equity (Note 13)	4,402	5,084
Total capital	7,610	8,247
Debt to capital ratio	42%	38%

As at 31.12.2023 and 31.12.2022 the Group's equity was in compliance with the requirements of the Commercial Code. Agreements related to borrowings include covenants, one of which relates to equity. As of 31.12.2023, two of the three covenants remained unfulfilled, but confirmation of the acceptance of non-fulfillment of the covenants has been received from the lender as of 31.12.2023. On 31.12.2022, all the requirements of the covenants of the loan agreement were fulfilled.

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, categorized as level 3, 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.

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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. Long-term loans and debt obligations are categorized as level 3.

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 and are categorized as level 1.

Real estate investments are initially taken into account at their acquisition cost, which also includes acquisition-related transaction fees. Further, real estate investments are recorded at fair value, which is based on the annual market price determined by an independent appraiser or management, based on recent transaction prices for similar objects or using the discounted cash flow method.

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 I).

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 Püssi factory was closed in March 2020 and will continue to be closed as of the end of 2023. Since the opening time of the factory and thus the forecasted cash flows are too vague for the asset's recoverable amount test, the management has estimated the recoverable amount of the fixed assets (land, buildings and equipment and machinery) based on the fair value, from which selling costs have been deducted. The management has used external valuation experts to value the Püssi factory fixed assets. Land and buildings are valued based on the comparable transactions method. Valuation of machinery and equipment takes into account a number of inputs such as the age and location of the production line, the cost and replacement value of the new production line less the cost of restarting the plant and the selling price of similar assets. The valuation report for land and buildings was drawn up on 18.12.2023 and the valuation report for machinery and equipment was drawn up on 06.02.2024. According to the management, this expert assessment provides an overview of the condition of Püssi factory machines and equipment and is of opinion that as of 31.12.2023, the value of the asset has not fallen below its balance sheet value.

Regarding the tangible fixed assets of the Pärnu factory, in 2023, a test of the recoverable value of the value of the fixed assets was carried out using the discounted cash flow method. An after-tax discount rate of 16.1% was used. The recoverable amount for 2023 has been found based on the value in use, for which detailed after-tax cash flow forecasts for the period 2024-2028 have been found. In finding the value in use, the following basic assumptions have been used, which are based on the management's actual results of previous years and forecasts for future periods and future growth rates. The most important assumptions used:

- average revenue growth during the period: 9.9% per year;
- average gross profit growth during the period: 19% per year;
- average EBITDA growth during the period: 30% per year;
- terminal growth rate: 2.5%.

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

In the event of a +/- 1 percent change in significant inputs, the recoverable amount would not fall below the book value of fixed assets.

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 TRADE AND OTHER RECEIVABLES

€ thousand	**31.12.2023**	**31.12.2022**
Customer receivables	443	391
Prepaid taxes	71	150
Prepaid services	13	17
Other receivables	7	1
TOTAL	**534**	**559**

No write-downs of receivables have been made in Q3 2023 or Q3 2022.

ANALYSIS OF TRADE RECEIVABLES BY AGING

thousand €	**31.12.2023**	**31.12.2022**
Not past due	**412**	**373**
incl receivables from customers who also have receivables past due	0	236
incl receivables from customers who have no receivables past due	412	137
Past due but not impaired	**31**	**18**
Overdue up to 90 days	31	16
Overdue more than 90 days	0	2
TOTAL	**443**	**391**

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NOTE 6 INVENTORIES

€ thousand	**31.12.2023**	**31.12.2022**
Raw materials and other materials	177	401
Work-in-progress	30	228
Finished goods	561	1,081
Prepayments to suppliers	0	2
Write-off reserve for inventories	(40)	(40)
TOTAL	**728**	**1,672**

In the year 2023, finished and work-in-progress goods were written off at acquisition cost of € 26.9 thousand (2022: € 0.4 thousand), no write-off of raw materials was performed in 2023 and in 2022. The inventory write-down reserve did not change in 2023 and 2022.

