

Company Nordic Fibreboard AS
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- SkanoGroup-10003652971-en.pdf (<http://oam.fi.ee/en/download?id=4698>)
- SkanoGroup-10003652973-et.pdf (<http://oam.fi.ee/en/download?id=4699>)

Currency

Title Audited Annual Report 2019

On 30 June 2020, the Supervisory Council of AS Nordic Fibreboard has approved the company's 2019 audited annual report.

OVERVIEW OF OPERATING RESULTS

Revenue and operating results

Nordic Fibreboard recorded positive EBITDA of EUR 325 thousand for full year 2019 from continuing operations (vs positive EUR 428 thousand in 2018 from continuing operations). 2019 full year EBITDA includes one-off profit EUR 327 thousand from revaluation of investment property, whereas 2018 EBITDA included one-off expenses of increase provision reserves by EUR 25 thousand. Fibreboard profitability was substantially reduced due to the higher cost of its main raw material, woodchips and to leakages in one of its driers, which resulted in substantial higher consumption of energy during fourth quarter. Furniture retail EBITDA became even more negative compared to the closure of stores.

Net loss for full-year 2019 was EUR 1 127 thousand from continuing operations (2018: loss of EUR 360 thousand from continuing operations). Consolidated net sales for 2019 were EUR 13.33 million from continuing operations, being a 6% increase compared to 2018 (2018: EUR 12.53 million from continuing operations).

Fibreboard activities showed sales of EUR 11.75 million in 2019, this being 7% sales increase from previous year, when sales was EUR 11.01 million, due to securing new customers in display board and door core segments. We recorded sales increase in emerging markets in Asia and Africa while also continuing sales growth in EU due to securing new customers. Finland, our largest market, continued to experience sales decline despite Nordic Fibreboard keeping its market share within soft density fibreboard segment, thus reflecting the growth of other materials for use in the construction sector, mainly in new build of



apartment.

Prior to the sale on 5 September 2019 of our furniture wholesale company Skano Furniture Factory, sales in this unit were EUR 1.22 million, compared to the full year 2018 sales of EUR 2.27 million. This report considers the wholesale of furniture as a discontinued operations.

Furniture retail sales decreased by 1% compared to 2018 (from EUR 1.54 million to EUR 1.52 million). Sales dropped because Pärnu mnt salon in Tallinn, Tartu, Riga and Vilnius stores were closed in the second half of 2019. Furniture retail for 2019 were therefore negative EBITDA EUR 200 thousand (2018 result was negative EBITDA of EUR 104 thousand).

GROUP'S REVENUE BY ACTIVITY

	EUR thousand		% of net sales	
	2019	2018	2019	2018
Continued operations				
Fibreboards production and sales	11,745	11,007	81%	74%
Furniture retail	1,515	1,536	10%	10%
Real Estate Management	111	0	1%	0%
Group transactions	(38)	(15)	(0%)	(0%)
Total	13,333	12,528	92%	85%
Discontinued operations	1,215	2,270	8%	15%
TOTAL	14,548	14,797	100%	100%

GROUP'S REVENUE BY regions

	EUR thousand		% of net sales	
thousand EUR	2019	2018	2019	2018
European Union	10,244	9,820	70%	67%
Russia	1,545	1,531	11%	10%



Asia	544	294	4%	2%
Africa	523	168	4%	1%
Other	245	403	2%	3%
Middle East	232	312	1%	2%
TOTAL	13,333	12,528	92%	85%
Discontinued operations	1,215	2,270	8%	15%
TOTAL	14,548	14,797	100%	100%

The Group's total sales have seen increases in some markets, such as European Union, Asia and Africa, while we recorded substantial sales decline in Middle East.

THE GROUP'S PROFIT/LOSS BY SEGMENTS

EUR thousand	2019	2018
Continued operations		
EBITDA by business units:		
Fibreboards production and sales	68	280
Furniture retail	(200)	(104)
Real Estate Management	352	0
Group transactions	105	252
TOTAL EBITDA	325	428
Depreciation	(668)	(558)
TOTAL OPERATING PROFIT/ LOSS	(343)	(130)
Net financial costs	(784)	(228)
Income tax	0	(2)



NET PROFIT/ LOSS	(1,127) (360)
Discontinued operations	(271) (532)
TOTAL	(1,398) (891)

STATEMENT OF FINANCIAL POSITION AND CASH FLOW STATEMENT

As of 31.12.2019 the total assets of Nordic Fibreboard AS were EUR 9.1 million (31.12.2018: EUR 10.3 million). The liabilities of the company as of 31.12.2019 were EUR 7.5 million (31.12.2018: EUR 7.4 million), of which Nordic Fibreboard has borrowings of EUR 4.6 million as at 31.12.2019 (31.12.2018: EUR 4.8 million).

