Company Nordic Fibreboard AS

Type Company Release

Category Management interim statement or quaterly financial report

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Attachments:
- Nordic Fibreboard Interim Report 2023 Q2 and 6M_ENG.pdf (http://oam.fi.ee/en/download?id=7619)
- Nordic Fibreboard Vahearuanne 2023 2.kvartal ja 6 kuud_EST.pdf (http://oam.fi.ee/en/download?id=7620)

Currency

Title Nordic Fibreboard AS unaudited results for second quarter and 6 months of 2023

Management report

Consolidated net sales for Q2 2023 were EUR 2.01 million (Q2 2022: EUR 3.65 million). The main business area is Nordic Fibreboard Ltd, the production and wholesale of fibreboard, which recorded sales in Q2 2023 of EUR 2.00 million, (Q2 2021: EUR 3.64 million). The remaining business area is Pärnu Riverside Development, real estate management of the property owned in Suur-Jõe street in Pärnu, who recorded sales of EUR 12 thousand in Q2 2023 (Q2 2022: EUR 9 thousand).

Nordic Fibreboard Ltd sales of EUR 2.00 million was down 23% from its sales in Q1 2023, and down 45% from Q2 2022. The drop in sales compared to Q2 2022 was influenced by the termination of sales to Russian customers in the spring of 2022 as a result of sanctions imposed on Russia due to their aggressive war in Ukraine. However, continuing weak demand in three of our main markets, these being Finland, Denmark and Estonia, also had a negative on sales development when comparing last year and this year. We managed to offset some of this sales decline by recording improved sales in two of our other main markets, these being Sweden and Latvia.

The ongoing reduction of woodchip pricing, which is fibreboard main raw material, as well as the new more favourable electricity contracted which we entered into on 1.4.2023, resulted in gross margin being 25% in Q2 2023, up from 11% recorded in Q1 2023. Overhead costs were lower than planned, down in 20% in Q2 2023 compared to Q1 2023, which led a positive EBITDA 212 thousand euros (11% of sales) for Nordic Fibreboard Ltd in Q2 2023 compared to Q1 2023 EBITDA for the quarter, which was negative 76 thousand euros.

Financial expenses for the Q2 2023 were 76 thousand euros, of which 53 thousand euros were loan interest costs, 19 thousand euros were losses from the revaluation of Trigon Property Development (TPD) shares, and 4 thousand euros were other financial expenses. In the Q2 2022, a total financial income of EUR 82 thousand was recorded, consisting of financial income of EUR 105 thousand from dividend from the shares of Trigon Property Development (TPD), EUR 12 thousand from profits from the revaluation of these shares, and financial costs of EUR 35 thousand. The fibreboard division thus generated net profit of EUR 16 thousand in Q2 2023 (up from a loss of EUR 578 thousand in Q1 2023).

DIVISIONAL REVIEW

Revenue by business segments

| EUR thousand | Q2 2023 | Q2 2022 | 6M 2023 | 6M 2022 |
|---|---|---|---|---|
| Fibreboards production and sales | 1,998 | 3,643 | 4,583 | 6,234 |
| Real Estate Management | 12 | 9 | 23 | 18 |
| TOTAL | 2,010 | 3,652 | 4,606 | 6,252 |

Profit by business segments

| EUR thousand | Q2 2023 | Q2 2022 | 6M 2023 | 6M 2022 |
|---|---|---|---|---|
| EBITDA by business units: | | | | |
| Fibreboards production and sales | 212 | 635 | 137 | 914 |
| Real Estate Management | (4) | (3) | (17) | (12) |
| Group transactions | (18) | (8) | (24) | (23) |
| TOTAL EBITDA | 190 | 624 | 96 | 879 |
| Depreciation | (121) | (126) | (244) | (248) |
| TOTAL OPERATING PROFIT/ LOSS | 69 | 498 | (148) | 631 |
| Extraordinary expenses | 0 | 0 | (406) | 0 |
| Net financial costs | (76) | 82 | (50) | 100 |
| NET PROFIT/ LOSS | (7) | 580 | (604) | 731 |

NORDIC FIBREBOARD LTD: Fibreboard production and sales

Fibreboard sales in Q2 2023 were EUR 2.00 million (2022: EUR 3.64 million). The main reasons for this slowdown in sales is due to the weak global economic environment, caused by macro factors such as higher interest rates and higher consumer pricing which have a negative effect on consumer and business confidence. Sales to our largest market Finland was down 29% for the first six months of 2023 compared to same period in 2022, while our market share in sale of fibreboards in Finland have remained unchanged during these periods. Nordic Fibreboard Ltd's homemarket in Estonia have experienced the most dramatic sales decline with 45% when comparing the two aforementioned periods. We had some positive news with restarting sales to our old customers in Africa during the first six months of this year.

