

**Kotkamills Group Oyj**

**INTERIM REPORT**

**01.01. - 30.09.2019**

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# Kotkamills Group Oyj's Interim Report January 1 – September 30, 2019

## 1. Events during July - September 2019

Demand continued on good level overall during the third quarter.

The annual maintenance shutdown took place during August-September.

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

In the Industrial Products segment, delivery volumes of saturating base kraft were higher than a year ago but decreased from the previous quarter's level. Delivery volumes of wood products were higher than a year ago and decreased from previous quarter's level.

## 2. Key performance indicators

### Q3/2019 (compared with Q3/2018)

The Group's revenue of EUR 82,2 million (EUR 82,8 million) decreased by EUR 0,6 million from the same period a year ago following the decreased revenue in Consumer Boards segment.

The Group's EBITDA of EUR 5,7 million (EUR 3,2 million) increased by EUR 2,5 million from the same period a year ago due to lower costs. Compared to the previous quarters the profitability was burdened by the planned maintenance shutdown in August-September.

Consumer Boards segment EBITDA of EUR 3,4 million (EUR 1,5 million) increased EUR 1,9 million from the same period a year ago due to lower production costs.

Industrial Products segment EBITDA of EUR 1,3 million (EUR 0,5 million) increased by EUR 0,8 million compared to the same period a year ago mainly due to higher delivery volumes and lower operating costs.

Operating profit was EUR 1,4 million (EUR -0,9).

Cash flow from operating activities of EUR 11,6 million (EUR 5,0 million) increased EUR 6,7 million compared to the same period a year ago driven by changes in working capital.

Cash flow from investing activities of EUR -3,9 million (EUR -1,9 million) was lower than previous year's level due to higher capital expenditure.

Cash flow from financing activities was EUR -7,9 million (EUR -7,9 million) including repayment of the bond loan of EUR -7,5 million and repayment of financial leases EUR -0,4 million.

### Q1-Q3/2019 (compared with Q1-Q3/2018)

The Group's revenue of EUR 258,8 million (EUR 268,3 million) decreased by EUR 9,5 million from the same period a year ago due to decreased sales volumes in both Consumer Boards and Industrial Products segments.

The Group EBITDA of EUR 18,0 million (EUR 15,5 million) increased EUR 2,4 million due to increased sales prices in Consumer Boards segment and decreased operating costs.

Operating profit was EUR 5,4 million (EUR 3,5 million).

Cash flow from operating activities of EUR 17,3 million (EUR 13,4 million) increased EUR 4,0 million due to changes in working capital.

Cash flow from investing activities of EUR -6,2 million (EUR -4,7 million) decreased EUR 1,5 million due to higher capital expenditure.

Cash flow from financing activities was EUR -16,4 million (EUR -10,3 million), including repayment of the bond loan of EUR -15,0 million and repayment of financial leases EUR -1,4 million. Cash flow from financing activities from the same period a year ago includes shareholder loans of EUR 5,0 million and a direct share issue of EUR 1,0.

	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>1.7.-30.9.</b>	<b>1.7.-30.9.</b>	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>	<b>1.1.-31.12.</b>
<b>Group Total</b>					
Revenue, EUR million	82,2	82,8	258,8	268,3	353,3
EBITDA, EUR million	5,7	3,2	18,0	15,5	23,2
<i>EBITDA / Revenue (%)</i>	6,9	3,9	6,9	5,8	6,6
Operating profit, EUR million	1,4	-0,9	5,4	3,5	7,1
<i>Operating profit / Revenue (%)</i>	1,8	-1,0	2,1	1,3	2,0
Profit (loss) of the period, EUR million					-10,8
Return on equity (%)	-33,2	-23,9	-52,4	-32,7	-47,4
Equity ratio (%)	3,5	6,7	3,5	6,7	5,9
Equity ratio, adjusted (%)*	61,9	60,1	61,9	60,1	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

There have not been any material events after the closing date.

### 4. Near-term outlook

Revenue of the fourth quarter in 2019 is estimated to be higher than in the third quarter despite of the typically lower seasonal demand. Profit for the fourth quarter of 2019 is estimated to be higher than the previous quarter's level due to increasing volumes in all segments.

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](http://www.kotkamills.com/fi/kotkamillsgroup/keyfinancials).

