

**Kotkamills Group Oyj**

**INTERIM REPORT**

**01.01. - 31.03.2016**

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## Kotkamills Group Oyj's Interim Report January 1–March 31, 2016

### 1. Events during the period

According to the plan, the production of magazine paper discontinued on January 23, 2016 and the conversion of paper machine 2 to board machine was started. The delivery of the magazine paper is expected to continue until the third quarter in 2016.

The business of Magazine Papers was classified as a discontinued operation on January 23, 2016. The business represented the entirety of the Group's Magazine Papers operating segment until the production was discontinued on January 23, 2016. The net result of the business of Magazine Papers is presented in the statement of profit or loss under "Profit (loss) from discontinued operations" separately from continuing operations for all periods presented.

Demand of Industrial Products segment's products continued to stay at a good level. Consumer Boards had no deliveries during the reporting period.

### 2. Key performance indicators

The Group's revenue of continued operations totaled EUR 51,0 million in the reporting period 1.1.-31.3.2016. The operating profit was EUR -2,1 million and cash flow from operating activities was EUR -17,5 million. Cash flow from investing activities was EUR -31,0 million of which the largest investments was conversion project of the paper machine 2 to board machine.

The operating profit was impacted negatively by the ending of the magazine paper production. Operating profit of Industrial Products was clearly positive but Consumer Boards without deliveries and production yet turned the Segment operating profit of continued operations to EUR -0,6 million (Note 2. Segment information).

The Kotkamills Group Oyj became the parent company on 24 March 2015, when the Company acquired the entire share capital of Kotkamills Oy, thus the comparison quarter, Q1 2015, does not include business activities of continued operations. The Group recognized a gain, i.e. negative goodwill, of EUR 30,5 million on the acquisition of Kotkamills Oy. The gain has been recognized in the other operating income in Q1 2015.

	2016	2015	2015
	01.01.-31.3	13.02.-31.3	13.02.-31.12
<b>Continued operations</b>			
Revenue, EUR million	51,0	0,0	146,4
EBITDA, EUR million	-0,7	28,8	46,0
Operating profit, EUR million	-2,1	28,8	40,9
Operating profit / Revenue (%)	-4,1	-	27,9
<b>Group Total</b>			
Return on equity (%)	-20,9	119,4	122,4
Equity ratio (%)	11,5	13,0	13,1
Equity ratio, adjusted (%)*	45,3	44,2	44,3

\*Equity includes shareholder loans

The Group monitors capital using an equity ratio and an adjusted equity ratio based on the financial covenants, which is total equity added with shareholder loan and divided by total assets. The Group's policy is to keep the adjusted equity ratio above 30%. There have been no breaches of the financial covenants of equity ratio in the current period.

### **3. Events after reporting date**

On May 18, 2016, the Company informed that the construction work of the new BM 2 of Kotkamills Oy has progressed to the very advanced stage. The start-up of the new board machine is estimated to take place during July 2016. The earlier target set already in 2015 was last week of June 2016.

On May 20, 2016 the Company informed, that Kotkamills Oy has signed a contract of approximately EUR 20 million with a Nordic financial institution concerning sale of trade receivables of the company to the financial institution (on an ongoing, non-recourse basis on customary market terms). The entry into the transaction is expected to increase the efficiency of the Kotkamills Group's working capital management.

### **4. Outlook for 2016**

The revenue and the profit for the second quarter of 2016 will decrease due the ending of the magazine paper production, maintenance shutdown of Kotka mill in May and the investment shutdown until July 2016.

Market of the other continued operations' businesses is expected to be at least at the same level as in the last year, but ongoing uncertain economic situation in Europe and geopolitical risks may have weakening impact on demand.

Also present currency rates and energy price levels are expected to support the Group's performance, but possible increases in raw material prices could adversely impact the Group's profit development.

### **5. Near-term risk review**

There has not occurred material changes in near-term risks and uncertainties disclosed in the annual financial statement of 2015. The annual financial statement of 2015 is available on the Company's website at [www.kotkamills.com/fi/kotkamillsgroup/keyfinancials](http://www.kotkamills.com/fi/kotkamillsgroup/keyfinancials).