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

NOTE 7 INVESTMENT PROPERTY

The property belonging to Pärnu Riverside Development OÜ, Suur-Jõe street 48 in Pärnu and the part of the property belonging to Nordic Fibreboard Ltd OÜ, Rääma street 31 are recorded as real estate investments.

	thousand €
Carrying amount 31.12.2021	**1,152**
Capitalized cost	10
Fair value revaluation	697
Carrying amount 31.12.2022	**1,859**
Capitalized cost	6
Fair value revaluation	404
Carrying amount 31.12.2023	**2,269**

Capitalized cost of investment property in the amount € 6 thousand during 2023 are related to expenses of Suur-Jõe 48, Pärnu detail plan (2022: € 10 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 the property no. 1409705 at Suur-Jõe Street 48 in Pärnu and the property no. 14096005 at Rääma Street 31 was reassessed as of 31.12.2023, the revaluation was based on an expert assessment based on the comparison method prepared by an independent assessor on 24.01.2024. 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.

Investment properties are encumbered with mortgages (Note 10).

INVESTMENT PROPERTY BY LOCATION:	*thousand €*
31.12.2021	
Share of registered immovable property at Suur-Jõe Street 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 Street 48, Pärnu	1,684
Share of registered immovable property at Rääma Street 31, Pärnu	175
31.12.2023	
Share of registered immovable property at Suur-Jõe Street 48, Pärnu	**1,832**
Share of registered immovable property at Rääma Street 31, Pärnu	**437**

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NOTE 8 PROPERTY PLANT EQUIPMENT, RIGHT OF USE ASSETS AND 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 31.12.2021	**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 (Note 15)	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**
Additions	0	0	17	0	226	56	**299**
Reclassification	0	0	295	0	(295)	0	**0**
Disposals and write-offs (Note 20)	0	(3)	(158)	(8)	0	(75)	**(244)**
Accumulated depreciation of fixed assets written off	0	3	158	8	0	69	**238**
Depreciation (Note 15)	0	(79)	(373)	0	0	(36)	**(488)**
Cost at 31.12.2023	**184**	**2,557**	**11,184**	**81**	**336**	**100**	**14,442**
Accumulated depreciation at 31.12.2023	**0**	**(1,933)**	**(7,931)**	**(80)**	**0**	**(24)**	**(9,967)**
Carrying amount at 31.12.2023	**184**	**624**	**3,253**	**1**	**336**	**76**	**4,475**

In 2023, depreciated and not in use machinery and equipment were written off at measured cost of € 158 thousand and accumulated depreciation of machinery and equipment was written off in the amount of € 158 thousand. One rental lease with a measured cost of € 75 thousand were terminated prematurely, therefore their measured cost of € 75 thousand and accumulated depreciation of € 69 thousand were written off. One rental lease for the rightof-use was added at the measured cost of € 56 thousand.

In 2023, total payments for the acquisition of fixed assets in the amount of € 251 thousand have been made, which includes payments acquired in 2022 but paid in 2023 in the amount of € 2 thousand and payments for fixed assets acquired in 2023 in the amount of € 249 thousand.

As at 31.12.2023, the cost of fully depreciated property, plant and equipment still in use amounted to € 5.30 million and as at 31.12.2022, the respective amount was € 5.42 million.

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CONSTRUCTION-IN-PROGRESS

As at 31.12.2023 the construction-in-progress included investment in production technology in the amount of € 336 thousand, (31.12.2022: € 405 thousand). During 2023, investments in production technology amounted to € 226 thousand and € 295 thousand was reclassified to the group of machinery and equipment.

INTANGIBLE ASSETS

thousand €	**Computer software**
Cost at 31.12.2021	**13**
Accumulated amortisation at 31.12.2021	**(10)**
Carrying amount 31.12.2021	**3**
Amortisation charge (Note 14)	(1)
Cost at 31.12.2022	**13**
Accumulated amortisation at 31.12.2022	**(11)**
Carrying amount 31.12.2022	**2**
Amortisation charge (Note 14)	(1)
Cost at 31.12.2023	**13**
Accumulated amortisation at 31.12.2023	**(12)**
Carrying amount 31.12.2023	**1**