Receivables and prepayments amounted to EUR 1.4 million as at 31.12.2019 (31.12.2018: EUR 1.1 million). Inventories were EUR 0.9 million as of 31.12.2019 (31.12.2018: EUR 2.3 million). Financial investments (ie Trigon Property Development shares) decreased from EUR 422 thousand as at 31.12.2018 to EUR 397 thousand as at 31.12.2019. Real Estate Investments were EUR 1.12 million (31.12.2018: EUR 0.18 million), property, plant, equipment and intangibles were EUR 5.2 million as of 31.12.2019 (EUR 6.3 million as of 31.12.2018).

In 2019, the Group's cash flows from operating activities totalled EUR 516 thousand EUR (2018: EUR 507 thousand). Investment activities resulted in cash outflows in amount of EUR 153 thousand in 2019, compared to outflows in amount EUR 275 thousand in 2018. Financing activities also resulted in cash outflows of EUR 410 thousand in 2019 (2018: EUR outflow 252 thousand). Net cash effect in 2019 EUR was negative 47 thousand, which is more negative compared to the 2018 outflows of EUR 20 thousand.

In 2019, investments in non-current assets totalled EUR 133 thousand. In 2018, the investments totalled EUR 270 thousand.

Performance of business units

NORDIC FIBREBOARD Ltd

Fibreboard sales for 2019 were EUR 11.75 million, which is 7% more than in 2018 (2018: EUR 11.01 million). We sold our products to customers in 39 countries during the year 2019. Sales growth in the EU were mainly driven by securing new customers in both the display board and the door core segments. Sales to Russia showed a modest increase in 2019, reflecting the slight increase in business confidence and business activity in that market. Middle East markets continue to experience subdued economic environment. In Asia we secured new customers in new



countries, and in Africa we benefitted from a loss of a key competitor. Fibreboard recorded EBITDA of EUR 68 thousand for full year 2019 (2018: EUR 280 thousand), the reduced profitability in 2019 compared to 2018 were due to extra start-up costs being incurred as a result of working with new products for customers in the door core and display board segment, as well as the aforementioned increase in energy costs due to leakage in one of our driers.

THE SALES OF NORDIC FIBREBOARD LTD BY REGION

	EUR thousand		% of net sales	
	2019	2018	2019	2018
European Union	8,656	8,297	74%	75%
Russia	1,545	1,531	13%	14%
Asia	544	294	5%	3%
Africa	523	168	4%	2%
Middle East	232	312	2%	3%
Other	245	404	2%	4%
Total	11,745	11,007	100%	100%

Interior finishing boards

Interior finishing boards are 100% produced under Isotex brand. Interior finishing boards are made of natural softboard, which is produced in Pärnu fibreboard factory's main production line and the boards have milled tenons and the surface is covered with paper or textile. This technology enables to produce boards of different colours and patterns.

General construction boards

Wind-protection boards and boards for door cores are the largest product groups at Pärnu softboard factory. The main product group of Püssi fibreboard factory is boards for the pin board segment, which Nordic Fibreboard sells across several continents.

SKANO FURNITURE FACTORY: FURNITURE PRODUCTION AND WHOLESALE

On 05.09.2019 Nordic Fibreboard AS sold its subsidiary Skano Furniture Factory OÜ, thereby ending its production and wholesale of furniture. Nordic Fibreboard AS became the mother direct company of Skano Furniture OÜ after the sale of the Skano Furniture Factory OÜ. The main activity of Skano Furniture OÜ is retail of own products and furniture of third-party furniture in the Baltics. Skano



Furniture Factory business activity was producing and wholesale of handmade furniture of solid wood. Skano Furniture Factory factory was located in Pärnu.

Prior to the sale on 5 September 2019 of our furniture wholesale company Skano Furniture Factory, sales in this unit were with intra-group transactions EUR 1.07 million, compared to the full 2018 sales of EUR 3.01 million. EBITDA for 2018 until 05.09.2019, was negative EUR 176 thousand (negative EUR 334 thousand for full-year 2018).

The sales of the furniture factory by country

	EUR thousand		% of net sales	
	2019	2018	2019	2018
Russia	627	1,217	36%	40%
Finland	335	798	20%	27%
Skano Retail	476	733	28%	24%
Other countries	265	258	16%	9%
Total	1,703	3,006	100%	100%

SKANO FURNITURE: RETAIL SALES

Retail business was operated by a subsidiary Skano Furniture OÜ and its subsidiaries in Latvia and Lithuania. As of 31.12.2019 there were two stores left, one store in Tallinn and one store in Pärnu, both stores were closed 31.01.2020. Latvian and Lithuanian stores were closed 30.09.2019. The closure of these stores meant that the group was leaving the furniture retail sector.

