



**Second quarter
Interim Report
2020**

NORDIC FIBREBOARD AS

Consolidated Interim Report for the second quarter of 2019
(unaudited)

Beginning of the Interim Report Period:	1.04.2020
End of the Interim Report Period:	30.06.2020
Beginning of the financial year:	1.01.2020
End of the financial year:	31.12.2020
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Auditor:	AS PricewaterhouseCoopers
Main activity:	Production and sales of fibreboards

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COMPANY PROFILE

Nordic Fibreboard AS main activity is production and sale of building materials. Nordic Fibreboard AS is a holding company with subsidiaries Nordic Fibreboard Ltd OÜ, Pärnu Riverside Development OÜ (was established by the demerger of subsidiary in 2019) and Skano Furniture OÜ, herewith in turn Nordic Fibreboard Ltd OÜ owns a subsidiary Suomen Tuulileijona OY and Skano Furniture OÜ owns a subsidiary Skano LT UAB.

The Group, as of 30.06.2020, therefore consists of the following companies, all 100% owned:

Subsidiary	Location	Activity
Nordic Fibreboard Ltd OÜ	Estonia	Production and sales
Suomen Tuulileijona OY	Finland	Marketing
Skano Furniture OÜ	Estonia	Retail (operations ended)
UAB Skano LT	Lithuania	Retail (operations ended)
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). Suomen Tuulileijona OY is the marketing company of Nordic's Fibreboard products in Finland.

Skano Furniture OÜ is a retail company, whose activity was the sale of home furnishing furniture. The company finished its activities on 31.01.2020, when it closed the last two furniture showrooms.

Pärnu Riverside Development OÜ was established by the demerger of subsidiary on 24.04.2019, during which Pärnu Riverside Development OÜ became the owner of real estate and its buildings in Suur-Jõe street 48 Pärnu city and the company's area of activity is the management of such real estate and buildings.

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

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

As at 30.06.2020 the Group employed 97 people (30.06.2019: 124 people from continuing operations).



MANAGEMENT REPORT

NORDIC FIBREBOARD AS UNAUDITED RESULTS FOR SECOND QUARTER OF 2020

Consolidated net sales for Q2 2020 were € 2.48 million from continuing operations (Q2 2019: € 3.48 million from continuing operations). The sales revenue of the Group's main business segment, fibreboard, for Q2 2020 were € 2.43 million (Q2 2019: € 3.01 million). The main reason for this drop in sales was due to the closure of the Püssi factory in March 2020, which came about as a result of the loss of orders from customers within the display board industry caused by the COVID-19 pandemic. Furniture retail sales revenue for Q2 2020 were € 8 thousand, the decrease in sales (compared to Q2 2019: € 468 thousand) was due to the Group exiting the furniture retail segment earlier this year, with some remaining stock sales taking place during Q2 2020. Rental and property development sales, includes the resale of utilities, in Q2 2020 were € 44 thousand (Q2 2019: € 16 thousand). Revenue from rental and property development increased due to more tenants being secured for the premises in Suur-Jõe 48, Pärnu.

Group EBITDA for Q2 2020 was positive € 347 thousand from continuing operations (Q2 2019: € 52 thousand), of which the fibreboard division EBITDA was € 342 thousand (Q2 2019: € 13 thousand). After depreciation and interest, group net profit for Q2 2020 was € 194 thousand from continuing operations (Q2 2019 net loss of € 179 thousand from continuing operations).

The Group's consolidated EBITDA has improved compared to the same period last year, the main reason being the much improved performance of the fibreboard division. The closure of the Püssi fibreboard factory enabled us to switch the Püssi factory construction sector orders to our Pärnu factory, and we started a 4th shift in Pärnu in April 2020 as a result thereof. The Pärnu factory is now running all the time, except for a one-shift maintenance stop every month. This has led to increased machine utilisation, and gross margin for Fibreboard has therefore increased substantially, being 31% in Q2 2020 (from being 15% in Q2 2019).

DIVISIONAL REVIEW

REVENUE BY BUSINESS SEGMENTS

	€ thousand		€ thousand	
	Q2 2020	Q2 2019	6M 2020	6M 2019
Continued operations				
Fibreboards production and sales	2,426	3,013	5,517	5,906
Furniture retail	8	468	55	861
Real Estate Management	44	16	113	16
Group transactions	0	(18)	(0)	(20)
TOTAL from continued operations	2,479	3,480	5,685	6,763
Discontinued operations	0	408	0	954
TOTAL	2,479	3,888	5,685	7,717



PROFIT BY BUSINESS SEGMENTS

<i>€ thousand</i>	Q2 2020	Q2 2019	6M 2020	6M 2019
Continued operations				
EBITDA by business units:				
Fibreboards production and sales	342	13	88	36
Furniture retail	8	(16)	(39)	(38)
Real Estate Management	(1)	16	(3)	16
Group transactions	(2)	39	(9)	50
TOTAL EBITDA	347	52	37	64
Depreciation	135	166	287	316
TOTAL OPERATING PROFIT/ LOSS	212	(114)	(250)	(252)
Net financial costs	18	65	90	129
Income tax	0	0	0	0
NET PROFIT/ LOSS from continued operations	194	(179)	(340)	(381)
Net profit/loss from discontinued operations	0	(121)	0	(243)
TOTAL	194	(300)	(340)	(624)

NORDIC FIBREBOARD LTD

Fibreboard sales in Q2 2020 were € 2.43 million (2019: € 3.01 million). We sold our products to customers in 18 countries during Q2 2020. The main reason for the drop in sales was the loss of display board customers, boards for this sector was produced in the Püssi factory, which we closed in March 2020. However, sales to our customers within the construction sector in our main northern European markets have been stable. Finland, our largest market with 29% of our fibreboard sales this year, were up 4% in Q2. Sales to Denmark, Sweden, Estonia, and Latvia, together accounting for 45% of sales in Q2, were flat, while we recorded sales decline in markets further afield mainly due to the negative effect in such markets caused by the corona virus.

By adding a 4th shift in our Pärnu production, and thus achieving full machine utilisation, has led to a strong increase in Fibreboard's gross margin from being 15% in Q2 2019 to now reaching 31% in Q2 2020. Overhead costs for Q2 2020 was down 6% compared to Q2 2019, and EBITDA for Q2 2020 was thus positive € 342 thousand (14% of sales in Q2 2020), compared Q2 2019 EBITDA positive € 13 thousand.