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 31.12.2023, the carrying amount of non-current assets pledged as mortgages (investment property, land, buildings and facilities) was € 3.08 million and as at 31.12.2022 € 2.75 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 €	**31.12.2023**	**Change 2023**	**31.12.2022**
Non-current assets			
Listed securities - Equity securities - cost as at	338	0	338
Revaluation	153	(153)	306
Fair value as at	**491**	**(153)**	**644**

** Financial assets at fair value through profit or loss (i.e. Trigon Property Development shares) have been revaluated to reflect fair value based on last price as at 31.12.2023 as shown on Nasdaq Tallinn.*

NOTE 10 BORROWINGS AND FINANCIAL LEASE

Nordic Fibreboard AS subsidiary Nordic Fibreboard Ltd OÜ has loan obligations to Coop Pank AS and Rural Development Foundation (RDF). The term of the loan received from Coop Pank AS is 5 years with a 10-year amortization schedule, and as of 31.12.2023 the loan interest was 6 month EURIBOR+3.5% per annum. The term of the loan received from RDF is 6 years and from 31.12.2022 the loan interest is 4% per annum. There is also a 1.5 year overdraft agreement with Coop Bank AS with a limit of € 700 thousand, the overdraft interest rate is 6 months EURIBOR+2.9% per annum. The overdraft limit was

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increased from € 200 thousand to € 700 thousand in the Q4 2023. AS of the end of 2023, the overdraft limit was used in the amount of € 324 thousand.

In 2023, Nordic Fibreboard Ltd OÜ received a short-term loan of € 200 thousand at an interest rate of 8% per year from Pärnu Holdings AS, a related party.

In 2023, repayments of lease obligations in the amount of € 50 thousand were made and in 2023 a total of € 50 thousand and interest on lease obligations of € 3 thousand were made.

INFORMATION REGARDING BORROWINGS AS AT:

thousand €	Interest rate	**31.12.2023**	**31.12.2022**
Current borrowings			
Current portion of long-term loan (Coop Bank)	6 month EURIBOR+3.5%	98	106
Current portion of long-term loan (RDF)	4%	111	83
Current portion of long-term lease liabilities	2.49%	23	31
Bank overdrafts (Coop Pank)	6 month EURIBOR+2.9%	324	70
Total		**556**	**290**
Non-current borrowings			
Non-current portion of long-term loan (Coop Pank)	6 month EURIBOR+3.5%	836	926
Non-current portion of long-term loan (RDF)	4%	1,578	1,917
Non-current portion of long-term loan from related parties	8%	200	0
Non-current portion of long-term lease liabilities	2.49%	45	32
Total		**2,659**	**2,875**
Total borrowings		**3,215**	**3,165**

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES 2023

thousand €	**31.12.2022**	**Cash flows**	**Non-monetary settlements**	**Interest accrued**	**Interest paid**	**Reclassi fied**	**31.12.2023**
Current portion of long-term loan (Coop Bank)	106	(97)	0	99	(99)	90	98
Current portion of long-term loan (RDF)	83	(111)	0	76	(76)	139	111
Current portion of long-term lease liabilities	31	(50)	19	3	(3)	23	23
Bank overdrafts (Coop Bank)	70	254	0	3	(3)	0	324
Non-current portion of long-term loan (Coop Bank)	926	0	0	0	0	(90)	836
Non-current portion of long-term loan (RDF)	1,917	(200)	0	0	0	(139)	1,578
Non-current portion of long-term loan from related parties	0	200	0	0	0	0	200
Non-current portion of long-term lease liabilities	32	0	35	0	0	(23)	45
Total liabilities from financing activities	**3,165**	**(4)**	**54**	**181**	**(181)**	**0**	**3,215**

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CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES 2022

thousand €	31.12.2021	Cash flows	Non-monetary settlements	Interest accrued	Interest paid	Reclassified	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**

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:	
Lease liability repayments	(50)
Loan repayment to Coop Bank	(97)
Loan repayment to RDF	(311)
Loans received from related parties	200
Change in overdraft payments	254
Non-monetary settlements:	
Increase of lease liability	54
Total	**50**
In the statement of financial position	
Borrowings as at 31.12.2022	3 165
Borrowings as at 31.12.2023	3 215
Change	**50**

