

Kotkamills Group Oyj

INTERIM REPORT

01.01. - 30.09.2017

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Kotkamills Group Oyj's Interim Report January 1– September 30, 2017

1. Events during July- September 2017

On July 3rd, 2017 The Company informed that Stora Enso Oyj has notified Kotkamills Oy that the leasing agreement concerning Tainionkoski PM7 will be terminated in accordance with its terms to expire at the end of 2018.

The Kotkamills Group has been producing Saturating Base Kraft (laminating papers) in Tainionkoski, Imatra on Paper Machine 7 (PM 7) leased from Stora Enso Oyj since the separation of Kotkamills from Stora Enso in 2010. The operations are part of the Group's Industrial Products segment.

To serve its existing customers and fulfill the needs arising from increasing demand for laminating papers, Kotkamills is planning to increase the production capacity of Paper Machine 1 (PM1) on Kotkamills' site in Kotka. In addition, Kotkamills has started preparations to procure external production capacity for laminating papers. The external capacity is planned to be available during the first half of 2018. The planned additional external capacity (excluding PM1 increased capacity) will be higher than the present capacity of Tainionkoski PM 7. The discontinuation of the Group's operations in Imatra is not expected to have a material impact on the Group's financial position or results of operations.

On July 5th, 2017 the Company informed that its wholly owned subsidiary Kotkamills Oy ("Kotkamills") intends to transfer three of its existing business lines, namely the Imprex®, Absorbex® and Wood business lines, into wholly owned subsidiaries of Kotkamills ("the Reorganisation"). Kotkamills' fourth existing business line, Consumer Boards, producing bleached CTMP base high-quality Nordic Folding Boxboard and recyclable barrier board products, will remain in Kotkamills Oy.

On September 1st, 2017 the Company informed that the Reorganisation was implemented and the Imprex®, Absorbex® and Wood business lines have been transferred to Kotkamills Oy's wholly owned subsidiaries Kotkamills Imprex Oy, Kotkamills Absorbex Oy and Kotkamills Wood Oy respectively, effective as of 1 September 2017.

The purpose of the Reorganisation is to optimize the group structure, increase efficiency and transparency and optimize the performance, profitability and development of each business line. In the Reorganisation, materially all assets and liabilities of the business lines were transferred to the relevant subsidiaries, including buildings and machines, current assets, receivables, working capital and intellectual property rights. The Reorganisation was primarily implemented by way of a contribution in kind against shares in the relevant subsidiary. The employees of the Imprex®, Absorbex® and Wood business lines have been transferred along with the relevant business line and the Reorganisation did not affect the rights and obligations of the employees.

Under the terms and conditions of Kotkamills Group's EUR 105,000,000 Senior Secured Callable Bonds 2015/2020 (ISIN: FI4000148705), the Reorganisation constituted a permitted transfer between Kotkamills group companies. To the extent the assets transferred in the Reorganisation were covered by the Transaction Security, as defined in terms and conditions of the bonds, the existing security arrangements remain in place and/or the receiving subsidiaries and Kotkamills Oy have granted appropriate security as required by the terms and conditions of the bonds.

The delivery volumes of Industrial Products segment decreased compared to the previous quarter due to maintenance shutdown in August. The demand continued to stay at a good level.

Despite of the maintenance shutdown in August the delivery volumes of Consumer Boards increased over 30% compared to the previous quarter and commercial ramp-up of Consumer Boards products continued in the third quarter.

2. Key performance indicators

The business of Magazine Papers was classified as a discontinued operation in January 2016 and thus 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 comparison periods presented.

Q3/2017 (compared with Q3/2016)

The Group's revenue of continuing operations of EUR 72,5 million (EUR 60,0 million) improved by EUR 12,5 million from the same period a year ago mainly due to increased Consumer Boards sales.

Despite of the result weakening effect of the maintenance shutdown in August (2016 in May) the Group EBITDA of EUR 2,7 million (EUR -3,0 million) improved from the same period a year ago.

The operating profit of continuing operations was EUR -5,2 million (EUR -6,0 million) due to further improved but still a negative impact of the commercial ramp-up of Consumer Boards business and one-time impairment costs of intangible assets EUR -3,9 million related to the announced termination of Tainionkoski PM7 leasing agreement at the end of 2018.

The good financial performance of Industrial Products segment with operating profit of EUR 4,6 million (EUR 8,9 million) continued also in Q3/2017 but the overall effect of the maintenance shutdown in August (2016 in May) decreased the operating profit compared to the previous year.