FIBREBOARD SALES BY GEOGRAPHICAL SEGMENTS

	<i>€ thousand</i>		<i>€ thousand</i>	
	Q2 2020	Q2 2019	6M 2020	6M 2019
European Union	2,115	2,236	4,856	4,329
Russia	276	425	486	753
Asia	22	80	60	243
Africa	0	156	34	298
Middle East	6	39	45	126
Other	7	77	36	157
TOTAL	2,426	3,013	5,517	5,906



SKANO FURNITURE: RETAIL SALES

Furniture retail sales in Q2 2020 were € 8 thousand (2019 Q2 € 468 thousand). However, this business has been closed down, as earlier informed, and the sales recorded in Q2 2020 was from some remaining stock.

RETAIL SALES BY COUNTRIES

	€ thousand		€ thousand		Number of stores	
	Q2 2020	Q2 2019	6M 2020	6M 2019	30.06.2020	30.06.2019
Estonia	8	364	55	621	0	3
Latvia	0	45	0	85	0	1
Lithuania	0	59	0	155	0	1
TOTAL (ongoing shops)	8	468	55	861	0	5

PÄRNU RIVERSIDE DEVELOPMENT

Rental income, including the resale of utilities, was € 44 thousand in Q2 2020. We incurred operational costs and costs associated with the ongoing detail planning application, which resulted in negative EBITDA of € 3 thousand for Q2 2020.

STATEMENT OF FINANCIAL POSITION AND CASH FLOW STATEMENT

As of 30.06.2020 the total assets of Nordic Fibreboard AS were € 8.1 million (30.06.2019: € 10.3 million). The liabilities of the company as of 30.06.2020 were € 6.9 million (30.06.2019: € 8.0 million), of which Group has borrowings of € 4.5 million as at 30.06.2020 (30.06.2019: € 4.9 million).

Receivables and prepayments amounted to € 1.2 million as at 30.06.2020 (30.06.2019: € 1.8 million). Inventories were € 0.4 million as of 30.06.2020 (30.06.2019: € 1.7 million). Investment property increased due to reclassification from € 187 thousand as at 30.06.2019 to € 1.1 million as at 30.06.2020. Financial investments (i.e. Trigon Property Development shares) increased from € 399 thousand as at 30.06.2019 to € 414 thousand as at 30.06.2020. Property, plant, equipment and intangibles were € 4.9 million as of 30.06.2020 (€ 6.2 million as of 30.06.2019).

During 2020 6M, the Group's cash flows from operating activities totalled cash inflow of € 104 thousand (2019 6M: cash outflow € 207 thousand). Investment activities resulted in cash outflows in amount of € 53 thousand during 2020 6M, compared to outflows in amount € 46 thousand during 6M 2019. Financing activities also resulted in cash outflows of € 53 thousand during 6M 2020 (2019 6M: cash outflow € 145 thousand). Net cash effect during 2020 6M showed cash outflows of € 2 thousand, (2019 6M: cash inflows € 16 thousand).

OUTLOOK

NORDIC FIBREBOARD LTD

The order book from our traditional customers in our largest markets in northern Europe remains strong, although it is very difficult to predict what will happen in the future due to the continuing uncertainty surrounding the COVID-19 pandemic.



PÄRNU RIVERSIDE DEVELOPMENT

We will continue to manage and develop the property on Suur-Jõe Street 48, Pärnu.

PEOPLE

On the 30th of June 2020, the Group employed 97 people (compared to 124 people as of 30.06.2019 from continuing operations). The average number of personnel in Q2 2020 was 116 (Q2 2018: 121 from continuing operations).

For six months of 2020, wages and salaries with taxes amounted to € 1.1 million from continuing operations (six months 2019: € 1.2 million from continuing operations). Payments made to management board members of all group companies including all subsidiaries with relevant taxes were € 104 thousand during 6M 2020 and € 110 thousand during 6M 2019.



FINANCIAL HIGHLIGHTS

€ thousand

Income statement	Q2 2020	Q2 2019	6M 2020	6M 2019
Revenue	2,479	3,480	5,685	6,763
EBITDA	347	52	37	64
EBITDA margin	14%	1%	1%	1%
Operating profit	211	(114)	(250)	(252)
Operating margin	9%	(3%)	(4%)	(4%)
Net profit	194	(179)	(340)	(381)
Net margin	8%	(5%)	(6%)	(6%)
Discontinued operations	0	(121)	0	(243)
TOTAL NET PROFIT	194	(300)	(340)	(624)

Statement of financial position	30.06.2020	31.12.2019	30.06.2019	31.12.2018
Total assets	8,077	9,045	10,281	10,307
Return on assets	2%	(12%)	(4%)	(3%)
Equity	1,222	1,542	2,297	2,901
Return on equity	16%	(73%)	(17%)	(12%)
Debt-to-equity ratio	85%	83%	78%	72%

Share	30.06.2020	31.12.2019	30.06.2019	31.12.2018
Last Price*	0.32	0.41	0.44	0.36
Earnings per share	(0.08)	(0.31)	(0.14)	(0.20)
Price-earnings ratio	(4.26)	(1.32)	(3.15)	(1.81)
Book value of a share	0.27	0.34	0.51	0.64
Market to book ratio	1.19	1.20	0.85	0.56
Market capitalization, € thousand	1,449	1,845	1,962	1,611
Number of shares, piece	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-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/>



FINANCIAL RISKS

INTEREST RATE RISK

Nordic Fibreboard AS's interest rate risk relates to changes in EURIBOR (Euro Interbank Offered Rate) since our loans are linked to EURIBOR. At 30.06.2020 six months' EURIBOR rate was (0.308)% and at 30.06.2019 (0.313)%. As EURIBOR is negative and in the loan agreements it is set to 0%, the continued negative rate of EURIBOR does not have interest expense reducing effect. As the borrowing have a maturity of up to 2 years or less, management is in opinion that the floating interest rate will not bear significant impact to Group's cash flows.

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

The interest rate risk also depends on the overall economic situation in Estonia and in the eurozone. Nordic Fibreboard AS has a cash flow risk arising from the interest rate risk because its 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 EUR. Raw materials for production and goods purchased for resale in our retail operations are mainly in EUR.

RISK OF THE ECONOMIC ENVIRONMENT

The risk of the economic environment for the fibreboard division depends on general developments in the construction and industrial segments. In addition we have the increased risk of possible declining economic environment due to the COVID-19 pandemic.

FAIR VALUE

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

LIQUIDITY RISK

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



DECLARATION OF THE MANAGEMENT BOARD

The management board has prepared the management report and the consolidated financial interim statements of Nordic Fibreboard AS for the second quarter 2020.

