

Kotkamills Group Oyj

INTERIM REPORT

01.01. - 31.12.2019

Table of contents

Interim report 01.01.-31.12.2019

Explanatory statement to interim report

Consolidated financial statements

- Consolidated statement of profit or loss
- Consolidated statement of other comprehensive income
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Consolidated statement of cash flows

Notes to the interim report

1. Accounting policies for the interim report
2. Segment information and revenue from contract with customers
3. Changes in property, plant and equipment
4. Financial assets and liabilities
5. Commitments and contingencies
6. Related party transactions
7. Events after the reporting period

Kotkamills Group Oyj's Interim Report October 1 – December 31, 2019

1. Events during October - December 2019

Delivery volumes in the Consumer Boards segment were lower than a year ago and slightly decreased from previous quarter's level. Sales prices increased from both previous year's and previous quarter's levels.

In the Industrial Products segment, delivery volumes of saturating base kraft were on the same level as a year ago and increased from the previous quarter's level. Sales prices increased slightly from previous quarter's level and were higher than on the same period a year ago.

Delivery volumes of wood products were higher than a year ago and on previous quarter's level. Sales prices of wood products improved slightly from the previous quarter's level but have decreased clearly from the same period a year ago.

2. Key performance indicators

Q4/2019 (compared with Q4/2018)

The Group's revenue of EUR 84,0 million (EUR 85 million) decreased by EUR 1,0 million from the same period a year ago following the decreased sales prices of wood products.

The Group's EBITDA of EUR 8,4 million (EUR 7,7 million) increased by EUR 0,7 million from the same period a year ago driven by decreased pulp and energy costs.

Consumer Boards segment EBITDA of EUR 2,5 million (EUR 1,4 million) increased EUR 1,0 million from the same period a year ago following lower fiber and chemical costs.

Industrial Products segment EBITDA of EUR 5,4 million (EUR 4,7 million) increased by EUR 0,7 million compared to the same period a year ago mainly due to higher sales prices and lower operating costs.

Operating profit was EUR 3,7 million (EUR 3,6).

Cash flow from operating activities of EUR 3,3 million (EUR 7,9 million) decreased EUR 4,5 million compared to the same period a year ago driven by changes in working capital and paid interest and financial expenses.

Cash flow from investing activities was EUR -3,3 million (EUR -4,1 million) following lower capital expenditure than on the same period a year ago.

Cash flow from financing activities was EUR -0,4 million (EUR -0,4 million) including payment of leases EUR -0,4 million.

Q1-Q4/2019 (compared with Q1-Q4/2018)

The Group's revenue of EUR 342,8 million (EUR 353,3 million) decreased by EUR 10,5 million from the same period a year ago due to decreased sales volumes in Consumer Boards segment decreased sales volumes of saturating base kraft and decreased sales prices of wood products in the Industrial Products segment.

The Group EBITDA of EUR 26,4 million (EUR 23,2 million) increased EUR 3,2 million following the increased sales prices and decreased operating costs.

Operating profit was EUR 9,1 million (EUR 7,1 million).

Cash flow from operating activities of EUR 20,7 million (EUR 21,3 million) decreased EUR 0,6 million driven by changes in working capital.

Cash flow from investing activities of EUR -9,5 million (EUR -8,7 million) decreased EUR 0,8 million due to higher capital expenditure.

Cash flow from financing activities was EUR -16,9 million (EUR -10,7 million), including repayment of the bond loan of EUR -15,0 million and payment of leases EUR -1,8 million. Cash flow from financing activities from the same period a year ago includes repayment of the bond loan of EUR -15,0 million, repayment of financial leases EUR -1,7 million, shareholder loans of EUR 5,0 million and a direct share issue of EUR 1,1 million.