Furniture retail sales 2019 decreased by 1% compared to 2018 (from EUR 1.54 million to EUR 1.52 million).

RETAIL SALES BY COUNTRY

	EUR thousand		% of net sales		Number of stores	
	2019	2018	2018	2017	31.12.2019	31.12.2018
Estonia	1,152	962	76%	63%	2	4
Latvia*	137	272	9%	18%	0	1
Lithuania*	226	302	15%	20%	0	1
Total	1,515	1,536	100%	100%	2	6



* Latvian and Lithuanian stores were closed on 30.09.2019.

Total Furniture operations EBITDA for 2019 was negative EUR 200 thousand (in 2018 negative EUR 104 thousand).

FORECAST AND DEVELOPMENT

Nordic Fibreboard Ltd

In Fibreboard, we are pushing for sales of our various applications which have more global reach than our traditional sales of windboards and insulation boards sold mainly in our traditional markets of Finland, Russia and Estonia. The industrial segment offers more potential as customers are becoming more conscious of using environmentally friendly materials, such as our fibreboards. We see further upside potential in sales growth of display boards, especially in the dynamic Asian market.

Pärnu Riverside Development

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

FINANCIAL RATIOS

EUR thousand			
Income statement		2019	2018
Revenue		13,333	12,528
EBITDA		325	428
EBITDA margin		2%	3%
Operating profit		(343)	(130)
Operating margin		(3%)	(1%)
Net profit		(1,127)	(360)
Net margin		(8%)	(3%)
Discontinued operations		(271)	(532)



TOTAL NET PROFIT	(1,398)	(891)
-----+-----+-----		
Statement of financial position	31.12.2019	31.12.2018
-----+-----+-----		
Total assets	9,045	10,307
-----+-----+-----		
Return on assets	(12%)	(3%)
-----+-----+-----		
Equity	1,542	2,901
-----+-----+-----		
Return on equity	(73%)	(12%)
-----+-----+-----		
Debt-to-equity ratio	83%	72%
-----+-----+-----		
Share	31.12.2019	31.12.2018
-----+-----+-----		
Last Price*	0.41	0.36
-----+-----+-----		
Earnings per share	(0.31)	(0.20)
-----+-----+-----		
Price-earnings ratio	(1.32)	(1.81)
-----+-----+-----		
Book value of a share	0.34	0.64
-----+-----+-----		
Market to book ratio	1.20	0.56
-----+-----+-----		
Market capitalization, EUR thousand	1,845	1,611
-----+-----+-----		
Number of shares, piece	4,499,061	4,499,061

EBITDA = Earnings before interest, taxes, depreciation and amortization

EBITDA margin = EBITDA / Revenue

Operating margin = Operating profit / Revenue

Net margin = Net profit / Revenue

Return on assets = Net profit / Total assets

Return on equity = Net profit / Equity

Debt-to-equity ratio = Liabilities / Total assets

Earnings per share = Net profit / Total shares

Price-earnings ratio = Last price / Earnings per share

Book value of a share = Equity / Total shares

Market to book ratio = Last price / Book value of a share

Market capitalization = Last price * Total number of shares

*<http://www.nasdaqbaltic.com/>



Consolidated statement of financial position

EUR thousand	31.12.2019	31.12.2018
Cash and cash equivalents	7	54
Receivables and prepayments (Note 5)	1,394	1,142
Inventories (Note 6)	894	2,255
Total current assets	2,296	3,452
Investment property (Note 7)	1,121	175
Available-for-sale financial assets (Note 9)	397	422
Property, plant and equipment (Note 8)	5,212	6,223
Intangible assets (Note 8)	19	34
Total non-current assets	6,749	6,855
TOTAL ASSETS	9,045	10,307
Borrowings (Notes 10)	4,547	662
Payables and prepayments (Notes 11)	2,665	2,418
Short-term provisions (Note 12)	20	15
Total current liabilities	7,232	3,095
Long-term borrowings (Notes 10)	92	4,102
Long-term provisions (Note 12)	179	210
Total non-current liabilities	271	4,311



Total liabilities		7,503		7,406	
	+		+		+
	+		+		+
Share capital (at nominal value) (Note 13)		2,699		2,699	
	+		+		+
Share premium		364		364	
	+		+		+
Statutory reserve capital		288		288	
	+		+		+
Other reserves		84		45	
	+		+		+
Retained earnings (loss)		(1,894)		(496)	
	+		+		+
Total equity (Note 13)		1,542		2,901	
	+		+		+
	+		+		+
TOTAL LIABILITIES AND EQUITY		9,045		10,307	