The management board confirms that the management report on pages 4-9 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.

The management board confirms that according to their best knowledge the consolidated financial interim report on pages 11-31 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.

Torfinn Losvik

Chairman of the Management Board

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Pärnu, August 17, 2020



INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

<i>€ thousand</i>	30.06.2020	31.12.2019	30.06.2019	31.12.2018
Cash and cash equivalents (Note 2)	5	7	70	54
Receivables and prepayments (Note 3)	1,175	1,394	1,764	1,142
Inventories (Note 4)	443	894	1,679	2,255
Total current assets	1,623	2,296	3,513	3,452
Investment property (Note 5)	1,125	1,121	187	175
Available-for-sale financial assets (Note 8)	414	397	399	422
Property, plant and equipment (Note 6)	4,902	5,212	6,155	6,223
Intangible assets (Note 7)	13	19	27	34
Total non-current assets	6,454	6,749	6,769	6,855
TOTAL ASSETS	8,077	9,045	10,281	10,307
Borrowings (Notes 9)	4,462	4,547	602	662
Payables and prepayments (Notes 10)	2,158	2,665	2,874	2,418
Short-term provisions (Note 11)	9	20	10	15
Total current liabilities	6,629	7,232	3,487	3,095
Long-term borrowings (Notes 9)	47	92	4,288	4,102
Long-term provisions (Note 11)	179	179	210	210
Total non-current liabilities	226	271	4,498	4,311
Total liabilities	6,855	7,503	7,985	7,406
Share capital (at nominal value) (Note 12)	2,699	2,699	2,699	2,699
Share premium	0	364	364	364
Statutory reserve capital	0	288	288	288
Other reserves	104	84	65	45
Unrealised currency differences	0	0	0	0
Retained earnings (loss)	(1,582)	(1,894)	(1,119)	(496)
Total equity	1,222	1,542	2,297	2,901
TOTAL LIABILITIES AND EQUITY	8,077	9,045	10,281	10,307

*The notes to the financial statements presented on pages 15 to 31 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>€ thousand</i>	Q2 2020	Q2 2019	6M 2020	6M 2019
Revenue (Note 14)	2,479	3,480	5,685	6,763
Cost of goods sold (Note 15)	1,798	2,963	4,617	5,846
Gross profit	681	517	1 068	917
Distribution costs (Note 16)	306	455	733	857
Administrative expenses (Note 17)	129	131	304	255
Other operating income (Note 19)	1	0	2	22
Other operating expenses (Note 19)	35	45	283	79
Operating profit (loss)	212	(114)	(250)	(252)
Finance income (Note 20)	36	0	37	0
Finance costs (Note 20)	54	65	127	129
PROFIT (LOSS) BEFORE INCOME TAX	194	(179)	(340)	(381)
NET PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	194	(179)	(340)	(381)
Net profit (loss) for the period from discontinuing operations	0	(121)	(0)	(243)
NET PROFIT (LOSS) FOR THE PERIOD	194	(300)	(340)	(624)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD	194	(300)	(340)	(624)
Basic earnings per share (Note 13)	0.04	(0.07)	(0.08)	(0.14)
Diluted earnings per share (Note 13)	0.04	(0.07)	(0.08)	(0.14)

*The notes to the financial statements presented on pages 15 to 31 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

<i>€ thousand</i>	6M 2020	Q2 2019
Cash flows from operating activities		
Operating profit (loss)	(250)	(252)
Adjustments:		
Depreciation charge (Notes 6;7)	288	250
Profit from disposal of available-for-sale financial assets (Note 8)	(17)	23
Non-monetary transactions: reserve for share option (Note 12)	19	19
Change in trade and other receivables (Note 3)	220	(565)
Change in inventories (Note 4)	451	380
Change in trade and other payables (Note 10)	(506)	413
Discontinued operations	0	58
Cash generated from operations	205	326
Interest payments (Note 20)	(102)	(111)
Interest received (Note 20)	1	0
Net other financial income and expense	0	(8)
Net cash generated from operating activities	104	207
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets (Notes 6;7)	(49)	(34)
Purchase of real estate investment (Note 5)	(4)	(12)
Net cash used in investing activities	(53)	(46)
Cash flows from financing activities		
Repayment of loans received (Note 9)	(4)	(136)
Loans received from related parties (Note 9)	170	171
Repayment of loans received from related parties (Note 9)	(190)	(171)
Finance lease payments (Note 9)	(39)	(42)
Change in overdraft (Note 9)	10	33
Net cash (used in)/from financing activities	(53)	(145)
NET CHANGE IN CASH	(2)	16
OPENING BALANCE OF CASH (Note 2)	7	54
CLOSING BALANCE OF CASH (Note 2)	5	70

*The notes to the financial statements presented on pages 15 to 31 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>€ thousand</i>	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings	Total
Balance at 31.12.2018	2,699	364	288	45	(496)	2 901
Share options 6M 2019	0	0	0	20	0	20
<i>Net loss for 6M 2019</i>	0	0	0	0	(624)	(624)
<i>Other comprehensive income for 6M 2019</i>	0	0	0	0	0	0
Total comprehensive loss for 6M 2019	0	0	0	0	(624)	(624)
Balance at 30.06.2019	2,699	364	288	65	(1,119)	2,297
Balance at 31.12.2019	2,699	364	288	84	(1,894)	1,542
Share options 6M 2020	0	0	0	20	0	20
Other changes	0	(364)	(288)	0	652	0
<i>Net loss for 6M 2020</i>	0	0	0	0	(340)	(340)
<i>Other comprehensive income for 6M 2020</i>	0	0	0	0	0	0
Total comprehensive loss for 6M 2020	0	0	0	0	(340)	(340)
Balance at 30.06.2020	2,699	0	0	104	(1,582)	1,222

*The notes to the financial statements presented on pages 15 to 31 are an integral part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED INTERIM REPORT

NOTE 1 ACCOUNTING POLICIES AND MEASUREMENT BASES

GENERAL INFORMATION

Nordic Fibreboard AS (the Company) (registration number: 11421437; address: Suur-Jõe 48, Pärnu), is an entity registered in the Republic of Estonia. It operates in Estonia and through its subsidiaries in Lithuania and Finland.

The Group's main activities are production and sale of softboard, to a minor extent, the Group also handles real estate management.