EBITDA, of the fibreboard activities in Q2 2023 was positive at 212 thousand euros, which is a good improvement compared to Q1 2023 EBITDA which was negative 76 thousand euros, but far short of Q2 2022 when EBITDA was a positive 635 thousand euros. Fibreboard division's net profit for Q2 2023 was EUR 16 thousand (Q2 2022: net profit EUR 592 thousand).

FIBREBOARD SALES BY GEOGRAPHICAL SEGMENTS

| | EUR thousand | | EUR thousand | |
|---|---|---|---|---|
| | Q2 2023 | Q2 2022 | 6M 2023 | 6M 2022 |
| European Union | 1,862 | 3,444 | 4,317 | 5,702 |
| Africa | 40 | 0 | 93 | 0 |
| Middle East | 28 | 13 | 28 | 26 |
| Asia | 23 | 28 | 55 | 70 |
| Russia | 0 | 158 | 0 | 427 |
| Other | 45 | 0 | 90 | 9 |
| TOTAL | 1,998 | 3,643 | 4,583 | 6,234 |

PÄRNU RIVERSIDE DEVELOPMENT: Real estate management

Pärnu Riverside Development owns the property located at Suur-Jõe 48 in Pärnu. The property has some rental tenants and rental income from real estate management was EUR 12 thousand in Q2 2023, (Q2 2022: EUR 9 thousand).

The real estate management EBITDA for Q2 2023 were negative EUR 4 thousand and net loss EUR 4 thousand (Q2 2022: EBITDA negative EUR 3 thousand and net loss EUR 3 thousand).

STATEMENT OF FINANCIAL POSITION AND CASH FLOW STATEMENT

As of 30.06.2023 the total assets of Nordic Fibreboard AS were EUR 8.9 million (30.06.2022: EUR 9.1 million). The liabilities of the company as of 30.06.2023 were EUR 4.4 million (30.06.2022: EUR 4.5 million), of which Group has payables amounting to EUR 0.9 million as at 30.06.2023 (30.06.2022: EUR 0.8 million) and borrowings of EUR 3.0 million as at 30.06.2023 (30.06.2022: EUR 3.2 million).

Receivables and prepayments amounted to EUR 0.7 million as at 30.06.2023 (30.06.2022: EUR 1.6 million). Inventories were EUR 0.9 million as of 30.06.2023 (30.06.2022: EUR 0.6 million). Fixed assets were EUR 7.2 million as of 30.06.2023 (EUR 6.7 million as of 30.06.2022).

During 6M 2023, the Group's cash flows from operating activities totalled cash inflow of EUR 378 thousand (6M 2022: cash inflow EUR 269 thousand). Cash outflows due to investment activities was EUR 171 thousand during 6M 2023, consisting of investments into production assets (6M 2022: cash outflow EUR 39 thousand). Cash outflows due to financing activities was EUR 207 thousand during 6M 2023, (6M 2022: cash outflow EUR 74 thousand). The net cash flow for the 6M 2023 was EUR 0 (6M 2022: cash inflows EUR 156 thousand).

## OUTLOOK

### NORDIC FIBREBOARD LTD

The overall demand picture continues to be challenging, and the short-term outlook remains uncertain due to headwinds coming from macro factors, such as increasing interest rates, global economic uncertainty, and the ongoing war in Ukraine. All have led to a construction/renovation market slowdown and a lack of confidence among end users of building materials, including the use of the company's fibreboards.

Main operation issue remains the ongoing preparation of upgrading the company's wood-based boiler house in Pärnu so to meet the new emission requirements coming into force in 01.01.2025.

### PÄRNU RIVERSIDE DEVELOPMENT

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

## FINANCIAL HIGHLIGHTS

EUR thousand

| Income statement | Q2 2023 | Q2 2022 | 6M 2023 | 6M 2022 |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Revenue | 2,010 | 3,652 | 4,606 | 6,252 |
| EBITDA | 190 | 624 | 96 | 879 |
| EBITDA margin | 9% | 17% | 2% | 14% |
| Operating profit | 69 | 498 | (148) | 631 |
| Operating margin | 3% | 14% | (3%) | 10% |
| Net profit | (7) | 580 | (604) | 731 |
| Net margin | (0%) | 16% | (13%) | 12% |

| Statement of financial position | 30.06.2023 | 31.12.2022 | 30.06.2022 | 31.12.2021 |
|---|---|---|---|---|
| Total assets | 8,856 | 9,408 | 9,100 | 8,063 |
| Return on assets | (7%) | 13% | 8% | 15% |
| Equity | 4,480 | 5,084 | 4,582 | 3,850 |
| Return on equity | (13%) | 24% | 16% | 31% |
| Debt-to-assets ratio | 49% | 46% | 50% | 52% |

| Share | 30.06.2023 | 31.12.2022 | 30.06.2022 | 31.12.2021 |
|---|---|---|---|---|
| Last Price* | 1.24 | 1.60 | 1.66 | 1.95 |
| Earnings per share | (0.02) | 0.27 | 0.17 | 0.27 |
| Price-earnings ratio | (54.66) | 5.83 | 9.61 | 7.30 |
| Book value of a share | 1.00 | 1.13 | 1.02 | 0.86 |
| Market to book ratio | 1.25 | 1.42 | 1.63 | 2.28 |
| Market capitalization, EUR thousand | 5,579 | 7,198 | 7,468 | 8,773 |
| Number of shares | 4,499,061 | 4,499,061 | 4,499,061 | 4,499,061 |