### **6. Resolutions of the Annual General Meeting 2016**

On May 3, 2016, Kotkamills Group Oyj's Annual General Meeting adopted the company's financial statements for the financial year 2015 and decided to distribute a dividend of maximum 30.646,58 euro to class B shares.

The Annual General Meeting confirmed the number of the members of the Board of Directors as three (3). The following individuals were elected as members of the Board: Hannu Puhakka, Eero Niiva and Kari Rytönen. At its constitutive meeting, the Board of Directors elected Hannu Puhakka as Chairman. The term of office of the Board members expires at the end of the next Annual General Meeting.

# Consolidated statement of profit or loss

For the period 01.01.-31.03.2016

	01.01.-31.3.2016	13.02.-31.3.2015	13.02.-31.12.2015
	€000	€000	€000
<b>Continued operations</b>			
<b>Revenue</b>	<b>50 999</b>	<b>0</b>	<b>146 375</b>
<b>Other operating income</b>	<b>71</b>	<b>30 514</b>	<b>30 896</b>
Change in inventories of finished goods and work in progress	-97	0	-3 384
Production for own use	488	0	594
Materials and supplies	-35 139	0	-87 923
Employee benefit expenses	-9 185	0	-20 889
Depreciation and amortisation	-1 402	0	-5 170
Other operating expenses	-7 838	-1 722	-19 624
<b>Total expenses</b>	<b>-53 173</b>	<b>-1 722</b>	<b>-136 396</b>
<b>Operating profit</b>	<b>-2 103</b>	<b>28 792</b>	<b>40 876</b>
Financial income	897	0	5 145
Financial expenses	-4 405	-2 133	-15 563
	-3 508	-2 133	-10 418
<b>Profit before taxes</b>	<b>-5 611</b>	<b>26 659</b>	<b>30 458</b>
Income taxes	-112	0	-273
Deferred taxes	-569	0	937
<b>Profit (loss) for the period from continuing operations</b>	<b>-6 292</b>	<b>26 659</b>	<b>31 122</b>
<b>Discontinued operations</b>			
Profit (loss) after tax for the period from discontinued operations	-917	0	-2 448
<b>Profit (loss) for the period</b>	<b>-7 208</b>	<b>26 659</b>	<b>28 674</b>

## Consolidated statement of other comprehensive income

For the period 01.01.-31.03.2016

	01.01.- 31.3.2016	13.02.- 31.3.2015	13.02.- 31.12.2015
	€000	€000	€000
<b>Profit (loss) for the period</b>	<b>-7 208</b>	<b>26 659</b>	<b>28 674</b>
<b>Other comprehensive income items:</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Translation differences	428	0	-863
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods after taxes</b>	<b>428</b>	<b>0</b>	<b>-863</b>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (+) / losses (-) on defined benefit plans	0	0	93
Income taxes	0	0	-18
<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>75</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>428</b>	<b>0</b>	<b>-788</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>-6 780</b>	<b>26 659</b>	<b>27 886</b>

# Consolidated statement of financial position

31.3.2016

	<b>31.3.2016</b>	<b>31.12.2015</b>	<b>31.3.2015</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	120 935	85 915	31 301
Other intangible assets	16 055	16 432	18 491
Investments	20	20	20
Non-current financial assets	541	526	557
	<b>137 552</b>	<b>102 893</b>	<b>50 369</b>
<b>Current assets</b>			
Inventories	34 298	39 971	38 686
Trade and other receivables	41 966	41 144	42 681
Other financial assets	1 967	1 698	0
Cash	54 608	103 157	143 586
	<b>132 838</b>	<b>185 970</b>	<b>224 953</b>
<b>Total assets</b>	<b>270 390</b>	<b>288 863</b>	<b>275 322</b>