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NOTE 11 PAYABLES AND PREPAYMENTS

thousand €	31.12.2023	31.12.2022
Trade payables	500	471
Payables to employees	99	145
incl. accrued holiday pay reserve	*27*	*50*
Tax liabilities	97	133
incl. social security and unemployment insurance	*64*	*83*
personal income tax	*27*	*40*
contribution to mandatory funded pension	*1*	*2*
value added tax	*0*	*0*
other taxes	*5*	*8*
Prepayments received	37	246
Other payables	23	19
TOTAL	**756**	**1,014**

NOTE 12 PROVISIONS

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.

thousand €	
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
Movements 2023:	
Use of provision	(24)
Interest cost (Note 21)	7
Increase of reserve	4
Balance at 31.12.2023	**132**
incl. current portion of provision	21
incl. non-current portion of provision	111

NOTE 13 EQUITY

	Nominal value	Number of shares	Share capital
	€	pcs	*thousand €*
Balance at 31.12.2023	0.10	4,499,061	450
Balance at 31.12.2022	0.10	4,499,061	450

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As of 30.09.2023 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.

As at 31.12.2023 the Group had 1,103 shareholders of which with more than 5% ownership interest were:

Shareholder	Number of shares (pcs)	Ownership interest (%)
NFB Pärnu Holdings OÜ	1,750,135	38.90
Pärnu Holdings OÜ	842,640	18.73
OÜ Kõik või Mittemidagi	646,399	14.37

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	617,291	13.72

The number of Nordic Fibreboard AS shares owned by the members of the Management Board and Supervisory Board of Nordic Fibreboard AS was as follows as of 31.12.2023:

- Joakim Johan Helenius 20,000 shares (31.12.2022: 20,000 shares)
- Rando Tomingas 0 shares (31.12.2022: 0 shares)
- Sakari Wallin 0 shares (31.12.2022: 0 shares)
- Torfinn Losvik 0 shares (31.12.2022: 0 shares)
- Enel Äkke 0 shares (31.12.2022: 0 shares)
- Kevin Gustasson 0 shares (31.12.2022: 0 shares)

Joakim Johan Helenius has indirect ownership through companies NFB Pärnu Holdings OÜ and Pärnu Holdings OÜ. Torfinn Losvik has indirect ownership through Pärnu Holdings OÜ, in addition, he owns shares through Stetind OÜ in the amount of 44,206 shares (31.12.2022: 44,206 shares). Rando Tomingas owns shares through Triangel Kapital OÜ in the amount of 36,762 shares (31.12.2022: 36,762 shares).

NOTE 14 EARNINGS PER SHARE

	31.12.2023	31.12.2022
Net profit (-loss) (in thousands of euros)	(682)	1,234
Weighted average number of shares (th pc)	4,499	4,499
Basic earnings per share (in euros)	(0.15)	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)	(0.15)	0.27
Book value of share (in euros)	0.98	1.13
Price/earnings ratio (P/E)	(5.93)	5.83
Last price of the share of Nordic Fibreboard AS on Tallinn Stock Exchange at 31.12.2023 and 31.12.2022 (in euros)	0.90	1.60

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

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.

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

NOTE 15 COST OF GOODS SOLD

thousand €	**2023**	**2022**
Raw materials and main materials	1,749	4,056
Electricity, heat and water	2,367	3,870
Labour expenses (Note 18)	1,189	1,621
Depreciation (Note 8)	489	497
Purchased goods	155	0
Change in balances of finished goods and work in progress	690	(1,225)
Other expenses	171	205
TOTAL	**6,810**	**9,024**

NOTE 16 DISTRIBUTION COSTS

thousand €	**2023**	**2022**
Transportation expenses	400	831
Labour expenses (Note 18)	192	186
Marketing expense	2	1
Commission fees	66	77
Other expenses	13	17
TOTAL	**673**	**1,112**

NOTE 17 ADMINISTRATIVE AND GENERAL EXPENSE

thousand €	**2023**	**2022**
Labour expenses (Note 18)	224	226
Purchased services	105	44
Office supplies	63	51
Audit expenses*	36	36
Other expenses	86	67
TOTAL	**514**	**424**

*The fee calculated for the audit of the Group's 2023 financial year report was € 13.5 thousand, and the fee calculated for the audit of the subsidiary's 2023 financial year was € 22.6 thousand.