# Consolidated statement of profit or loss

For the period 01.01.-30.09.2019

	01.07.- 30.09.2019	01.07.- 30.09.2018	01.01.- 30.09.2019	01.01.- 30.09.2018	01.01.- 31.12.2018
	€000	€000	€000	€000	€000
<b>Revenue</b>	<b>82 244</b>	<b>82 772</b>	<b>258 809</b>	<b>268 304</b>	<b>353 317</b>
<b>Other operating income</b>	<b>153</b>	<b>437</b>	<b>637</b>	<b>1 583</b>	<b>2 956</b>
Change in inventories of finished goods and work in progress	-2 340	703	-854	1 285	1 689
Production for own use	85	10	106	35	36
Materials and supplies	-53 441	-58 347	-173 837	-182 697	-239 924
Employee benefit expenses	-9 029	-9 645	-28 610	-30 190	-40 048
Depreciation and amortisation	-4 246	-4 050	-12 611	-12 010	-16 114
Other operating expenses	-11 986	-12 744	-38 280	-42 796	-54 823
<b>Total expenses</b>	<b>-80 956</b>	<b>-84 072</b>	<b>-254 085</b>	<b>-266 374</b>	<b>-349 186</b>
<b>Operating profit</b>	<b>1 441</b>	<b>-863</b>	<b>5 361</b>	<b>3 514</b>	<b>7 088</b>
Financial income	136	1 785	1 505	6 281	7 501
Financial expenses	-5 839	-5 599	-14 937	-16 675	-22 967
	-5 702	-3 815	-13 431	-10 393	-15 466
<b>Profit before taxes</b>	<b>-4 262</b>	<b>-4 677</b>	<b>-8 070</b>	<b>-6 880</b>	<b>-8 379</b>
Income taxes	-8	-5	-20	-13	-48
Deferred taxes	122	-892	660	-957	-2 330
<b>Profit (loss) for the period</b>	<b>-4 148</b>	<b>-5 574</b>	<b>-7 431</b>	<b>-7 849</b>	<b>-10 757</b>

## Consolidated statement of other comprehensive income

For the period 01.01.-30.09.2019

	01.07.- 30.09.2019	01.07.- 30.09.2018	01.01.- 30.09.2019	01.01.- 30.09.2018	01.01.- 31.12.2018
	€000	€000	€000	€000	€000
<b>Profit (loss) for the period</b>	-4 148	-5 574	-7 431	-7 849	-10 757
<b>Other comprehensive income items:</b>					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gains (+) / losses (-) on defined benefit plans	0	0	0	0	239
Income taxes	0	0	0	0	-59
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods after taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>180</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>180</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>-4 148</b>	<b>-5 574</b>	<b>-7 431</b>	<b>-7 849</b>	<b>-10 577</b>

# Consolidated statement of financial position

30.09.2019

	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>31.12.2018</b>
<b>Assets</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>Non-current assets</b>			
Property, plant and equipment	199 236	202 557	201 407
Other intangible assets	6 199	7 857	7 586
Non-current financial assets	1 429	1 828	1 429
Deferred tax assets	4 523	5 296	3 863
	<b>211 386</b>	<b>217 538</b>	<b>214 285</b>
<b>Current assets</b>			
Inventories	41 830	38 668	41 437
Trade and other receivables	31 549	37 686	33 053
Other financial assets	202	1 937	1 040
Cash	10 647	12 487	15 936
	<b>84 227</b>	<b>90 778</b>	<b>91 466</b>
<b>Total assets</b>	<b>295 613</b>	<b>308 316</b>	<b>305 751</b>

# Consolidated statement of financial position

30.09.2019

	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>31.12.2018</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	80	80	80
Reserve for invested non-restricted equity	14 668	14 559	14 668
Retained earnings	-4 329	5 928	3 200
<b>Total equity</b>	<b>10 419</b>	<b>20 567</b>	<b>17 948</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	172 559	204 917	206 831
Other non-current financial liabilities	5 397	4 480	4 633
Pension obligations	651	850	680
	<b>178 607</b>	<b>210 247</b>	<b>212 145</b>
<b>Current liabilities</b>			
Trade and other payables	61 454	59 058	56 087
Refund liabilities	1 112	1 450	1 948
Interest bearing liabilities	40 071	14 687	14 705
Other current financial liabilities	3 950	2 306	2 917
	<b>106 588</b>	<b>77 501</b>	<b>75 658</b>
<b>Total liabilities</b>	<b>285 194</b>	<b>287 748</b>	<b>287 802</b>
<b>Total shareholders' equity and liabilities</b>	<b>295 613</b>	<b>308 316</b>	<b>305 751</b>