The cash flows from operating activities of EUR 4,7 million (EUR 6,4 million) were lower due to higher decrease of the trade receivables (sales of receivables) a year ago.

The cash flows from investing activities of EUR -2,5 million (EUR -31,9 million) were improved clearly due to decreased capital expenditure.

Cash flows from financing activities were EUR -7,9 million (EUR 27,3 million) including repayment of bond loan EUR -7,5 million.

Q1-Q3/2017 (compared with Q1-Q3/2016)

The Group's revenue of continuing operations of EUR 208,4 million (EUR 160,5 million) improved by EUR 47,9 million from the same period a year ago mainly due to increased Consumer Boards sales.

The operating profit of continuing operations was EUR -11,0 million (EUR -14,3 million) due to further improved but still a negative impact of the commercial ramp-up of Consumer Boards business and one-time impairment costs of intangible assets of EUR -3,9 million.

The cash flows from operating activities of EUR -3,6 million (EUR 12,8 million) were negatively affected by increased net working capital.

The cash flows from investing activities of EUR -7,4 million (EUR -128,8 million) were improved clearly due to decreased capital expenditure.

Cash flows from financing activities were EUR 4,0 million (EUR 27,1 million) including shareholders loans of EUR 17,9 million, direct share issue EUR 2,1 million and repayment of bond loan EUR -15,0 million.

	2017	2016	2017	2016	2016
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-31.12.
Continuing operations					
Revenue, EUR million	72,5	60,0	208,4	160,5	219,1
EBITDA, EUR million	2,7	-3,0	5,1	-8,4	9,5
Operating profit, EUR million	-5,2	-6,0	-11,0	-14,3	-0,4
Operating profit / Revenue (%)	-7,1	-10,1	-5,3	-8,9	-0,2
Group Total					
Return on equity (%)	-38,1	-58,7	-103,4	-106,7	-53,2
Equity ratio (%)	2,3	4,2	2,3	4,2	7,8
Equity ratio, adjusted (%)*	53,0	46,4	53,0	46,4	50,1

*Equity including shareholder loans and the junior term loan

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 the junior term 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 October 12th, 2017 The Company informed that it's fully owned subsidiary Kotkamills Oy has signed a share purchase agreement concerning the sale and purchase of all issued and outstanding shares in Kotkamills Imprex Oy to Dongwha Enterprise Co. Kotkamills Imprex Oy is part of Group's Industrial Products segment.

On October 31st, 2017 The Company informed that it's fully owned subsidiary Kotkamills Oy has completed the disposal of Kotkamills Imprex Oy.

The enterprise value (on a debt and cash free basis) of Kotkamills Imprex Oy was EUR 27 million. The purchase price is subject to a customary closing accounts adjustment. The purchase price was paid to Kotkamills Oy in cash.

In accordance with the terms and conditions of the consent for the disposal of the Imprex Business granted by the holders of Kotkamills Group Oyj's EUR 105,000,000 Senior Secured Callable Bonds 2015/2020 (ISIN: FI4000148705) (the "Bonds") on 16 January 2017, 50 per cent of the net disposal proceeds received by Kotkamills Oy from the sale of Kotkamills Imprex Oy shall be applied in partial repayment on outstanding Bonds. On that basis, the amount to be repaid for each Bond is EUR 11,732.00. The Record Date (as defined in the terms and conditions of the Bonds) for the repayment was 6 November 2017 and the repayment of EUR 12,5 million (including accrued interest) was disbursed to the bondholders on 7 November 2017. The repayment will decrease non-current liabilities by EUR 12,3 million in Q4/2017.

The disposal will improve Kotkamills group's Q4/2017 operating profit approximately by EUR 20 million.

On November 24th, 2017 The Company's fully owned subsidiary Kotkamills Oy reached a settlement in the contractual dispute related to potential compensation claim by a supplier related to performed construction work and pending arbitration was withdrawn. The settlement does not have a material impact on Kotkamills Oy's operating profit or balance sheet.

4. Outlook for 2017

The revenue of the fourth quarter in 2017 is estimated to be clearly higher than in the third quarter 2017 due to further increasing Consumer Boards delivery volumes. The profit of continuing operations (excluding one-time profit of disposal Kotkamills Imprex Oy shares in October 2017) for the fourth quarter of 2017 is estimated to be at the same level compared to the previous quarter due to seasonal slightly lower demand particularly in Industrial Products segment, estimated increases in raw material and energy prices and diluting effect of the continuing commercial ramp-up of Consumer Boards business.