# Consolidated statement of financial position

31.03.2016

	<b>31.3.2016</b>	<b>31.12.2015</b>	<b>31.3.2015</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	80	3	3
Reserve for invested non-restricted equity	9 920	9 978	8 998
Retained earnings	21 135	27 886	26 659
<b>Total equity</b>	<b>31 135</b>	<b>37 866</b>	<b>35 659</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	187 722	185 985	191 000
Other non-current financial liabilities	13	63	0
Provisions	76	133	840
Pension obligations	714	712	778
Deferred tax liabilities	1 431	845	1 708
	<b>189 956</b>	<b>187 738</b>	<b>194 325</b>
<b>Current liabilities</b>			
Trade and other payables	38 850	52 910	39 367
Interest bearing liabilities	6 975	7 052	0
Other current financial liabilities	3 474	3 297	5 971
	<b>49 299</b>	<b>63 259</b>	<b>45 338</b>
<b>Total liabilities</b>	<b>239 255</b>	<b>250 998</b>	<b>239 663</b>
<b>Total shareholders' equity and liabilities</b>	<b>270 390</b>	<b>288 863</b>	<b>275 322</b>



# Consolidated statement of changes in equity

31.03.2016

€000	Share capital	Reserve for invested non- restricted equity	Retained earnings	Total equity
<b>Equity as at 13.2.2015</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>Other comprehensive income</b>				
Profit (loss) for the period	0	0	26 659	26 659
<b>Total comprehensive income</b>	<b>3</b>	<b>0</b>	<b>26 659</b>	<b>26 662</b>
<b>Transactions with shareholders</b>				
Share issue	0	8 998	0	8 998
<b>Total transactions with shareholders</b>	<b>0</b>	<b>8 998</b>	<b>0</b>	<b>8 998</b>
<b>Equity as at 31.3.2015</b>	<b>3</b>	<b>8 998</b>	<b>26 659</b>	<b>35 659</b>
<b>Equity as at 01.01.2016</b>	<b>3</b>	<b>9 978</b>	<b>27 886</b>	<b>37 866</b>
<b>Other comprehensive income</b>				
Profit (loss) for the period	0	0	-7 208	-7 208
Other comprehensive income items (net of tax)				
Translation differences	0	0	457	457
<b>Total comprehensive income</b>	<b>3</b>	<b>9 978</b>	<b>21 135</b>	<b>31 115</b>
<b>Transactions with shareholders</b>				
Share issue	0	20	0	20
Increase in share capital	78	-78	0	0
<b>Total transactions with shareholders</b>	<b>78</b>	<b>-58</b>	<b>0</b>	<b>20</b>
<b>Equity as at 31.03.2016</b>	<b>80</b>	<b>9 920</b>	<b>21 135</b>	<b>31 135</b>

# Consolidated statement of cash flows

For the period 01.01.-31.03.2016

	01.01.-31.3.2016	13.02.-31.3.2015	13.02.-31.12.2015
	€000	€000	€000
<b>Cash flows from operating activities</b>			
Profit (loss) for the period	-6 528	26 659	28 010
Adjustments:			
Transactions without payments	-199	-840	752
Depreciation	1 739	0	5 443
Interest expenses and other financial expenses	4 405	2 133	15 563
Interest income	-897	0	-5 145
Defined benefit plans, net	0	0	28
Other	0	-30 746	-38 205
	5 048	-29 453	-21 564
Change in working capital:			
Change in trade and other receivables	-2 459	-192	1 345
Change in inventories	5 975	0	-1 284
Change in trade and other payables*	-14 909	-1 290	-3 908
Interests, paid	-4 523	-1801	-6 549
Interests, received	6	0	187
Other payments	0	-1874	-2 111
Taxes, paid	-112	0	-273
	-16 021	-5 158	-12 593
<b>Net cash flows from operating activities (A)</b>	<b>-17 501</b>	<b>-7 951</b>	<b>-6 146</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash	0	-32 815	-32 815
Investments in property, plant and equipment*	-30 954	0	-42 923
Change in non-current financial assets	-15	0	0
<b>Net cash flows from investing activities (B)</b>	<b>-30 968</b>	<b>-32 815</b>	<b>-75 739</b>
<b>Cash flows from financing activities</b>			
Paid share capital	0	3	3
Proceeds received related to share issue	20	8 998	9 978
Proceeds from loans and borrowings	0	191 000	191 000
Repayment of loans and borrowings	0	-15 648	-15 648
Repayment of financial leases	-100	0	-291
<b>Net cash flows from financing activities (C)</b>	<b>-80</b>	<b>184 352</b>	<b>185 041</b>
<b>Change in cash (A+B+C)</b>	<b>-48 549</b>	<b>143 585</b>	<b>103 157</b>
<b>Cash and short term deposits at beginning of period</b>	<b>103 157</b>	<b>0</b>	<b>0</b>
<b>Cash and short term deposits at the end of period</b>	<b>54 608</b>	<b>143 586</b>	<b>103 157</b>