*The notes to the financial statements presented on pages 25 to 72 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

EUR thousand		2019		2018	
	+		+		
Continued operations					
	+		+		
Revenue (Note 24)		13,333		12,528	
	+		+		
Cost of goods sold (Note 15)		11,538		10,479	
	+		+		
Gross profit		1,796		2,049	
	+		+		
	+		+		
Distribution costs (Note 16)		1,698		1,898	
	+		+		
Administrative expenses (Note 17)		658		498	
	+		+		
Other operating income (Note 19)		351		14	
	+		+		
Other operating expenses (Note 20)		134		89	
	+		+		
Operating loss		(343)		(422)	
	+		+		
	+		+		



Finance income (Note 21)		19	22
Finance costs (Note 21)		803	243
LOSS BEFORE INCOME TAX		(1,127)	(643)
Corporate income tax		0	2
NET LOSS FOR THE FINANCIAL YEAR FROM CONTINUING OPERATIONS		(1,127)	(645)
Net loss for the financial year from discontinuing operations		(271)	(246)
NET LOSS FOR THE FINANCIAL YEAR		(1,398)	(891)
Basic earnings per share (Note 14)		(0,31)	(0,20)
Diluted earnings per share (Note 14)		(0,30)	(0,20)

*The notes to the financial statements presented on pages 25 to 72 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

EUR thousand		2019	2018
Cash flows from operating activities			
Operating profit (loss)		(343)	(423)
Adjustments:			
Depreciation charge (Notes 7; 8)		669	558
Profit from revaluation of real estate investment (Note 7)		(327)	0
Loss from disposal of non-current asset		2	0
Non-monetary transactions: reserve for share option		39	37
Loss from disposal of available-for-sale financial assets			



(Notes 9; 21)	25	2
Expenses of doubtful receivables	1	0
Change in trade and other receivables (Note 5)	(651)	(1,532)
Change in inventories (Note 6)	581	83
Change in trade and other payables (Note 11)	617	653
Discontinued operations	131	1,374
Cash generated from operations	744	752
Interest payments (Note 21)	(221)	(240)
Corporate income tax paid	0	(2)
Net other financial income and expense (Note 21)	(7)	(3)
Net cash generated from operating activities	516	507
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets (Notes 8)	(133)	(30)
Purchase of real estate investment (Note 7)	(20)	(5)
Acquisition of available-for-sale financial assets (Note 9)	0	(240)
Net cash used in investing activities	(153)	(275)
Cash flows from financing activities		
Repayment of loans received (Note 10)	(306)	(246)
Loans received from related parties (Note 10)	304	120
Repayment of loans received from related parties (Note 10)	(284)	(120)
Finance lease payments	(96)	0



Change in overdraft (Note 10)	(28)	137
Change in factoring (Note 10)	0	(143)
Net cash (used in)/from financing activities	(410)	(252)
NET CHANGE IN CASH	(47)	(20)
Effect of exchange rate changes on cash and cash equivalents	0	0
OPENING BALANCE OF CASH	54	74
CLOSING BALANCE OF CASH	7	54

*The notes to the financial statements presented on pages 25 to 72 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

EUR thousand	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings	Total
Balance at 31.12.2017	2,699	364	288	9	393	3,753
Share options 12M 2018	0	0	0	37	0	37
Other changes	0	0	0	0	2	2
Net profit/loss for 12M 2018	0	0	0	0	(891)	(891)
Other comprehensive income for 12M 2018	0	0	0	0	0	0
Total comprehensive profit/loss for 12M 2018	0	0	0	0	(891)	(891)



Balance at 31.12.2018	2,699	364	288	45	(496)	2,901
Share options 12M 2019	0	0	0	39	0	39
Net profit/loss for 12M 2019	0	0	0	0	(1,398)	(1,398)
Other comprehensive income for 12M 2019	0	0	0	0	0	0
Total comprehensive profit/loss for 12M 2019	0	0	0	0	(1,398)	(1,398)
Balance at 31.12.2019	2,699	364	288	84	(1,894)	1,542

* More detailed information about share capital is disclosed in Note 13.

*The notes to the financial statements presented on pages 25 to 72 are an integral part of these consolidated financial statements.

PROPOSAL FOR COVERING OF LOSS

	EUR thousand
Retained earnings at 31.12.2018	(496)
Net loss in 2019	(1,398)
Statutory capital reserve	288
Issue premium	364
Retained earnings / (accumulated losses) at 31.12.2019	(1,242)

The audited Annual Report of Nordic Fibreboard AS for 2019 is available on issuer's home page www.nordicfibreboard.com (<http://www.nordicfibreboard.com>) .

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