NOTE 18 LABOUR EXPENSES

thousand €	**2023**	**2022**
Wages and salaries (Notes 15,16,17,23)	1,206	1,536
Social security and unemployment insurance (Notes 15,16,17,23)	399	496
Fringe benefits paid to employees(Notes 15,16,17,23)	15	12
TOTAL	**1,620**	**2,045**

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NOTE 19 OTHER OPERATING INCOME

thousand €	2023	2022
Compensation from insurance	0	33
Profit from revaluation of real estate investments	404	697
TOTAL	**404**	**730**

NOTE 20 OTHER OPERATING EXPENSES

thousand €	2023	2022
Reclamations	2	3
Contract fees	3	1
Membership fees	5	1
Penalties paid	4	3
Loss from sales of fixed assets	0	1
Other costs	7	0
Extraordinary other operating expenses	406	0
TOTAL	**427**	**9**

NOTE 21 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME

thousand €	2023	2022
Receiced dividends	0	129
Total financial income	**0**	**129**

FINANCIAL EXPENSES

thousand €	12M 2023	12M 2022
Interest expenses	209	126
including interest expenses related to provisions (Note 10)	*7*	*6*
Revaluation of TPD shares	153	0
Other finance cost	4	4
Total financial cost	**366**	**130**

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 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 Street 48, Pärnu.

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 extraordinary other operating costs and net finance costs and tax, depreciation and impairment charges. As extraordinary other business expenses, the Group has treated one-time expenses that have not arisen in the course of normal business activities, but have arisen from some extraordinary circumstances. EBITDA is not a performance

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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.

2023 thousand €	Fibreboard manufacturing and wholesale	Real Estate Management	Group's general expenses and eliminations	SEGMENTS TOTAL
Revenue from external customers	7,657	47	0	7,704
EBITDA	510	113	(44)	579
Amortisation/ depreciation (Note 8)	489	0	0	489
Operating profit/-loss	(384)	113	(45)	(316)
Extraordinary other operating expenses	406	0	0	406
Finance income (Note 21)	30	0	(30)	0
Finance costs (Note 21)	361	3	2	366
Net profit/-loss	(715)	110	(77)	(682)
Segment assets	6,665	1,836	4	8,505
Non-current assets of the segment (Notes 7; 8; 9)*	5,404	1,832	0	7,236
Segment liabilities	3,981	73	49	4,103
Additions to non-current assets (Note 8)*	279	6	0	285

2022 thousand €	Fibreboard manufacturing and sale	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

SALES REVENUE OF BUSINESS BY THE GEOGRAPHICAL LOCATION OF CUSTOMERS:

thousand €	2023			2022		
	Fibreboard manufacturing and wholesale	Real Estate Management	SEGMENTS TOTAL	Fibreboard manufacturing and wholesale	Real Estate Management	SEGMENTS TOTAL
European Union	6,974	47	7,021	10,297	39	10,336
Africa	197	0	197	0	0	0
Middle East	137	0	137	154	0	154
Asia	114	0	114	69	0	69
Russia	0	0	0	427	0	427
Other	235	0	236	88	0	88
TOTAL	**7,657**	**47**	**7,704**	**11,035**	**39**	**11,074**

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NOTE 23 RELATED PARTIES

The following parties are considered to be related parties:

- 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 2023, Joakim Johan Helenius, the owner of NFB Pärnu Holdings OÜ, had significant influence over the Group (indirect and direct shareholding of 48.71% in the Company). As of 31 December 2022, the persons with significant influence over the Group were Stetind OÜ (owned by 100% Torfinn Losvik) and Joakim Johan Helenius who both held 50% shareholding in Pärnu Holdings OÜ, a company which owned 57.63% of the Company.