\*Reclassification of trade payables of 13.2.2015-31.12.2015 between Change in trade and other payables EUR - 3 908 thousand (earlier EUR 8 831 thousand in Annual report 2015) and Investments in property, plant and equipment EUR -42 923 thousand (earlier EUR -55 662 thousand) has been done.

# 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 2015.

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 2015

This interim report is unaudited.

# Notes to the interim report

## 2. Segment information

	Continuing operations			Discontinued operations	
	Consumer Boards	Industrial Products	Adjustments	Total continuing operations	Magazine Papers
01.01.-31.3.2016	€000	€000	€000	€000	€000
<b>Revenue</b>					
External customers	0	50 437	0	50 437	12 116
Inter-segment	0	140	0	140	0
<b>Total revenue</b>	<b>0</b>	<b>50 576</b>	<b>0</b>	<b>50 576</b>	<b>12 116</b>
Depreciation and amortisation	-26	-478	0	-505	-336
<b>Segment operating profit</b>	<b>-4 459</b>	<b>3 834</b>	<b>0</b>	<b>-625</b>	<b>-917</b>

	Consumer Boards	Industrial Products	Adjustments	Total	Magazine Papers
	€000	€000	€000	€000	€000
<b>Revenue</b>					
External customers	0	0	0	0	0
Inter-segment	0	0	0	0	0
<b>Total revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Depreciation and amortisation	0	0	0	0	0
<b>Segment operating profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	Consumer Boards	Industrial Products	Adjustments	Total	Magazine Papers
	€000	€000	€000	€000	€000
<b>Revenue</b>					
External customers	0	142 359	0	142 359	61 995
Inter-segment	0	3 789	-4 012	-223	223
<b>Total revenue</b>	<b>0</b>	<b>146 148</b>	<b>-4 012</b>	<b>142 135</b>	<b>62 219</b>
Depreciation and amortisation	-2	-1 315	0	-1 316	-636
<b>Segment operating profit</b>	<b>-1 039</b>	<b>16 670</b>	<b>0</b>	<b>15 631</b>	<b>-2 448</b>

### Reconciliation of revenue

	01.01.- 31.3.2016	13.02.- 31.3.2015	13.02.- 31.12.2015
	€000	€000	€000
Total segment revenue	50 576	0	204 354
Items not allocated to segments			
Sales of energy	2 122	0	1 739
Other and exchange differences	-1608	0	-745
<b>Total unallocated items</b>	<b>514</b>	<b>0</b>	<b>994</b>
IFRS adjustments	-92	0	3 247
<b>Group's total revenue</b>	<b>50 999</b>	<b>0</b>	<b>208 594</b>

### Reconciliation of profit

	01.01.- 31.3.2016	13.02.- 31.3.2015	13.02.- 31.12.2015
	€000	€000	€000
<b>Operating profit</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Segment operating profit	-625	0	13 183
Items not allocated to segments			
Unallocated administrative expenses	-565	0	-452
Unallocated non-recurring items related to the business combination	0	-1 722	-2 574
<b>Total unallocated items</b>	<b>-565</b>	<b>-1 722</b>	<b>-3 026</b>
Gain from bargain purchase	0	30 514	30 514
Other IFRS adjustments	-913	0	-2 243
<b>Group's total operating profit</b>	<b>-2 103</b>	<b>28 792</b>	<b>38 428</b>

# Notes to the interim report

## 3. Discontinued operations

According to the plan, the production of magazine paper was discontinued on January 23, 2016 and the conversion of paper machine 2 to board machine began. The delivery of the magazine paper is expected to continue until the third quarter in 2016.