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

Currency exchange rate changes and possible increases in raw material and energy 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 2016. The annual financial statement of 2016 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.-30.09.2017

	01.07.- 30.09.2017	01.07.- 30.09.2016	01.01.- 30.09.2017	01.01.- 30.9.2016	01.01.- 31.12.2016
	€000	€000	€000	€000	€000
Continuing operations					
Revenue	72 500	59 962	208 374	160 464	219 099
Other operating income	252	650	1 252	898	20 702
Change in inventories of finished goods and work in progress	1 304	2 383	5 323	1 040	4 618
Production for own use	5	271	23	1 334	1 441
Materials and supplies	-50 548	-47 261	-146 852	-117 165	-161 994
Employee benefit expenses	-9 557	-10 337	-30 166	-30 939	-40 581
Depreciation and amortisation	-4 010	-3 052	-12 234	-5 877	-9 927
Impairment	-3 853	0	-3 853	0	0
Other operating expenses	-11 266	-8 657	-32 859	-24 005	-33 784
Total expenses	-77 924	-66 653	-220 617	-175 613	-240 227
Operating profit	-5 173	-6 042	-10 991	-14 250	-426
Financial income	2 149	1 067	5 174	2 882	4 132
Financial expenses	-4 911	-4 119	-14 598	-12 545	-17 255
	-2 762	-3 052	-9 423	-9 663	-13 123
Profit before taxes	-7 935	-9 094	-20 415	-23 913	-13 549
Income taxes	-7	-219	-14	-489	-572
Deferred taxes	999	-372	1 643	-930	23
Profit (loss) for the period from continuing operatios	-6 943	-9 685	-18 786	-25 333	-14 098
Discontinued operations					
Profit (loss) after tax for the period from discontinued operations	0	-299	0	-1 607	-2 279
Profit (loss) for the period	-6 943	-9 984	-18 786	-26 940	-16 377

Consolidated statement of other comprehensive income

For the period 01.01.-30.09.2017

	01.07.- 30.09.2017	01.07.- 30.09.2016	01.01.- 30.09.2017	01.01.- 30.9.2016	01.01.- 31.12.2016
	€000	€000	€000	€000	€000
Profit (loss) for the period	-6 943	-9 984	-18 786	-26 940	-16 377
Other comprehensive income items:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Translation differences	0	-223	0	196	863
Net other comprehensive income to be reclassified to profit or loss in subsequent periods after taxes	0	-223	0	196	863
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	-200
Income taxes	0	0	0	0	40
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods after taxes	0	0	0	0	-160
Other comprehensive income for the period, net of tax	0	-223	0	196	703
Total comprehensive income for the period, net of tax	-6 943	-10 207	-18 786	-26 743	-15 674

Consolidated statement of financial position

30.09.2017

	30.09.2017	31.12.2016	30.09.2016
	€000	€000	€000
Assets			
Non-current assets			
Property, plant and equipment	209 924	215 160	214 026
Other intangible assets	8 877	14 113	14 914
Non-current financial assets	2 408	2 138	1 665
Deferred tax assets	1 029	0	0
	222 237	231 410	230 605
Current assets			
Inventories	36 346	32 050	30 718
Trade and other receivables	28 448	22 221	24 789
Other financial assets	3 570	2 312	1 833
Cash	9 769	16 789	14 241
	78 133	73 372	71 581
Total assets	300 370	304 783	302 186

Consolidated statement of financial position

30.09.2017

	30.09.2017	31.12.2016	30.09.2016
	€000	€000	€000
Equity and liabilities			
Equity			
Share capital	80	80	80
Reserve for invested non-restricted equity	13 523	11 458	11 458
Retained earnings	-6 673	12 119	1 073
Total equity	6 930	23 657	12 610
Non-current liabilities			
Interest bearing loans and borrowings	219 319	210 839	209 145
Other non-current financial liabilities	5 448	6 241	5 686
Provisions	377	0	34
Pension obligations	787	837	717
Deferred tax liabilities	0	614	1 827
	225 932	218 531	217 408
Current liabilities			
Trade and other payables	49 308	44 237	53 715
Interest bearing liabilities	14 623	14 587	14 575
Other current financial liabilities	3 579	3 771	3 877
	67 509	62 595	72 167
Total liabilities	293 441	281 126	289 576
Total shareholders' equity and liabilities	300 370	304 783	302 186