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

thousand €	**2023**	**2022**
Total remuneration	204	200
Compensation for use of personal automobile	1	0
Social tax	69	67
Total	**274**	**267**

In 2023 short term benefits in the amount of € 204 thousand were paid to members of the Management Board of all consolidated group companies (2022: € 200 thousand). No short-term benefits were paid for Supervisory Board members neither during 2023 nor 2022.

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

thousand €	**2023**	**2022**
Purchased services	21	17
Total	**21**	**17**

Balances with related parties as of 31.12.2023 were € 7 thousand and 31.12.2022 were € 1 thousand from purchased services. In 2023, Nordic Fibreboard Ltd OÜ received a loan in the amount of 200 thousand euros with an interest rate of 8% per year from the related party Pärnu Holdings OÜ. The balance of the long-term loan obligation to related parties was 200 thousand euros as of 31.12.2023 and 0 euros as of 31.12.2022.

thousand €	**31.12.2023**	**31.12.2022**
Purchased services	7	1
Long-term loan	200	0
Total	**207**	**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.

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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. Since the Group does not plan to take dividends from the pofit of Pärnu Riverside Development OÜ, and the results Nordic Fibreboard Ltd OÜ were loss in 2023, 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 € 781 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 NEGATIVE NET WORKING CAPITAL

As of 31.12.2023, the working capital of the Group was negative 64 thousand euros. This situation was caused by the Group's negative economic results in 2023. The main reason for the negative economic result was the increase in input costs and the decrease in production volume, which in turn proportionally increased the cost of production. Although the situation in the building materials market is still uncertain, there are early signs of some recovery of customer interest in the markets. At the beginning of 2024, the Group has been actively engaged in finding new customers and markets, the positive effect of which can already be seen to some extent in the first quarter. The group plans to put even more emphasis on sales in the coming quarters in order to increase the production volume and thus reduce the cost of production. Considering the outlook for 2024, the company's management believes that negative working capital will not cause problems for the Group's business, and that the Group will end 2024 with positive working capital. Up to the moment of preparing this report, the Group's cash flows after the balance sheet date have been in accordance with the management's forecast.

NOTE 26 SUPPLEMENTARY DISCLOSURES ON THE GROUP`S PARENT

The financial information on the parent is included in the separate primary financial statements (pages 54 to 56), 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).

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STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY

€ thousand	**31.12.2023**	**31.12.2022**
Cash and cash equivalents	3	0
Receivables and prepayments	69	21
Total current assets	**72**	**21**
Shares in subsidiaries	798	1,158
Total non-current assets	**798**	**1,158**
TOTAL ASSETS	**870**	**1,179**
Payables and prepayments	3	225
Short-term provisions	17	14
Total current liabilities	**20**	**239**
Long-term provisions	96	109
Total non-current liabilities	**96**	**109**
Total liabilities	**116**	**348**
Share capital (at nominal value)	450	450
Retained earnings (loss)	304	381
Total equity	**754**	**831**
TOTAL LIABILITIES AND EQUITY	**870**	**1,179**

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

€ thousand	**2023**	**2022**
Revenue	**2**	**5**
Includes sales to subsidiares	*2*	*5*
Gross profit	**2**	**5**
Administrative expenses	47	36
Operating profit (loss)	**(45)**	**(31)**
Finance income	3	1
Finance costs	35	5
LOSS BEFORE INCOME TAX	(77)	(35)
NET LOSS FOR THE FINANCIAL YEAR	**(77)**	**(35)**
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR	**(77)**	**(35)**

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CASH FLOW STATEMENT OF THE PARENT COMPANY

€ thousand	**2023**	**2022**
Cash flows from operating activities		
Operating profit (loss)	**(45)**	**(31)**
Adjustments:		
Profit from closing a subsidiary	0	(1)
Change in trade and other receivables	(14)	0
Change in trade and other payables	(52)	(9)
Cash generated from operations	**(111)**	**(41)**
Net other financial income and expense	(5)	(5)
Net cash generated from operating activities	**(116)**	**(46)**
Cash flows from investing activities		
Interest received from related parties	3	0
Loans to related parties	(36)	(22)
Repayment of loans by related parties	3	1
Received payout from equity	360	0
Net cash used in investing activities	**330**	**(21)**
Cash flows from financing activities		
Interest payments to related parties	(30)	
Loans from related parties	75	67
Repayments of loans received from related parties	(256)	0
Net cash (used in)/from financing activities	**(211)**	**67**
NET CHANGE IN CASH	**3**	**0**
OPENING BALANCE OF CASH	**0**	**0**
CLOSING BALANCE OF CASH	**3**	**0**