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 Tallinn Stock Exchange until 2nd of April 2019, when the shares were moved from the Main List to the Secondary List. Until November 2009, the ultimate controlling party of Nordic Fibreboard AS was TDI Investments KY. The Group has since November 2009 not had any ultimate controlling party. Its largest shareholder today is Pärnu Holdings OÜ (owning 59.62%), of which the main investors with the largest holdings in Pärnu Holdings OÜ have significant influence over the Group as at 30 June 2020 and 30 June 2019, these being AS Trigon Capital (46%) and Stetind OÜ (47%).

BASIS FOR PREPARATION

The Condensed Consolidated Interim Accounts of Nordic Fibreboard AS has been prepared in accordance with the International Financial Reporting Standard (IFRS) Interim Financial Reporting as adopted by the European Union. The same accounting policies were applied for both the Interim Report and the Annual Report for the financial year that ended on 31.12.2019. The consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting. The functional and presentation currency of Nordic Fibreboard AS is euro. All amounts disclosed in the financial statements have been rounded to the nearest thousand unless referred to otherwise.

According to the assessment of the Management Board Nordic Fibreboard AS is a going concern and the Interim Report for the 2nd quarter of 2020 gives a true and fair view of the financial position of Nordic Fibreboard AS and the results of its operations. The present Interim Report has not been audited.

IMPORTANT CHANGES IN ACCOUNTING POLICIES

The following new or revised standards and interpretations became effective for the Group on or after 1 January 2019 and which the Group has not earlier adopted.

IFRS 16, LEASES

IFRS 16 „Leases“ (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and



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

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. As at 31 December 2018, the Group had long-term leases that meet such conditions.

Impact on first-time adoption of new standard on 1 January 2019:

- The new standard will affect virtually all commonly used financial ratios and performance metrics such as gearing, current ratio, asset turnover, interest cover, EBITDA, EBIT, operating profit, net income, EPS, ROCE, ROE and operating cash flows.
- Balance sheets will grow, gearing ratios will increase, and capital ratios will decrease.

The Group had as of 31.12.2018 the future minimum lease payments in relation to non-cancellable operating leases in the amount € 567 thousand. Starting from 1 January 2019, the Group recognised € 73 thousand on the Group's statement of financial position as right-of-use assets and lease liabilities, thus increasing the total of the statement of financial position of the Group. Future minimum lease payments in the amount € 492 thousand as at 31 December 2018 were not recognised as right-of-use assets or financial lease due to the fact that at the beginning of 2019 the Group had known and partially received agreements with lessors on early termination of lease agreements. The premature termination of all leases was due to the closure of the retail furniture business.

Lease liabilities that are recognised in the statement of financial position on initial application, are presented below:

	<i>€ thousand</i>
Future minimum lease payments in relation to non-cancellable operating leases as at 31 December 2018 (IAS 17)	567
(Less): short-term leases and leases which early termination was known not recognised as a liability	(492)
Discounted using the lessee's incremental borrowing rate of at the date of initial application 2,19-2,49%	73
Effect from discounting using the lessee's incremental borrowing rate at the date of initial application	(2)
Lease liability recognised in the statement of financial position as at 1 January 2019 (IFRS 16)	73

On initial application as at 01 January 2019, the Group has measured the associated right-of-use asset at the amount equal to the liability.

The Group has recognised in the statement of financial position the following adjustments as at 1 January 2019:

	<i>€ thousand</i>
Right-of-use assets - increase	73
Lease liabilities - increase	73
The net impact on retained loss on 1 January 2019	0



Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2020, and which the Group has not early adopted.

AMENDMENTS TO THE CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU).

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Group is currently assessing the impact of the new amendment.

DEFINITION OF A BUSINESS – AMENDMENTS TO IFRS 3 (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU).

The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The Group is currently assessing the impact of the new amendment.

DEFINITION OF MATERIALITY – AMENDMENTS TO IAS 1 AND IAS 8 (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU).

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group is currently assessing the impact of the new amendment.

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

CHANGE IN THE GROUP'S ACCOUNTING POLICY

From 2019 the company changed the accounting policy for recognizing investment properties retrospectively. Investment properties are now recognized at the fair value instead of the previously used adjusted cost principle. The change was made because it is the opinion of the Management that the fair value principle better reflects the value position of the Group's investment properties. Mainly because when subsidiary Pärnu Riverside Development OÜ was established by the demerger of



subsidiary, then the new subsidiary became the new owner of the land and is dealing with the realization of the development potential of the land plot. Valuation of investment property in Suur-Jõe street 48 at fair value was based on an expert valuation report conducted by an independent valuer in 2019 and valuation of investment property in Rääma street 31 at fair value was based on a decision on the Management and an expert evaluation report prepared by an independent valuer in 2016.

NOTE 2 CASH AND CASH EQUIVALENTS

<i>€ thousand</i>	30.06.2020	31.12.2019	30.06.2019	31.12.2018
Cash on hand	0	1	3	2
Bank Accounts	5	6	67	52
TOTAL	5	7	70	54

NOTE 3 TRADE AND OTHER RECEIVABLES

<i>€ thousand</i>	30.06.2020	31.12.2019	30.06.2019	31.12.2018
Customer receivables	1,094	1,186	1,469	911
Prepaid taxes	69	185	235	150
Other receivables	1	7	17	65
Prepaid services	11	16	43	16
TOTAL	1,175	1,394	1,764	1,142

Impairment losses of receivables and their reversal are included in the income statement lines Other operating income and Other operating expenses, see also Note 19.

ANALYSIS OF TRADE RECEIVABLES BY AGING:

<i>thousand €</i>	30.06.2020	31.12.2019	30.06.2019	31.12.2018
Not past due	1,038	1,034	1,332	777
incl receivables from customers who also have receivables past due	419	551	426	207
incl receivables from customers who have no receivables past due	619	483	906	570
Past due but not impaired	56	152	137	134
Overdue up to 90 days	45	140	137	132
Overdue more than 90 days	12	12	0	2
TOTAL	1,094	1,186	1,469	911

NOTE 4 INVENTORIES

<i>€ thousand</i>	30.06.2020	31.12.2019	30.06.2019	31.12.2018
Raw materials and other materials	149	218	430	439
Work-in-progress	56	130	298	358
Finished goods	282	568	819	1,264
Goods purchased for resale	0	59	158	163
Goods in transit	0	0	69	133
Prepayments to suppliers	2	18	14	7
Write-off reserve for inventories	(46)	(100)	(109)	(109)
TOTAL	443	894	1,679	2,255



NOTE 5 INVESTMENT PROPERTY

	<i>thousand €</i>
Carrying amount 31.12.2018	175
Capitalized cost	12
Carrying amount 30.06.2019	187
Carrying amount 31.12.2019	1,121
Capitalized cost	4
Carrying amount 30.06.2020	1,125

Costs of maintenance for 6M 2020 were € 115 thousand and € 14 thousand in 6M 2019. Rental income from investment properties, including utilities, for 6M 2020 was € 113 thousand and € 16 thousand in 6M 2019. Acquisitions of investment property during 2020 are related to expenses of Suur-Jõe 48, Pärnu detail plan.