	2019	2018	2019	2018
	1.10.-31.12.	1.10.-31.12.	1.1.-31.12.	1.1.-31.12.
Group Total				
Revenue, EUR million	84,0	85,0	342,8	353,3
EBITDA, EUR million	8,4	7,7	26,4	23,2
<i>EBITDA / Revenue (%)</i>	<i>10,0</i>	<i>9,0</i>	<i>7,7</i>	<i>6,6</i>
Operating profit, EUR million	3,7	3,6	9,1	7,1
<i>Operating profit / Revenue (%)</i>	<i>4,5</i>	<i>4,2</i>	<i>2,7</i>	<i>2,0</i>
Profit (loss) of the period, EUR million				
Return on equity (%)	-19,5	-15,1	-70,0	-47,4
Equity ratio (%)	3,0	5,9	3,0	5,9
Equity ratio, adjusted (%)*	64,4	60,4	64,4	60,4

*Equity including shareholder loans and the junior term loan

The Group monitors capital by using an adjusted equity ratio based on the financial covenant, which is total equity added with shareholder loans and the junior term loan divided by total assets (which shall be at least 30% in the end of each reporting period). The Group's policy is to keep the adjusted equity ratio above 30%. There have been no breaches of the financial covenant of adjusted equity ratio in the current period.

3. Events after reporting date

Kotkamills Group Oyj ("Kotkamills") as parent and, among others, Kotkamills' wholly owned subsidiary Kotkamills Oy as borrower, have entered into a senior facility agreement with a Nordic commercial bank on 28 February 2020 (the "SFA"). Kotkamills will use the loan proceeds to repay the remaining outstanding amount (plus accrued interest thereon) of the EUR 105,000,000 Senior Secured Callable Bonds 2015/2020 (ISIN: FI4000148705) (the "Bonds") on 13 March 2020 which is the final redemption date for the Bonds in accordance with the terms and conditions of the Bonds.

4. Near-term outlook

Revenue of the first quarter in 2020 is estimated to be higher than in the fourth quarter of 2019 following improving delivery volumes in all segments. Due to this, the profit for the first quarter of 2020 is estimated to be slightly higher than in the previous quarter.

Demand of all business segments is expected to stay on good level, but changes in the global economic situation and geopolitical risks may have weakening impact on demand.

Currency exchange rate changes and possible further increases in raw material prices could adversely impact the Group's profit development.

5. Near-term risk review

No material changes have occurred in the short-term risks and uncertainties disclosed in the annual financial statement of 2018. The annual financial statement of 2018 is available on the Company's website at www.kotkamills.com/fi/kotkamillsgroup/keyfinancials.

Consolidated statement of profit or loss

For the period 01.01.-31.12.2019

	01.10.- 31.12.2019	01.10.- 31.12.2018	01.01.- 31.12.2019	01.01.- 31.12.2018
	€000	€000	€000	€000
Revenue	83 989	85 013	342 798	353 317
Other operating income	929	1 373	1 566	2 956
Change in inventories of finished goods and work in progress	-2 427	405	-3 281	1 689
Production for own use	14	0	120	36
Materials and supplies	-51 971	-57 227	-225 808	-239 924
Employee benefit expenses	-9 513	-9 858	-38 123	-40 048
Depreciation and amortisation	-4 645	-4 104	-17 255	-16 114
Other operating expenses	-12 635	-12 027	-50 916	-54 823
Total expenses	-81 177	-82 812	-335 262	-349 186
Operating profit	3 741	3 574	9 102	7 088
Financial income	493	1 220	1 998	7 501
Financial expenses	-5 008	-6 293	-19 945	-22 967
	-4 515	-5 073	-17 947	-15 466
Profit before taxes	-774	-1 499	-8 845	-8 379
Income taxes	-39	-36	-60	-48
Deferred taxes	-1 037	-1 373	-377	-2 330
Profit (loss) for the period	-1 851	-2 907	-9 281	-10 757

Consolidated statement of other comprehensive income

For the period 01.01.-31.12.2019

	01.10.- 31.12.2019	01.10.- 31.12.2018	01.01.- 31.12.2019	01.01.- 31.12.2018
	€000	€000	€000	€000
Profit (loss) for the period	-1 851	-2 907	-9 281	-10 757
Other comprehensive income items:				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
Actuarial gains (+) / losses (-) on defined benefit plans	-14	239	-14	239
Income taxes	3	-59	3	-59
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods after taxes	-11	180	-11	180
Other comprehensive income for the period, net of tax	-11	180	-11	180
Total comprehensive income for the period, net of tax	-1 862	-2 728	-9 293	-10 577

Consolidated statement of financial position

31.12.2019

	31.12.2019	31.12.2018
	€000	€000
Assets		
Non-current assets		
Property, plant and equipment	197 226	201 407
Other intangible assets	5 128	7 586
Non-current financial assets	1 429	1 429
Deferred tax assets	3 489	3 863
	207 272	214 285
Current assets		
Inventories	38 818	41 437
Trade and other receivables	27 518	33 053
Other financial assets	200	1 040
Cash	10 265	15 936
	76 802	91 466
Total assets	284 074	305 751