# Consolidated statement of changes in equity

30.09.2019

€000	Share capital	Reserve for invested non- restricted equity	Retained earnings	Total equity
<b>Equity as at 01.01.2018</b>	<b>80</b>	<b>13 523</b>	<b>13 867</b>	<b>27 470</b>
<b>Other comprehensive income</b>				
Profit (loss) for the period	0	0	-7 849	-7 849
<b>Total comprehensive income</b>	<b>80</b>	<b>13 523</b>	<b>6 018</b>	<b>19 621</b>
<b>Transactions with shareholders</b>				
Share issue	0	1 037	0	1 037
Dividends, paid	0	0	-90	-90
<b>Total transactions with shareholders</b>	<b>0</b>	<b>1 037</b>	<b>-90</b>	<b>947</b>
<b>Equity as at 30.09.2018</b>	<b>80</b>	<b>14 559</b>	<b>5 928</b>	<b>20 567</b>
<b>Equity as at 01.10.2018</b>	<b>80</b>	<b>14 559</b>	<b>5 928</b>	<b>20 567</b>
<b>Other comprehensive income</b>				
Profit (loss) for the period	0	0	-2 907	-2 907
Other comprehensive income items (net of tax)				
Actuarial gains (+) / losses (-) on defined benefit plans	0	0	180	180
<b>Total comprehensive income</b>	<b>80</b>	<b>14 559</b>	<b>3 200</b>	<b>17 839</b>
<b>Transactions with shareholders</b>				
Share issue, unregistered	0	109	0	109
<b>Total transactions with shareholders</b>	<b>0</b>	<b>109</b>	<b>0</b>	<b>109</b>
<b>Equity as at 31.12.2018</b>	<b>80</b>	<b>14 668</b>	<b>3 200</b>	<b>17 948</b>
<b>Equity as at 01.01.2019</b>	<b>80</b>	<b>14 668</b>	<b>3 200</b>	<b>17 948</b>
<b>Other comprehensive income</b>				
Profit (loss) for the period	0	0	-7 431	-7 431
<b>Total comprehensive income</b>	<b>80</b>	<b>14 668</b>	<b>-4 231</b>	<b>10 517</b>
<b>Transactions with shareholders</b>				
Dividends, paid	0	0	-98	-98
<b>Total transactions with shareholders</b>	<b>0</b>	<b>0</b>	<b>-98</b>	<b>-98</b>
<b>Equity as at 30.09.2019</b>	<b>80</b>	<b>14 668</b>	<b>-4 329</b>	<b>10 419</b>

# Consolidated statement of cash flows

For the period 01.01.-30.09.2019

	01.07.- 30.09.2019	01.07.- 30.09.2018	01.01.- 30.09.2019	01.01.- 30.09.2018	01.01.- 31.12.2018
	€000	€000	€000	€000	€000
<b>Cash flow from operating activities</b>					
Profit (loss) for the period before taxes	-4 262	-4 677	-8 070	-6 880	-8 379
Adjustments:					
Transactions without payments	-228	35	-49	97	173
Depreciation and impairment	4 246	4 050	12 611	12 010	16 114
Interest expenses and other financial expenses	5 839	5 599	14 937	16 675	22 967
Interest income and other financial income	-136	-1 785	-1 505	-6 281	-7 501
Defined benefit plans, net	0	0	0	0	-180
Other	0	0	0	-5	0
	9 720	7 899	25 993	22 495	31 574
Change in working capital:					
Change in trade and other receivables	5 988	2 412	2 709	-3 096	1 477
Change in inventories	1 468	-1 073	-392	-2 267	-5 036
Change in trade and other payables	2 123	1 921	4 213	4 855	2 666
Interests and other financial expenses, paid	-3 689	-3 513	-8 773	-7 936	-8 615
Interests and other financial income, received	296	2 004	1 690	6 232	7 620
Taxes, paid	-8	-5	-20	-13	-48
	6 178	1 746	-573	-2 226	-1 937
<b>Net cash flow from operating activities (A)</b>	<b>11 637</b>	<b>4 968</b>	<b>17 349</b>	<b>13 389</b>	<b>21 258</b>
<b>Cash flow from investing activities</b>					
Proceeds from sale of tangible and intangible assets	0	0	1 298	18	18
Investments in property, plant and equipment	-3 922	-1 870	-7 490	-4 672	-8 729
Change in non-current financial assets	0	0	0	-4	-4
<b>Net cash flow from investing activities (B)</b>	<b>-3 922</b>	<b>-1 870</b>	<b>-6 192</b>	<b>-4 657</b>	<b>-8 715</b>
<b>Cash flow from financing activities</b>					
Paid share capital					
Proceeds received related to share issue	0	0	0	1 037	1 145
Proceeds from loans and borrowings	0	13	0	5 046	5 000
Repayment of loans and borrowings	-7 499	-7 499	-14 998	-14 998	-14 998
Repayment of financial leases	-429	-421	-1 350	-1 287	-1 712
Dividends, paid	0	0	-98	-90	-90
<b>Net cash flow from financing activities (C)</b>	<b>-7 928</b>	<b>-7 908</b>	<b>-16 447</b>	<b>-10 292</b>	<b>-10 654</b>
Change in cash (A+B+C)	-214	-4 810	-5 289	-1 560	1 889
Cash and short term deposits at beginning of period	10 860	17 297	15 936	14 047	14 047
<b>Cash and short term deposits at the end of period</b>	<b>10 647</b>	<b>12 487</b>	<b>10 647</b>	<b>12 487</b>	<b>15 936</b>