	<i>thousand €</i>
31.12.2018	
Share of registered immovable property at Suur-Jõe 48, Pärnu	5
Share of registered immovable property at Rääma Street 31, Pärnu	170
30.06.2019	
Share of registered immovable property at Suur-Jõe 48, Pärnu	17
Share of registered immovable property at Rääma Street 31, Pärnu	170
31.12.2019	
Share of registered immovable property at Suur-Jõe 48, Pärnu	951
Share of registered immovable property at Rääma Street 31, Pärnu	170
30.06.2020	
Share of registered immovable property at Suur-Jõe 48, Pärnu	955
Share of registered immovable property at Rääma Street 31, Pärnu	170



NOTE 6 PROPERTY PLANT EQUIPMENT

<i>thousand €</i>	Land	Buildings and facilities	Machinery and equipment	Other fixtures	Construction-in-progress	Right-of-use asset	TOTAL
Cost at 31.12.2018	223	4,970	14,500	164	0	0	19,857
Accumulated depreciation at 31.12.2018	0	(3,308)	(10,169)	(157)	0	0	(13,634)
Carrying amount at 31.12.2018	223	1,662	4,331	7	0	0	6,223
Additions 6M 2019	0	0	14	0	19	200	234
Change in accounting policies	0	0	0	0	0	73	73
Disposals and write-offs (Note 19)	0	0	(14)	0	0	(17)	(32)
Accumulated depreciation of fixed assets written off	0	0	14	0	0	17	31
Depreciation (Notes 15;16;17)	0	(86)	(245)	(1)	0	(43)	(374)
Cost at 30.06.2019	223	4,970	14,500	164	19	256	20,132
Accumulated depreciation at 30.06.2019	0	(3,394)	(10,400)	(158)	0	(26)	(13,977)
Carrying amount at 30.06.2019	223	1,576	4,100	6	19	231	6,155
Cost at 31.12.2019	191	2,573	10,773	95	70	267	13,969
Accumulated depreciation at 31.12.2019	0	(1,649)	(6,938)	(91)	0	(79)	(8,757)
Carrying amount at 31.12.2019	191	924	3,835	4	70	188	5,212
Additions 6M 2020	0	0	18	0	30	0	49
Disposals and write-offs (Note 19)	0	0	(6)	(2)	0	(137)	(145)
Accumulated depreciation of fixed assets written off	0	0	6	2	0	60	68
Depreciation (Notes 15;16;17)	0	(42)	(200)	(1)	0	(39)	(282)
							0
Cost at 30.06.2020	191	2,573	10,785	93	101	130	13,872
Accumulated depreciation at 30.06.2020	0	(1,691)	(7,132)	(89)	0	(58)	(8,971)
Carrying amount at 30.06.2020	191	882	3,653	3	101	72	4,902



NOTE 7 INTANGIBLE ASSETS

<i>thousand €</i>	Computer software
Cost at 31.12.2018	129
Accumulated amortisation at 31.12.2018	(96)
Carrying amount 31.12.2018	34
Additions 6M 2019	0
Amortisation charge (Notes 15;16;17)	(6)
Cost at 30.06.2019	129
Accumulated amortisation at 30.06.2019	(102)
Carrying amount 30.06.2019	27
Cost at 31.12.2019	87
Accumulated amortisation at 31.12.2019	(69)
Carrying amount 31.12.2019	18
Additions 6M 2020	0
Amortisation charge (Notes 15;16;17)	(6)
Cost at 30.06.2020	87
Accumulated amortisation at 30.06.2020	(75)
Carrying amount 30.06.2020	12

NOTE 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND

<i>thousand €</i>	30.06.2020	Change 6M 2020	31.12.2019	30.06.2019	31.12.2018
Non-current assets					
Listed securities - Equity securities					
- cost as at	410	0	410	410	410
Revaluation*	4	17	(13)	(11)	12
Fair value as at	414	17	397	399	422

*Available-for-sale financial assets (i.e. Trigon Property Development shares) have been revaluated to reflect fair value based on last price as at 30.06.2020 as shown on Nasdaq Tallinn Stock Exchange.

NOTE 9 BORROWINGS

Until September 2020 the loan agreements contain covenants whereby the debt to EBITDA ratio of the group on a 12-month basis may be up to 5, the DSCR must be maintained at least 1.4 at all times and the annual capital expenditures are capped at 300 thousand €. Waiver was obtained from lender in respect of breaching the financial covenants as at 31 December 2018 and the loan repayment term extended until 30.09.2020, provided that the lender assesses the borrower's solvency every three months. Negotiations are currently underway with lenders to extend the loan for a long period time.



<i>thousand €</i>	Interest rate	30.06.2020	31.12.2019	30.06.2019	31.12.2018
Current borrowings					
Current portion of long-term bank loan	6 month euribor+4.55%	4,086	4,090	150	294
Current portion of short-term financial lease	6 month EURIBOR +margin 2,49%	25	97	52	0
Short term loan from related parties	5%	0	20	0	0
Bank overdrafts	5%	350	340	400	368
Total		4,462	4,547	603	662
Non-current borrowings					
Current portion of long-term bank loan (Note 3)	6 month euribor+4.55%	0	0	4,109	4,102
Non-current financial lease	6 month EURIBOR +margin 2,49%	47	92	179	0
Total		47	92	4,288	4,102
Total borrowings		4,509	4,639	4,891	4,763

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities <i>thousand €</i>	31.12.2019	Cash flows	Non-monetary settlements	Interest accrued	Interest paid	Other	30.06.2020
Current portion of long-term bank loan	4,090	(4)	0	94	(94)	0	4,086
Current portion of short-term financial lease	97	(39)	(32)	0	0	0	25
Short term loan from related parties	20	(20)	0	0	0	0	0
Bank overdrafts	340	10	0	8	(8)	0	350
Non-current financial lease	92	0	(45)	0	0	0	47
Total liabilities from financing activities	4,639	(53)	(78)	102	(102)	0	4,509