Consolidated statement of financial position

31.12.2019

	<u>31.12.2019</u>	<u>31.12.2018</u>
	€000	€000
Equity and liabilities		
Equity		
Share capital	80	80
Reserve for invested non-restricted equity	14 668	14 668
Retained earnings	-6 191	3 200
Total equity	<u>8 557</u>	<u>17 948</u>
Non-current liabilities		
Interest bearing loans and borrowings	174 409	206 831
Other non-current financial liabilities	4 976	4 633
Pension obligations	675	680
	<u>180 060</u>	<u>212 145</u>
Current liabilities		
Trade and other payables	51 294	56 087
Refund liabilities	1 035	1 948
Interest bearing liabilities	40 135	14 705
Other current financial liabilities	2 993	2 917
	<u>95 456</u>	<u>75 658</u>
Total liabilities	<u>275 516</u>	<u>287 802</u>
Total shareholders' equity and liabilities	<u><u>284 074</u></u>	<u><u>305 751</u></u>

Consolidated statement of changes in equity

31.12.2019

€000	Share capital	Reserve for invested non- restricted equity	Retained earnings	Total equity
Equity as at 01.01.2018	80	13 523	13 867	27 470
Other comprehensive income				
Profit (loss) for the period	0	0	-10 757	-10 757
Other comprehensive income items (net of tax)				
Actuarial gains (+) / losses (-) on defined benefit plans	0	0	180	180
Total comprehensive income	80	13 523	3 290	16 893
Transactions with shareholders				
Share issue	0	1 037	0	1 037
Share issue, unregistered	0	109	0	109
Dividends, paid	0	0	-90	-90
Total transactions with shareholders	0	1 145	-90	1 055
Equity as at 31.12.2018	80	14 668	3 200	17 948
Equity as at 01.01.2019	80	14 668	3 200	17 948
Other comprehensive income				
Profit (loss) for the period	0	0	-9 281	-9 281
Other comprehensive income items (net of tax)				
Actuarial gains (+) / losses (-) on defined benefit plans	0	0	-11	-11
Total comprehensive income	80	14 668	-6 093	8 655
Transactions with shareholders				
Dividends, paid	0	0	-98	-98
Total transactions with shareholders	0	0	-98	-98
Equity as at 31.12.2019	80	14 668	-6 191	8 557

Consolidated statement of cash flows

For the period 01.01.-31.12.2019

	01.10.- 31.12.2019	01.10.- 31.12.2018	01.01.- 31.12.2019	01.01.- 31.12.2018
	€000	€000	€000	€000
Cash flow from operating activities				
Profit (loss) for the period before taxes	-774	-1 499	-8 845	-8 379
Adjustments:				
Transactions without payments	248	76	199	173
Depreciation and impairment	4 645	4 104	17 255	16 114
Interest expenses and other financial expenses	5 008	6 293	19 945	22 967
Interest income and other financial income	-493	-1 220	-1 998	-7 501
Defined benefit plans, net	0	-180	0	-180
Other	0	5	0	0
	9 408	9 079	35 401	31 574
Change in working capital:				
Change in trade and other receivables	3 878	4 573	6 587	1 477
Change in inventories	3 012	-2 769	2 619	-5 036
Change in trade and other payables	-10 300	-2 189	-6 087	2 666
Interests and other financial expenses, paid	-2 019	-678	-10 792	-8 615
Interests and other financial income, received	185	1 389	1 875	7 620
Taxes, paid	-39	-36	-60	-48
	-5 284	289	-5 857	-1 937
Net cash flow from operating activities (A)	3 350	7 869	20 699	21 258
Cash flow from investing activities				
Proceeds from sale of tangible and intangible assets	0	0	1 298	18
Investments in property, plant and equipment	-3 305	-4 058	-10 795	-8 729
Change in non-current financial assets	0	0	0	-4
Net cash flow from investing activities (B)	-3 305	-4 058	-9 497	-8 715
Cash flow from financing activities				
Proceeds received related to share issue	0	109	0	1 145
Proceeds from loans and borrowings	0	-46	0	5 000
Repayment of loans and borrowings	0	0	-14 998	-14 998
Payment of leases	-426	0	-1 776	0
Repayment of financial leases	0	-425	0	-1 712
Dividends, paid	0	0	-98	-90
Net cash flow from financing activities (C)	-426	-362	-16 873	-10 654
Change in cash (A+B+C)	-382	3 449	-5 671	1 889
Cash and short term deposits at beginning of period	10 647	12 487	15 936	14 047
Cash and short term deposits at the end of period	10 265	15 936	10 265	15 936