The business of Magazine Papers was classified as a discontinued operation on January 23, 2016. The business represented the entirety of the Group's Magazine Papers operating segment until the production was discontinued on January 23, 2016.

The net result of the business of Magazine Papers is presented in the statement of profit or loss under

"Profit (loss) from discontinued operations" separately from continuing operations for all periods presented.

The results of discontinued operations for the period are presented below:

	<b>01.01.-31.3.2016</b>	<b>13.02.-31.3.2015</b>
	<b>€000</b>	<b>€000</b>
Revenue	12 116	0
Expenses	-13 033	0
Operating profit	-917	0
Profit (loss) before tax from discontinued operations	-917	0
<b>Profit (loss) after tax for the period from discontinued operations</b>	<b>-917</b>	<b>0</b>
<b>Total profit before tax</b>		
Profit (loss) before tax from discontinued operations	-917	0
<b>Total</b>	<b>-917</b>	<b>0</b>

### Net cash flow of the discontinued operations:

	<b>01.01.-31.3.2016</b>	<b>13.02.-31.3.2015</b>
	<b>€000</b>	<b>€000</b>
Operating	1543	0
Investing	-24	0
<b>Net cash flow</b>	<b>1519</b>	<b>0</b>

The statement of financial position 31.3.2016 includes the following items related to the discontinued operations:

Trade receivables EUR 4 564 thousand and other receivables EUR 56 thousand, inventories EUR 7 448 thousand, account payables EUR 653 thousand and other liabilities EUR 1 450 thousand.

## Notes to the interim report

### 4. 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>31.12.2015</b>	<b>759</b>	<b>2 529</b>	<b>31 730</b>	<b>53 703</b>	<b>384</b>	<b>89 105</b>
Additions	0	15	155	35 897	0	36 066
Exchange differences	0	51	167	0	0	218
<b>31.3.2016</b>	<b>759</b>	<b>2 595</b>	<b>32 052</b>	<b>89 599</b>	<b>384</b>	<b>125 390</b>
<b>Depreciation and impairment</b>						
<b>31.12.2015</b>	<b>0</b>	<b>303</b>	<b>2 822</b>	<b>0</b>	<b>65</b>	<b>3 190</b>
Depreciation charge for the year	0	37	902	0	22	961
Impairment	0	0	302	0	0	302
<b>31.3.2016</b>	<b>0</b>	<b>340</b>	<b>4 026</b>	<b>0</b>	<b>87</b>	<b>4 454</b>
<b>Carrying amount</b>						
<b>31.3.2016</b>	<b>759</b>	<b>2 255</b>	<b>28 026</b>	<b>89 599</b>	<b>298</b>	<b>120 936</b>

# Notes to the interim report

## 5. Financial assets and liabilities

Financial assets	31.3.2016	31.3.2016	31.12.2015	31.12.2015	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	1 228	1 228	556	556	2
Commodity derivatives	739	739	1 142	1 142	2
<b>Total</b>	<b>1 967</b>	<b>1 967</b>	<b>1 698</b>	<b>1 698</b>	
<b>Total financial assets at fair value through profit or loss</b>					
	<b>1 967</b>	<b>1 967</b>	<b>1 698</b>	<b>1 698</b>	
<b>Loans and other receivables</b>					
Trade receivables	27 256	27 256	26 190	26 190	
Cash	54 608	54 608	103 157	103 157	
<b>Total</b>	<b>81 863</b>	<b>81 863</b>	<b>129 347</b>	<b>129 347</b>	
<b>Total financial assets</b>					
	<b>83 830</b>	<b>83 830</b>	<b>131 045</b>	<b>131 045</b>	
<b>Total non-current</b>					
Non-current financial assets	0	0	526		