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities <i>thousand €</i>	31.12.2018	Cash flows	Non-monetary settlements	Interest accrued	Interest paid	Other	30.06.2019
Current portion of long-term bank loan	294	(136)	0	99	(99)	(8)	150
Current portion of short-term financial lease	0	(42)	95	2	(2)	0	52
Bank overdrafts	368	33	0	10	(10)	0	400
Non-current bank loans	4,102	0	0	0	0	8	4,109
Non-current financial lease	0		179	0	0	0	179
Total liabilities from financing activities	4,763	(146)	274	111	(111)	(0)	4,891



NOTE 10 PAYABLES AND PREPAYMENTS

<i>thousand €</i>	30.06.2020	31.12.2019	30.06.2019	31.12.2018
Trade payables (Note 3)	1,612	2,226	2,248	1,768
Payables to employees	137	163	236	223
incl. accrued holiday pay reserve	36	36	47	53
Tax liabilities	218	162	239	257
incl. social security and unemployment insurance	151	101	155	146
personal income tax	51	42	63	51
contribution to mandatory funded pension	5	4	6	6
value added tax	2	5	5	45
other taxes	9	10	10	9
Prepayments received	112	82	124	147
Other payables (Note 3)	79	32	28	23
TOTAL	2,158	2,665	2,874	2,418

NOTE 11 PROVISIONS

thousand €

Balance at 31.12.2018	225
incl. current portion of provision	15
incl. non-current portion of provision	210
Movements 2019 6M:	
Use of provision	(5)
Interest cost (Note 20)	4
Balance at 30.06.2019	220
incl. current portion of provision	10
incl. non-current portion of provision	210
Balance at 31.12.2019	199
incl. current portion of provision	20
incl. non-current portion of provision	179
Movements 2020 6M:	
Use of provision	(11)
Interest cost (Note 20)	1
Balance at 30.06.2020	188
incl. current portion of provision	9
incl. non-current portion of provision	179

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. In 2019 the provision reserve decreased by € 10 thousand due to the death of one such former employee.



NOTE 12 EQUITY

	Nominal value	Number of shares	Share capital
	€	pcs	thousand €
Balance at 30.06.2020	0.60	4,499,061	2,699
Balance at 31.12.2019	0.60	4,499,061	2,699
Balance at 30.06.2019	0.60	4,499,061	2,699
Balance at 31.12.2018	0.60	4,499,061	2,699

As at 30.06.2020 the share capital of Nordic Fibreboard AS totalled 2,699,436.60 euros that were made up of 4,499,061 shares with the nominal value of 0.60 euros each. The maximum share capital outlined in the Articles of Association is 10,797,744 euros. Each ordinary share grants its owner one vote in the General Meeting of Shareholders and the right to receive dividends.

At the Annual General Meeting of shareholders held on 10.08.2020, a decision was made to introduce no-par value shares and to reduce the share capital of the Company by 2,249,530.50 euros, from the amount of 2,699,436.60 euros to the amount of 449,906.10 euros. The share capital is reduced by reducing the book value of the shares: as a result of the reduction, the book value of the Company's share decreases from 0.60 euros to 0.10 euros. In addition, decisions were made to change the minimum and maximum capital of the Group and the minimum and maximum number of shares.

As at 30.06.2020 the Group had 462 shareholders (30.06.2019: 432 shareholders) of which with more than 5% ownership interest were:

- Pärnu Holdings OÜ with 2,682,192 shares or 59.62% (30.06.2019: 59.62%)
- Gamma Holding Investment OÜ with 362,581 shares or 8.06% (30.06.2019: 7.85%)

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:

- Joakim Johan Helenius 20,000 shares (30.06.2019: 20.000 shares)
- Jan Peter Ingman 0 shares (30.06.2019: 0 shares)
- Trond Brekke 0 shares (30.06.2019: 0 shares)
- Sakari Wallin 0 shares (30.06.2019: 0 shares)
- Torfinn Losvik 0 shares (30.06.2019: 0 shares)

Both Joakim Johan Helenius and Torfinn Losvik have indirect ownership through parent company Pärnu Holdings OÜ. Torfinn Losvik owns shares through Stetind OÜ in the amount of 44.206 shares (2019 44.206 shares).

As of 30.06.2020 Torfinn Losvik has a share option agreement with up to maximum 300,000 share options, such share option agreement was signed 11 October 2017. The agreement stipulates as follow:

- Torfinn Losvik shall be entitled to use the issued option starting from the 37th (thirty-seventh) calendar month after issue of the option. He shall lose the right to use the share option if he leaves from the management board of Nordic Fibreboard AS upon own initiative prior to the thirty-seventh calendar month after the issue of the option or if his board member contract is terminated upon the initiative of the supervisory board within 12 months after the issue of the option. He shall have the right to use the share option to the extent of 1/3 if his board member contract is terminated within



13-24 months after the issue of the option and to the extent of 2/3 if his or her board member contract is terminated within 25-36 months after the issue of the option.

- Torfinn Losvik shall not have the right to transfer the share options issued thereto.
- Up to 300 000 (three hundred thousand) shares of Nordic Fibreboard AS shall be emitted to fulfil the conditions of the share option.
- The price of one share option is 0.506 EUR (calculated as the average closing price of the Nordic Fibreboard shares for the last 60 trading days before the announcement of given AGM on 12.04.2017).
- The final term of the share programme is 31.12.2020. The specific schedule of the share programme and the procedure for sale shall be determined by the supervisory board.
- The pre-emptive right of shareholders to subscribe to new shares emitted to fulfil the conditions of the share option shall be precluded.

Based on Nordic Fibreboard share historical volatility of 85% over past 4 years (2014-2017), the management has evaluated value of the call option of the option agreement to be of 77% compared to agreed strike price. As a result, a monthly reserve of € 3 thousand is accounted for the next 36 months starting from November 2017.

NOTE 13 EARNINGS PER SHARE

	30.06.2020	31.12.2019	30.06.2019	31.12.2018
Net profit (-loss) (in thousands of euros)	(340)	(1,398)	(624)	(891)
Weighted average number of shares (thousand units)	4,499	4,499	4,499	4,499
Basic earnings per share	(0.08)	(0.31)	(0.14)	(0.20)
Weighted average number of shares used for calculating the diluted earnings per shares (thousand units)	4,630	4,630	4,630	4,630
Diluted earnings per share	(0.07)	(0.30)	(0.13)	(0.19)
Book value of share	0.27	0.34	0.51	0.64
Price/earnings ratio (P/E)	(4.26)	(1.32)	(3.15)	(1.81)
Last price of the share of Nordic Fibreboard AS on Tallinn Stock Exchange as at	0.32	0.41	0.44	0.36
Weighted average number of shares used as the denominator (units)				
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (thousand units)	4,499	4,499	4,499	4,499
Adjustments for calculation of diluted earnings per share:				
Share options (2017 program)	131	131	131	131
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (th units)	4,630	4,630	4,630	4,630

Diluted earnings (loss) per share is calculated based on the net profit (loss) and the number of shares plus contingent shares corresponding with the Group's option program started from 2015. Nordic Fibreboard's share price on average has been lower than the exercise price of options granted to Gregory Devine Grace. The share options were valid until 31.12.2018 with strike price of € 1.10. Since the Strike price was higher compared to the market price the option agreement was not used, thus the option reserve was released and accounted in retained earnings.