Notes to the interim report

1. Accounting principles for the interim report

This Interim Report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The Interim Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

The accounting policies adopted in the preparation of the Interim Report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and amendments effective as of January 1, 2019.

New standards, interpretations and amendments adopted by the Group

IFRS 16 Leases

The new leasing standard, IFRS 16 Leases replaced IAS 17 standard and the related interpretations. The new standard changes the accounting requirements for a lessee. All leases, except short-term leases and leases of low value, are recognised on the balance sheet of the lessee as a right-of-use asset and as a liability. The lessee shall recognize interest expense on the liability and depreciations according to plan on the asset. In addition, the lessee has to determine the amount of the lease liability in the event of certain circumstances (for example when rent changes due to an index increase). Lessor's the accounting treatment has remained similar to the old IAS 17 standard.

The Group adopted IFRS 16 from 1 January 2019 using the simplified retrospective application method, without adjusting prior reporting periods. Instead, the group will recognize the cumulative impact of IFRS 16 in equity and other impacted balance sheet items on the opening balance sheet.

The Group rents facilities and machinery and equipment in connection with the adoption of IFRS 16 the Group has recorded a liability for leases previously classified as operating leases adoption, based on the present value of the remaining unpaid leases on 1 January 2019. The amount booked as a right-of-use asset is equal to the lease liability when the standard has been adopted.

In addition to the balance sheet effect, the adoption of the standard has an impact on the income statement. From the beginning of 2019 instead of rental costs the depreciation of the asset item is entered in the income statement effecting the operating profit and the interest expense arising from the lease liabilities which increases the amount of financial expenses. As a result of the change the operating profit will improve.

The adoption of IFRS 16 also changes the presentation of cash flows. Previously the lease payments were included in the cash flow from operating activities whereas in the future only the interest expenses of lease liabilities are included in the cash flows from operating activities. The rest of the lease payment is recorded as a repayment of lease liabilities, which is presented in cash flow from financing activities. The comparative information for cash flow has also not been corrected.

The Group has not changed items classified as finance leases according to IAS 1. IFRS 16 is applied to these contracts as of 1 January 2019.

	31.12.2019	31.12.2018
	€000	€000
Assets		
Carrying value at 1 January	4 865	
Finance lease assets		4 865
Additions in right-to use asset due to adoption of IFRS 16	1 001	
Additions	354	
Depreciation	-1 897	
Right-of-use assets at 31 December	<u>4 323</u>	
Liabilities		
Carrying value at 1 January	5 954	
Finance lease liabilities		5 954
Additions in lease liabilities due to adoption of IFRS 16	1 001	
Additions	354	
Repayment of lease liabilities	-1 776	
Lease liabilities at 31 December	<u>5 533</u>	
Deferred tax liabilities	242	218

Accounting principles in accordance with IFRS 16

At the start of a contract, the Group appreciates the leasing liability to the present value of the lease payments. The leases to be included in the value of the leasing liability consist of payments for the right to use the underlying asset during the lease term, which have not been settled on the starting date of the contract. The leases are discounted with the internal rate of the lease if the interest rate can be easily determined. If the internal interest rate of the leases is not readily determinable, the future minimum rents will be discounted using the Group's additional debt interest rate. The Group records the asset item arising from the lease contract at the time of commencement of the contract, that is, the date on which the lessor gives the asset item to the Group for use. The Group appreciates the asset item at cost less accumulated depreciation and impairment losses and adjusted for items resulting from the redefinition of the lease liability.

The Group uses two exemptions provided in the IFRS 16 standard. The Group does not recognize low-value tangible assets or leases with a contract period less than 12 months (short-term leases) as defined in IFRS 16 standard, on the balance sheet. These leases are recognized as rental expenses in the income statement over time.