EBITDA = Earnings before interest, taxes, depreciation and amortization
EBITDA margin = EBITDA / Revenue
Operating margin = Operating profit / Revenue

Net margin = Net profit / Revenue
Return on assets = Net profit / Total assets
Return on equity = Net profit / Equity
Debt-to-assets ratio = Liabilities / Total assets
Earnings per share = Trailing twelve months (TTM) 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/

Consolidated statement of financial positions

| EUR thousand | 30.06.2023 | 31.12.2022 | 30.06.2022 | 31.12.2021 |
|---|---|---|---|---|
| Cash and cash equivalents | 2 | 2 | 213 | 57 |
| Receivables and prepayments (Note 2) | 717 | 559 | 1,632 | 902 |
| Inventories (Note 3) | 930 | 1,672 | 587 | 390 |
| Total current assets | 1,649 | 2,233 | 2,432 | 1,349 |
| | | | | |
| Investment property (Note 4) | 1,859 | 1,859 | 1,152 | 1,152 |
| Financial assets at fair value through profit or loss (Note 7) | 698 | 644 | 708 | 644 |
| Property, plant and equipment (Note 5) | 4,648 | 4,670 | 4,805 | 4,915 |
| Intangible assets (Note 6) | 2 | 2 | 3 | 3 |
| Total non-current assets | 7,207 | 7,175 | 6,668 | 6,714 |
| | | | | |
| TOTAL ASSETS | 8,856 | 9,408 | 9,100 | 8,063 |
| | | | | |
| Borrowings (Note 8) | 324 | 290 | 75 | 146 |
| Payables and prepayments (Note 9) | 1,094 | 1,014 | 1,218 | 829 |
| Short-term provisions (Note 10) | 8 | 18 | 9 | 19 |

| | | | | |
|---|---|---|---|---|
| Total current liabilities | 1,426 | 1,322 | 1,302 | 994 |
| | | | | |
| Long-term borrowings (Note 8) | 2,684 | 2,875 | 3,071 | 3,074 |
| Long-term payables and prepayments (Note 9) | 139 | 0 | 0 | 0 |
| Long-term provisions (Note 10) | 127 | 127 | 145 | 145 |
| Total non-current liabilities | 2,950 | 3,002 | 3,216 | 3,219 |
| Total liabilities | 4,376 | 4,323 | 4,518 | 4,213 |
| | | | | |
| Share capital (at nominal value) (Note 11) | 450 | 450 | 450 | 450 |
| Statutory reserve capital | 45 | 45 | 45 | 0 |
| Retained earnings (loss) | 3,985 | 4,589 | 4,087 | 3,400 |
| Total equity | 4,480 | 5,084 | 4,582 | 3,850 |
| | | | | |
| TOTAL LIABILITIES AND EQUITY | 8,856 | 9,408 | 9,100 | 8,063 |

*The notes to the financial statements presented on pages 14 to 25 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

| EUR thousand | Q2 2023 | Q2 2022 | 6M 2023 | 6M 2022 |
|---|---|---|---|---|
| Revenue (Note 13) | 2,010 | 3,652 | 4,606 | 6,252 |
| Cost of goods sold (Note 14) | 1,629 | 2,687 | 4,064 | 4,746 |
| Gross profit | 381 | 965 | 542 | 1,506 |
| | | | | |
| Distribution costs (Note 15) | 171 | 356 | 403 | 641 |

| | | | | |
|---|---|---|---|---|
| Administrative expenses (Note 16) | 133 | 104 | 273 | 226 |
| Other operating expenses (Note 18) | 8 | 7 | 14 | 8 |
| Operating profit (loss) | 69 | 498 | (148) | 631 |
| | | | | |
| Extraordinary expenses | 0 | 0 | 406 | 0 |
| Finance income (Note 19) | 0 | 117 | 74 | 169 |
| Finance costs (Note 19) | 76 | 35 | 124 | 69 |
| PROFIT (LOSS) BEFORE INCOME TAX | (7) | 580 | (604) | 731 |
| | | | | |
| NET PROFIT (LOSS) FOR THE PERIOD | (7) | 580 | (604) | 731 |
| | | | | |
| Basic earnings per share (Note 12) | (0.00) | 0.13 | (0.13) | 0.16 |
| Diluted earnings per share (Note 12) | (0.00) | 0.13 | (0.13) | 0.16 |

*The notes to the financial statements presented on pages 14 to 25 are an integral part of these consolidated financial statements.

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