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



NOTE 14 SEGMENTS

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

- Fibreboard manufacturing and sale (Nordic Fibreboard Ltd OÜ and Suomen Tuulileijona Oy) - manufacture general construction boards based on soft wood fibre boards and interior finishing boards in the Pärnu factory and wholesale of those boards.
- Furniture manufacturing and sale (Skano Furniture Factory OÜ) - the production and wholesale of household furniture in the factory located in Pärnu.*
- Furniture retail sale (Skano Furniture OÜ, SIA Skano, UAB Skano LT) - retail sales of furniture in Estonia, Latvia and Lithuania.
- Real Estate Management.

* Discontinued operations, the subsidiary was sold on 05.09.2019.

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.

All amounts provided to the Management Board are measured in a manner consistent with that of the financial statements. Inter-segment sales are carried out at arm's length.

BUSINESS SEGMENTS:

6 months 2020 thousand €	Fibreboard manufactur ing and wholesale	Real Estate Mana- gement	Furni- ture retail sale	Group's general expenses and eliminations	SEGMENTS TOTAL	Discontinued operations (furniture manufacturing and wholesale)	SEGMENTS TOTAL
Revenue from external customers	5,517	112	55	0	5,685	0	5,685
Inter-segment revenue	0	0	0	(0)	0	0	0
Operating profit/- loss	(199)	(3)	(39)	(8)	(250)	0	(250)
Amortisation/ depreciation (Notes 6; 7)	287	0	0	0	287	0	287
Segment assets	7,167	994	8	(92)	8,077	0	8,077
Non-current assets of the segment (Note 5; 6; 7; 8)	5,497	955	0	2	6,454	0	6,454
Segment liabilities	6,338	32	480	6	6,855	0	6,855
Additions to non- current assets (Note 6;7)	49	4	0	0	53	0	53
Interest expenses (Note 20)	95	0	0	8	103	0	103



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6 months 2019 thousand €	Fibreboard manufactur ing and wholesale	Real Estate Manage ment	Furni- ture retail sale	Group's general expenses and eliminations	SEGMENTS TOTAL	Discontinued operations (furniture manufacturing and wholesale)	SEGMENTS TOTAL
Revenue from external customers	5,906	0	858	0	6,764	954	7,717
Inter-segment revenue	0	16	3	(19)	0	0	0
Operating profit/- loss	(265)	2	(39)	50	(252)	(229)	(481)
Amortisation/ depreciation (Notes 6; 7)	301	14	1	0	316	66	382
Segment assets	8,507	673	411	(460)	9,130	1,151	10,281
Non-current assets of the segment (Note 5;6;7;8)	6,064	659	3	(68)	6,658	110	6,769
Segment liabilities	6,982	0	681	(677)	6,985	999	7,985
Additions to non- current assets (Note 6;7)	234	12	0	0	246	0	246
Interest expenses (Note 20)	102	0	0	0	102	13	115

BUSINESS SEGMENT BY THE GEOGRAPHICAL LOCATION OF CUSTOMERS:

thousand €	6M 2020					
	Fibreboard manufactur ing and wholesale	Real Estate Management	Furniture retail	CONTINUING OPERATIONS TOTAL	Discontinued operations	SEGMENTS TOTAL
European Union	4,856	44	8	4,908	0	4,908
Russia	487	0	0	487	0	487
Middle East	45	0	0	45	0	45
Asia	60	0	0	60	0	60
Africa	35	0	0	35	0	35
Other	36	0	0	36	0	36
Grand Total	5,517	44	8	5,570	0	5,570
thousand €	6M 2019					
	Fibreboard manufactur ing and wholesale	Real Estate Management	Furniture retail	CONTINUING OPERATIONS TOTAL	Discontinued operations	SEGMENTS TOTAL
European Union	4,329	0	858	5,187	435	5,622
Russia	753	0	0	753	457	1,210
Middle East	126	0	0	126	0	126
Asia	243	0	0	243	0	243
Africa	298	0	0	298	0	298
Other	157	0	0	157	61	218
Grand Total	5,906	0	858	6,764	953	7,717



NOTE 15 COST OF GOODS SOLD

<i>thousand €</i>	Q2 2020	Q2 2019	6M 2020	6M 2019
Raw materials and main materials	691	1 056	1 446	1 947
Electricity and heat	601	737	1 566	1 513
Labour expenses (Note 18)	381	460	839	876
Depreciation (Note 6;7)	136	151	286	301
Purchased goods	0	376	69	720
Change in balances of finished goods, goods in transit and work in progress	(55)	118	278	374
Other expenses	44	65	133	116
TOTAL	1,798	2,963	4,616	5,846

NOTE 16 DISTRIBUTION COSTS

<i>thousand €</i>	Q2 2020	Q2 2019	6M 2020	6M 2019
Transportation expenses	222	265	550	488
Labour expenses (Note 18)	46	84	102	167
Marketing expense	0	20	2	41
Commission fees	36	13	63	22
Depreciation (Note 6;7)	0	0	0	1
Other expenses	3	72	16	139
TOTAL	306	455	733	857

NOTE 17 ADMINISTRATIVE AND GENERAL EXPENSES

<i>thousand €</i>	Q2 2020	Q2 2019	6M 2020	6M 2019
Labour expenses (Note 18)	63	95	130	181
Purchased services	56	11	146	33
Office supplies	2	1	6	1
Depreciation (Note 6;7)	0	15	1	15
Other expenses	9	10	20	25
TOTAL	129	131	304	255

NOTE 18 LABOUR EXPENSES

<i>thousand €</i>	Q2 2020	Q2 2019	6M 2020	6M 2019
Wages and salaries	371	487	815	934
Social security and unemployment insurance	118	152	257	290
Fringe benefits paid to employees	3	7	8	15
TOTAL	492	647	1 079	1 239

NOTE 19 OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME

<i>thousand €</i>	Q2 2020	Q2 2019	6M 2020	6M 2019
Compensation from insurance	0	0	1	22
Other operating income	1	0	1	0
TOTAL	1	0	2	22



OTHER OPERATING EXPENSES

<i>thousand €</i>	Q2 2020	Q2 2019	6M 2020	6M 2019
Sales bonuses	0	9	0	17
Reclamations	2	5	19	6
Commission, factoring fees	0	0	2	1
Membership fees	2	2	2	4
Insurance	0	0	0	5
Penalties paid	29	28	71	46
Loss from sales of fixed assets	0	1	0	0
Other costs	2	0	189*	0
TOTAL	35	45	283	79

* Other costs for Q1 2020 include extraordinary costs of Püssi factory closure € 187 thousand.