According to IFRS 16, the lessee shall determine the lease term as the period during which the lease cannot be terminated, taking into account any options for possible continuing or termination options, if their use is estimated to be reasonably certain. The Group has assessed contract specific options as part of the lease period. The Group has ongoing lease contracts for premises as well as for machinery and equipment. The length of the lease period for ongoing contracts is based on management estimates concerning the length of the lease period, taking into account, inter alia, the costs of terminating the lease and the importance of the underlying asset for the group's operations.

No other already issued, but not yet effective new standards, amendments to standards or IFRIC interpretations are expected to have a material impact on the Group's consolidated financial statements.

This interim report is unaudited.

Notes to the interim report

2. Segment information and revenue from contract with customers

01.10.-31.12.2019	Consumer	Industrial	Adjustments	Total
	Boards	Products		
	€000	€000	€000	€000
Revenue				
External customers	44 239	37 468	0	81 707
Inter-segment	0	1 611	-1 611	0
Total revenue	44 239	39 078	-1 611	81 707
Depreciation and amortisation	-2 401	-837	0	-3 238
Segment operating profit	68	4 521	0	4 590

01.10.-31.12.2018	Consumer	Industrial	Adjustments	Total
	Boards	Products		
	€000	€000	€000	€000
Revenue				
External customers	44 636	37 710	0	82 346
Inter-segment	0	1 535	-1 535	0
Total revenue	44 636	39 245	-1 535	82 346
Depreciation and amortisation	-2 328	-462	0	-2 790
Segment operating profit	-899	4 214	0	3 315

01.01-31.12.2018	Consumer	Industrial	Adjustments	Total
	Boards	Products		
	€000	€000	€000	€000
Revenue				
External customers	181 690	162 257	0	343 947
Inter-segment	6	5 830	-5 836	0
Total revenue	181 696	168 087	-5 836	343 947
Depreciation and amortisation	-9 272	-1 791	0	-11 063
Segment operating profit	-6 219	14 243	0	8 024

Reconciliation of revenue

	01.10.- 31.12.2019	01.10.- 31.12.2018	01.01.- 31.12.2018
Revenue	€000	€000	€000
Total segment revenue	81 707	82 346	343 947
Items not allocated to segments			
Sales of energy	2 282	2 672	8 315
Revenue recognition and other	0	-4	1 054
Total unallocated items	2 282	2 667	9 370
Group's total revenue from contracts with customers	83 989	85 013	353 317

Reconciliation of profit

	01.10.- 31.12.2019	01.10.- 31.12.2018	01.01.- 31.12.2018
Operating profit	€000	€000	€000
Segment operating profit	4 590	3 315	8 024
Items not allocated to segments			
Unallocated administrative income/expenses	102	-40	105
Total unallocated items	102	-40	105
Other IFRS adjustments	-950	298	-1 041
Group's total operating profit	3 741	3 574	7 088

At the closing date the Group has recognised impairment losses on receivables and contract assets arising from contracts with customers total EUR 4 thousand.

Notes to the interim report

3. Changes in property, plant and equipment

	Land and water areas	Buildings and constructions	Machinery and equipment	Advance payments and construction in progress	Other tangible assets	Total
	€000	€000	€000	€000	€000	€000
Acquisition cost						
31.12.2018	755	11 593	226 130	548	3 667	242 693
Additions	0	2 968	8 953	11 937	680	24 537
Transfers	0	0	0	-11 144	0	-11 144
Disposals	0	0	-1 298	0	0	-1 298
31.12.2019	755	14 561	233 784	1 340	4 347	254 788
Depreciation and impairment						
31.12.2018	0	1 401	39 162	0	724	41 286
Depreciation charge for the year	0	773	15 270	0	233	16 275
31.12.2019	0	2 174	54 432	0	956	57 562
Carrying amount						
31.12.2018	755	10 192	186 968	548	2 944	201 407
31.12.2019	755	12 387	179 352	1 340	3 391	197 226