# 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.

	30.09.2019	31.12.2018
	€000	€000
<b>Assets</b>		
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	260	
Depreciation	-1 442	
Right-of-use assets at 30 September	<u>4 684</u>	
<b>Liabilities</b>		
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	260	
Repayment of lease liabilities	-1 350	
Lease liabilities at 30 September	<u>5 866</u>	
Deferred tax liabilities	236	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

01.07.-30.09.2019	Consumer	Industrial	Adjustments	Total
	Boards	Products		
	€000	€000	€000	€000
<b>Revenue</b>				
External customers	44 519	36 354		<b>80 872</b>
Inter-segment		1 372	-1 372	0
<b>Total revenue</b>	<b>44 519</b>	<b>37 725</b>	<b>-1 372</b>	<b>80 872</b>
Depreciation and amortisation	-2 396	-448		-2 845
<b>Segment operating profit</b>	<b>985</b>	<b>857</b>		<b>1 842</b>

  

01.07.-30.09.2018	Consumer	Industrial	Adjustments	Total
	Boards	Products		
	€000	€000	€000	€000
<b>Revenue</b>				
External customers	46 905	34 157	0	<b>81 062</b>
Inter-segment	0	1 277	-1 277	0
<b>Total revenue</b>	<b>46 905</b>	<b>35 434</b>	<b>-1 277</b>	<b>81 062</b>
Depreciation and amortisation	-2 322	-447	0	-2 769
<b>Segment operating profit</b>	<b>-817</b>	<b>88</b>	<b>0</b>	<b>-728</b>

  

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

**Reconciliation of revenue**

	01.07.- 30.09.2019	01.07.- 30.09.2018	01.01.- 31.12.2018
Revenue	€000	€000	€000
Total segment revenue	80 872	81 062	343 947
Items not allocated to segments			
Sales of energy	1 371	1 710	8 315
Revenue recognition and other	0	0	1 054
Total unallocated items	<b>1 371</b>	<b>1 710</b>	<b>9 370</b>
<b>Group's total revenue from contracts with customers</b>	<b>82 244</b>	<b>82 772</b>	<b>353 317</b>

**Reconciliation of profit**

	01.07.- 30.09.2019	01.07.- 30.09.2018	01.01.- 31.12.2018
Operating profit	€000	€000	€000
Segment operating profit	1 842	-728	8 024
Items not allocated to segments			
Unallocated administrative income/expenses	241	-35	105
<b>Total unallocated items</b>	<b>241</b>	<b>-35</b>	<b>105</b>
Other IFRS adjustments	-643	-99	-1 041
<b>Group's total operating profit</b>	<b>1 441</b>	<b>-863</b>	<b>7 088</b>