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STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY

€ thousand	Share capital	Retained earnings	Total
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**
Net loss for 2023	*0*	*(77)*	*(77)*
Other comprehensive income for 2023	*0*	*0*	*0*
Total comprehensive loss for 2023	0	(77)	(77)
Balance at 31.12.2023	**450**	**304**	**754**
Carrying amount of investment under control and significant influence	0	(798)	**(798)**
Value of investment under control and significant influence under equity method	0	4,446	**4,446**
Adjusted unconsolidated equity at 31.12.2023	**450**	**3,952**	**4,402**

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

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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 2023, 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 2024.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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 2023 to 31 December 2023 we have not provided any non-audit services to the Company and its subsidiaries.

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.

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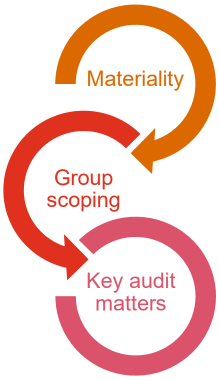
Our audit approach

Overview



- Overall Group audit materiality is EUR 77 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 its subsidiary Pärnu Riverside Development OÜ.
- 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 77 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 revenue for benchmark, as in our view Group`s revenue is a key performance indicator and is monitored by management, investors and other stakeholders.

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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 2023, the Group recognised net revenue in the amount of EUR 7,704 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 performed, on a sample basis, confirmations with customers regarding unsettled revenue transactions. • We reconciled a sample of revenue transactions with receipts of payments and underlying source documents.

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.

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 subsidiary Pärnu Riverside Development OÜ. 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 Company profile, Management Report, Corporate Governance Recommendations Report, Remuneration Report, Declaration of the Management Board 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; and
- 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.

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.

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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 2023 (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) 2018/815 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 management requirements and professional ethics

We apply International Standard on Quality Management (Estonia) 1 (revised), which requires the firm to design, implement and operate a system of quality management including policies or 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.

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/en/instrument/EE3100092503/reports).

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 17 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

Jüri Koltsov
Certified auditor in charge, auditor's certificate no. 623

Peep Kivistik
Auditor's certificate no. 732

26 April 2024
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.

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PROPOSAL FOR COVERING LOSS

The board of Nordic Fibreboard AS proposes to the General Meeting of shareholders to cover the loss of 2023 as follows:

	thousand €
Retained earning at 31.12.2022	**4,589**
Net loss in 2023	(682)
Proposal:	
To cover the cumulative loss of 2023 from retained earnings of previous periods	
Retained earnings after profit allocation	**3,907**

/signed digitally/

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Enel Äkke

Member of the Management Board

/signed digitally/

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Kevin Gustasson

Member of the Management Board

/signed digitally/

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Kristjan Erm

Member of the Management Board

Translation of the company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Tallinn Stock Exchange and digitally signed (Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100092503/reports)

SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE 2023 ANNUAL REPORT

The Management Board has prepared the Company's Annual Report for 2023. The Annual Report (pages 1 to 67) 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.

Member of the Management Board	Enel Äkke	_____________
26.04.2024		/signed digitally/
Member of the Management Board	Kevin Gustasson	_____________
26.04.2024		/signed digitally/
Member of the Management Board	Kristjan Erm	_____________
26.04.2024		/signed digitally/
Chairman of the Supervisory Board	Joakim Johan Helenius	_____________
Member of the Supervisory Board	Torfinn Losvik	_____________
Member of the Supervisory Board	Rando Tomingas	_____________
Member of the Supervisory Board	Sakari Wallin	_____________

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REVENUE OF THE PARENT COMPANY BY EMTAK CLASSIFICATORS

Thousand €	2023	2022
96099 Other services	**2**	**5**

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(Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100092503/reports)