NOTE 20 FINANCIAL INCOME AND EXPENSES

<i>thousand €</i>	Q2 2020	Q2 2019	6M 2020	6M 2019
Financial income:				
Interest income	0	0	1	0
Other financial income	36*	0	36*	0
Total financial income	36	0	37	0
Financial cost				
Interest expenses	52	51	103	102
<i>including interest expenses related to provisions (Note 13)</i>	1	1	1	6
Other finance cost	1	14**	23**	28**
Total financial cost	54	65	127	129

* Other financial income include revaluation of TPD shares for 2020 years.

** Other financial expenses include revaluation of TPD shares for 2019 and 2020 years.

NOTE 21 RELATED PARTIES

The following parties are considered to be related parties:

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

As of 30 June 2020, the largest shareholder of Pärnu Holdings OÜ and the entities with significant influence over the Group are: AS Trigon Capital (46%) and Stetind OÜ (47%). The owner of Stetind OÜ is Torfinn Losvik and the owner of AS Trigon Capital is Joakim Helenius.



BENEFITS (INCL. TAX EXPENSES) TO THE MEMBERS OF THE MANAGEMENT ALL CONSOLIDATION
GROUP ENTITIES:

<i>thousand €</i>	Q2 2020	Q2 2019	6M 2020	6M 2019
Membership fees	40	44	78	83
Resignation compensation	0	0	0	0
Social tax	13	15	26	27
Total	54	59	104	110

The member of the Management Board of Nordic Fibreboard AS will receive severance pay to three months' remuneration according to the contract. No payments were made to members of Supervisory Board.

NORDIC FIBREBOARD AS HAS PURCHASED RENTAL, CONSULTATION AND OTHER SERVICES FROM
RELATED PARTIES:

<i>thousand €</i>	Q2 2020	Q2 2019	6M 2020	6M 2019
Purchased services	4	3	9	8
Total	4	3	9	8

BALANCES WITH RELATED PARTIES AS OF:

<i>thousand €</i>	30.06.2020	31.12.2019	30.06.2019	31.12.2018
Purchased services	9	0	10	1
Short-term loan	0	20	0	0
Short-term loan interest	0	0	0	0
Total	9	20	10	1

NOTE 22 DISCONTINUED OPERATIONS

<i>€ thousand</i>	Q2 2020	Q2 2019	6M 2020	6M 2019
Revenue (Note 14)	0	632	0	1,350
Cost of goods sold (Note 15)	0	689	0	1,460
Gross Profit	0	(57)	0	(109)
Distribution costs (Note 16)	0	33	0	59
Administrative expenses (Note 17)	0	28	0	64
Other operating income (Note 19)	0	4	0	4
Other operating expenses (Note 19)	0	1	0	2
Operating loss	0	(115)	0	(229)
Finance income (Note 20)	0	0	0	0
Finance costs (Note 20)	0	6	0	13
LOSS BEFORE INCOME TAX	0	(121)	0	(242)
Ettevõtte tulumaks	0	0	0	0
NET LOSS FOR THE PERIOD	0	(121)	0	(242)

Based on the resolution of the supervisory board, Nordic Fibreboard AS sold its fully owned furniture manufacturing and wholesale subsidiary Skano Furniture Factory OÜ to Wood Export OÜ. The purchase price for buying 100% of the share capital of Skano Furniture Factory OÜ is € 100,000. However, after adjustments between the sale price and the liabilities of Skano Furniture Factory OÜ, no monetary payment was made by the buyer. There are no related between members of Nordic



Fibreboard AS supervisory board and management board. Wood Export for a many years has been a supplier to Skano Furniture Factory OÜ.

NOTE 23 EVENTS AFTER BALANCE SHEET DATE AND GOING CONCERN OF THE GROUP

Due to the negative result of 2019, the Group's equity as of 31.12.2019 does not meet the commercial code minimum requirements. Consequently, as the Annual General Meeting of Shareholders held on 10.08.2020 the Management Board proposed, which adopted, to introduce no-par value shares and establish following changes in the share capital by amending the Articles of Association:

- The minimum share capital of the Company is € 250,000 (two hundred and fifty thousand euros) and the maximum share capital is € 1,000,000 (one million euros);
- The minimum number of the Company's shares is 2,500,000 and the maximum number is 10,000,000. Each share carries one vote at the general meeting of shareholders. The Company has one type of shares – registered no-par value shares.
- As a result of the introduction of no par-value shares, the Company has 4,499,061 no-par value shares, whereas each share entitles the shareholder to one vote at the general meeting. As a result of the adoption of this resolution, the book value of the Company's share is € 0.60.

In addition to the above, at the same meeting it was decided to reduce the share capital to cover retained earnings as follows:

- To reduce the share capital of the Company by € 2,249,530.50 from the amount of € 2,699,436.60 to the amount of €449,906.10;
- The share capital will be reduced by reducing the book value of the shares: as a result of the reduction the book value of the Company's share will decrease from € 0.60 to € 0.10;
- The list of shareholders participating in the reduction of the share capital will be fixed on 24.08.2020 as of the end the business day of the Nasdaq CSD settlement system.

Due to the Group's negative working capital as at the 30.06.2020 in amount 5 006 thousand euros, management is paying especial attention to enable the Group to pay its invoices and working closely with key suppliers so to ensure continuity in securing the Group's operational efficiency. The Group has close contacts with its main suppliers, and has organised payment plans for the invoices overdue. In addition, the cash flows are monitored on a weekly basis at least one month ahead and management has compiled a 12-month cash flow forecast (May 2020 until April 2021). Based on the forecast, management is in opinion that the negative working capital and difficult liquidity situation will improve with the next 12 months.

The result of the Group, which turned out to be better than forecast in the Q2 of 2020, gives confidence in the Group's sustainability.