At the closing date the Group has recognised impairment losses on receivables and contract assets arising from contracts with customers total EUR 5 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
<b>Acquisition cost</b>						
<b>31.12.2018</b>	<b>755</b>	<b>11 593</b>	<b>226 130</b>	<b>548</b>	<b>3 667</b>	<b>242 693</b>
Additions	0	2 741	6 342	9 888	298	19 269
Transfers	0	0	0	-8 279	0	-8 279
Disposals	0	0	-1 298	0	0	-1 298
<b>30.09.2019</b>	<b>755</b>	<b>14 334</b>	<b>231 173</b>	<b>2 158</b>	<b>3 966</b>	<b>252 385</b>
<b>Depreciation and impairment</b>						
<b>31.12.2018</b>	<b>0</b>	<b>1 401</b>	<b>39 162</b>	<b>0</b>	<b>724</b>	<b>41 286</b>
Depreciation charge for the year	0	553	11 143	0	166	11 863
<b>30.09.2019</b>	<b>0</b>	<b>1 954</b>	<b>50 305</b>	<b>0</b>	<b>890</b>	<b>53 149</b>
<b>Carrying amount</b>						
31.12.2018	755	10 192	186 968	548	2 944	201 407
<b>30.09.2019</b>	<b>755</b>	<b>12 380</b>	<b>180 868</b>	<b>2 158</b>	<b>3 076</b>	<b>199 236</b>

# Notes to the interim report

## 4. Financial assets and liabilities

Financial assets	30.09.2019	30.09.2019	31.12.2018	31.12.2018	Level of hierarchy
	Carrying amount	Fair value	Carrying amount	Fair value	
	€000	€000	€000	€000	
<b>Financial assets at fair value through profit or loss</b>					
Financial assets held for trading					
Foreign currency derivatives	0	0	2	2	2
Commodity derivatives	201	201	1 037	1 037	2
<b>Total</b>	<b>202</b>	<b>202</b>	<b>1 040</b>	<b>1 040</b>	
<b>Total financial assets at fair value through profit or loss</b>	<b>202</b>	<b>202</b>	<b>1 040</b>	<b>1 040</b>	
<b>Loans and other receivables</b>					
Trade receivables	6 299	6 299	15 567	15 567	
Cash	10 647	10 647	15 936	15 936	
<b>Total</b>	<b>16 945</b>	<b>16 945</b>	<b>31 503</b>	<b>31 503</b>	
<b>Total financial assets</b>	<b>17 147</b>	<b>17 147</b>	<b>32 542</b>	<b>32 542</b>	
<b>Total non-current</b>					
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	30.09.2019	30.09.2019	31.12.2018	31.12.2018	Level of hierarchy
	Carrying amount	Fair value	Carrying amount	Fair value	
	€000	€000	€000	€000	
<b>Financial liabilities at fair value through profit or loss</b>					
Financial liabilities held for trading					
Foreign currency derivatives	41	41	14	14	2
Commodity derivatives	1 211	1 211	1 272	1 272	2
<b>Total</b>	<b>1 252</b>	<b>1 252</b>	<b>1 286</b>	<b>1 286</b>	
<b>Financial liabilities measured at amortised cost</b>					
Bond	40 071	40 071	54 837	54 837	
Shareholder loan	151 470	151 470	145 979	145 979	
Trade payables	36 757	36 757	32 323	32 323	
Junior term loan	21 088	21 088	20 719	20 719	
Lease liabilities	5 866	5 866	5 954	5 954	
<b>Total</b>	<b>255 252</b>	<b>255 252</b>	<b>259 814</b>	<b>259 814</b>	
<b>Total financial liabilities</b>	<b>256 504</b>	<b>256 504</b>	<b>261 100</b>	<b>261 100</b>	
Bond	0	0	40 133	40 133	
Shareholder loan	151 470	151 470	145 979	145 979	
Junior term loan	21 088	21 088	20 719	20 719	
Lease liabilities	4 197	4 197	4 633	4 633	
<b>Total non-current</b>	<b>176 755</b>	<b>176 755</b>	<b>211 464</b>	<b>211 464</b>	
Financial liabilities held for trading	1 252	1 252	1 286	1 286	
Bond	40 071	40 071	14 705	14 705	
Trade payables	36 757	36 757	32 323	32 323	
Lease liabilities	1 669	1 669	1 322	1 322	
<b>Total current</b>	<b>79 749</b>	<b>79 749</b>	<b>49 636</b>	<b>49 636</b>	

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 Q3/ 2019.

# Notes to the interim report

## 5. Commitments and contingencies

	<u>30.09.2019</u>	<u>31.12.2018</u>
	€000	€000
<b>Operating lease commitments</b>		
Operating leases, within one year	121	247
Operating leases, more than one year	143	153

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
<b>Total</b>	<b><u>1 164 917</u></b>	<b><u>1 165 053</u></b>

### Commitments

#### 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:

	<b>30.09.2019</b>			
	<b>Sales</b>	<b>Purchases</b>	<b>Receivables</b>	<b>Liabilities</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Entities with significant influence over the Group	0	0	0	87 674

### **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

There have not been any material events after the closing date.