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	31.3.2016	31.3.2016	31.12.2015	31.12.2015	Level of hierarchy
	Carrying amount	Fair value	Carrying amount	Fair value	
			€000	€000	
<b>Financial liabilities at fair value through profit or loss</b>					
Financial liabilities held for trading					
Foreign currency derivatives	583	583	425	425	2
Commodity derivatives	1 919	1 919	1 619	1 619	2
<b>Total</b>	<b>2 502</b>	<b>2 502</b>	<b>2 045</b>	<b>2 045</b>	
<b>Financial liabilities measured at amortised cost</b>					
Bond	103 515	103 515	103 067	103 067	
Shareholder loan	91 260	91 260	89 970	89 970	
Trade payables	24 471	24 471	36 329	36 329	
<b>Total</b>	<b>219 246</b>	<b>219 246</b>	<b>229 366</b>	<b>229 366</b>	
<b>Total financial liabilities</b>	<b>221 749</b>	<b>221 749</b>	<b>231 411</b>	<b>231 411</b>	
<b>Financial liabilities held for trading</b>					
Bond	13	13	63	63	
Shareholder loan	96 462	96 462	96 014	96 014	
<b>Total non-current</b>	<b>186 445</b>	<b>186 445</b>	<b>186 048</b>	<b>186 048</b>	
<b>Financial liabilities held for trading</b>					
Bond	2 490	2 490	1 982	1 982	
Trade payables	7 053	7 053	7 052	7 052	
<b>Total current</b>	<b>34 013</b>	<b>34 013</b>	<b>45 363</b>	<b>45 363</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 Q1 / 2016.



# Notes to the interim report

## 6. Commitments and contingencies

	<u>31.3.2016</u>	<u>31.12.2015</u>
<b>Operating lease commitments</b>		
Operating leases, within one year	134	188
Operating leases, more than one year	155	192
<b>Guarantees</b>		
Securities given on own behalf		
Mortgages	750 000	750 000
Shares of Kotkamills Oy	39 653	39 653
Intercompany loan	155 000	155 000
<b>Total</b>	<b>944 653</b>	<b>944 653</b>

### Litigations and disputes

In a pending litigation a claimant claims Kotkamills Oy for compensation of EUR 190 thousand for termination of an agent contract. The legal action has been taken in Turkey and the claimant has based its claim on Turkish law. The court has dismissed the lawsuit based on the grounds that it lacks competence since the parties have agreed to settle all disputes arising out of the agency agreement by arbitration. The claimant appealed the decision of the court of first instance with a petition dated 19 April 2016 and hence, the lawsuit file will be sent to the Court of Appeals for review. Kotkamills Oy has not recognised any provision because of the claim.

Kotkamills Oy's Seller and former owner prior to the Seller have a dispute related to the terms and conditions of the former acquisition. The dispute is related to certain voluntary pension obligations. Kotkamills Oy is a party to the dispute. At the closing date the process is in arbitration. Because the value of the contingent consideration cannot be measured reliably and the possible consideration paid to Kotkamills Oy gives the Seller a right to an additional purchase price equalling the amount of consideration paid to Kotkamills Oy, no contingent liability nor asset has been recognised due to the arbitration.

### Disputes

At the closing date Kotkamills Oy has one unsettled contractual dispute.

In this dispute the Company has claimed for payments totalling to about EUR 150 thousand (at 31.12.2015 EUR 260 thousand) according to credit note related to deliveries of by-products. The claim has been disputed for the time being. Negotiations to settle the dispute are ongoing between the parties. Kotkamills Oy has not recognised any receivable due to the dispute.

The dispute of a potential compensation claim by a supplier if Kotkamills Oy decreases its purchase volumes from the supplier in 2016 compared to the purchase volumes in 2015 has been settled in the negotiations between the counterparties.

# Notes to the interim report

## 7. Related party transactions

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

	<b>31.3.2016</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				52 881

### **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

## 8. Events after the reporting period

On May 18, 2016, the Company informed that the construction work of the new BM 2 of Kotkamills Oy has progressed to the very advanced stage. The start-up of the new board machine is estimated to take place during July 2016. The earlier target set already in 2015 was last week of June 2016.

On May 20, 2016 the Company informed, that Kotkamills Oy has signed a contract of approximately EUR 20 million with a Nordic financial institution concerning sale of trade receivables of the company to the financial institution (on an ongoing, non-recourse basis on customary market terms). The entry into the transaction is expected to increase the efficiency of the Kotkamills Group's working capital management.