Notes to the interim report

4. Financial assets and liabilities

Financial assets	31.12.2019	31.12.2019	31.12.2018	31.12.2018	Level of hierarchy
	Carrying amount	Fair value	Carrying amount	Fair value	
	€000	€000	€000	€000	
Financial assets at fair value through profit or loss					
Financial assets held for trading					
Foreign currency derivatives	36	36	2	2	2
Commodity derivatives	164	164	1 037	1 037	2
Total	200	200	1 040	1 040	
Total financial assets at fair value through profit or loss	200	200	1 040	1 040	
Loans and other receivables					
Trade receivables	9 484	9 484	15 567	15 567	
Cash	10 265	10 265	15 936	15 936	
Total	19 749	19 749	31 503	31 503	
Total financial assets	19 950	19 950	32 542	32 542	
Total non-current					
Non-current financial assets	1 429	1 429	1 429	1 429	

The management assessed that the fair values of cash and short-term deposits and trade receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial liabilities	31.12.2019	31.12.2019	31.12.2018	31.12.2018	Level of hierarchy
	Carrying amount	Fair value	Carrying amount	Fair value	
	€000	€000	€000	€000	
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading					
Foreign currency derivatives	7	7	14	14	2
Commodity derivatives	62	62	1 272	1 272	2
Total	69	69	1 286	1 286	
Financial liabilities measured at amortised cost					
Bond	40 135	40 135	54 837	54 837	
Shareholder loan	153 321	153 321	145 979	145 979	
Trade payables	27 983	27 983	32 323	32 323	
Junior term loan	21 088	21 088	20 719	20 719	
Lease liabilities	5 533	5 533	5 954	5 954	
Total	248 060	248 060	259 814	259 814	
Total financial liabilities	248 128	248 128	261 100	261 100	
Bond	0	0	40 133	40 133	
Shareholder loan	153 321	153 321	145 979	145 979	
Junior term loan	21 088	21 088	20 719	20 719	
Lease liabilities	3 866	3 866	4 633	4 633	
Total non-current	178 275	178 275	211 464	211 464	
Financial liabilities held for trading	69	69	1 286	1 286	
Bond	40 135	40 135	14 705	14 705	
Trade payables	27 983	27 983	32 323	32 323	
Lease liabilities	1 667	1 667	1 322	1 322	
Total current	69 853	69 853	49 636	49 636	

The management assessed that the fair values of trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value measurement hierarchy for financial assets and liabilities measured at fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Level 2 inputs are inputs other than quoted prices included within Level 1 that, however, are observable for the asset or liability, either directly or indirectly.

Level 3: Level 3 inputs are unobservable inputs for the asset or liability, which are to a significant extent based on management's judgement and use of the assumptions as inputs for widely used valuation techniques.

There were no transfers between Level 1 and Level 2 during Q4/ 2019.

Notes to the interim report

5. Commitments and contingencies

	<u>31.12.2019</u>	<u>31.12.2018</u>
	€000	€000
Operating lease commitments		
Operating leases, within one year	299	247
Operating leases, more than one year	139	153
Total	<u><u>438</u></u>	<u><u>400</u></u>

Operating lease obligations have been reported on balance sheet in accordance with requirements of IFRS 16 Leases since 1 January 2019.

Guarantees

Securities given on own behalf

Mortgages	950 000	950 000
Shares of Kotkamills Oy	39 653	39 653
Intercompany loan	175 000	175 000
Total	<u><u>1 164 653</u></u>	<u><u>1 164 653</u></u>

Litigations and disputes

At the closing date there was not any pending litigations.

Disputes

At the closing date there was not any material unsettled disputes.

Notes to the interim report

6. Related party transactions

A transaction that is not eliminated in the consolidated financial statements is presented as a related party transaction as follows:

	31.12.2019			
	Sales	Purchases	Receivables	Liabilities
	€000	€000	€000	€000
Entities with significant influence over the Group	0	0	0	88 745

Terms relating to the related party transactions

The loan is a shareholder loan from the majority owner. The annual interest of 6% is paid on the loan nominal. The loan matures in year 2025.

Notes to the interim report

7. Events after the reporting period

Kotkamills Group Oyj ("Kotkamills") as parent and, among others, Kotkamills' wholly owned subsidiary Kotkamills Oy as borrower, have entered into a senior facility agreement with a Nordic commercial bank on 28 February 2020 (the "SFA"). Kotkamills will use the loan proceeds to repay the remaining outstanding amount (plus accrued interest thereon) of the EUR 105,000,000 Senior Secured Callable Bonds 2015/2020 (ISIN: FI4000148705) (the "Bonds") on 13 March 2020 which is the final redemption date for the Bonds in accordance with the terms and conditions of the Bonds.