Consolidated statement of changes in equity

30.09.2017

€000	Share capital	Reserve for invested non-restricted equity	Retained earnings	Total equity
Equity as at 01.01.2016	3	9 978	27 886	37 866
Other comprehensive income				
Profit (loss) for the period	0	0	-26 940	-26 940
Other comprehensive income items (net of tax)				
Translation differences	0	0	196	196
Total comprehensive income	3	9 978	1 143	11 123
Transactions with shareholders				
Share issue	0	1 558	0	1 558
Increase in share capital	78	-78	0	0
Dividends, paid	0	0	-30	-30
Own shares	0	0	-40	-40
Total transactions with shareholders	78	1 480	-70	1 487
Equity as at 30.09.2016	80	11 458	1 073	12 610
Equity as at 01.10.2016	80	11 458	1 073	12 610
Other comprehensive income				
Profit (loss) for the period	0	0	10 563	10 563
Other comprehensive income items (net of tax)				
Translation differences	0	0	667	667
Actuarial gains (+) / losses (-) on defined benefit plans	0	0	-160	-160
Total comprehensive income	80	11 458	12 142	23 680
Transactions with shareholders				
Own shares	0	0	-23	-23
Total transactions with shareholders	0	0	-23	-23
Equity as at 31.12.2016	80	11 458	12 119	23 657
Equity as at 01.01.2017	80	11 458	12 119	23 657
Other comprehensive income				
Profit (loss) for the period	0	0	-18 786	-18 786
Other comprehensive income items (net of tax)				
Total comprehensive income	80	11 458	-6 667	4 871
Transactions with shareholders				
Share issue	0	2 065	0	2 065
Dividends, paid	0	0	-69	-69
Own shares	0	0	62	62
Total transactions with shareholders	0	2 065	-7	2 059
Equity as at 30.09.2017	80	13 523	-6 673	6 929

Consolidated statement of cash flows

For the period 01.01.-30.09.2017

	01.07.- 30.09.2017	01.07.- 30.09.2016	01.01.- 30.09.2017	01.01.- 30.09.2016	01.01.- 31.12.2016
	€000	€000	€000	€000	€000
Cash flows from operating activities					
Profit (loss) for the period before taxes	-7 935	-9 393	-20 415	-25 520	-15 828
Adjustments:					
Transactions without payments	119	-725	351	-267	795
Depreciation and impairment	7 863	3 052	16 087	5 926	10 854
Interest expenses and other financial expenses	4 911	4 118	14 598	12 545	17 255
Interest income	-2 149	-1 067	-5 174	-2 882	-4 132
Defined benefit plans, net	0	0	0	0	107
Other	0	0	0	0	-23 263
	10 744	5 379	25 861	15 322	1 615
Change in working capital:					
Change in trade and other receivables	3 546	11 994	-6 228	16 355	21 235
Change in inventories	42	-2 401	-4 295	9 253	7 393
Change in trade and other payables	1 097	5 511	7 537	6 858	-653
Interests and other financial expenses, paid	-4 280	-4 441	-9 486	-9 043	-9 860
Interests and other financial income, received	1 485	4	3 433	15	41
Taxes, paid	-7	-219	-14	-489	-572
	1 883	10 449	-9 053	22 949	17 584
Net cash flows from operating activities (A)	4 693	6 436	-3 607	12 751	3 372
Cash flows from investing activities					
Tangible and intangible assets sales profit	0	4	0	4	4
Proceeds from disposal of subsidiary shares and business operations	0	0	0	0	23 263
Investments in property, plant and equipment	-2 467	-30 897	-7 273	-127 770	-138 582
Purchase of own shares	2	-20	1	-40	-63
Change in non-current financial assets	-20	-993	-135	-1 006	-1 269
Net cash flows from investing activities (B)	-2 485	-31 906	-7 407	-128 813	-116 647
Cash flows from financing activities					
Proceeds received related to share issue	0	1 538	2 065	1 558	1 558
Proceeds from loans and borrowings	0	33 437	17 921	33 437	33 437
Repayment of loans and borrowings	-7 499	-7 499	-14 998	-7 499	-7 499
Sale of own shares	0	0	63	0	0
Repayment of financial leases	-443	-134	-988	-319	-558
Dividends, paid	0	0	-69	-30	-30
Net cash flows from financing activities (C)	-7 942	27 342	3 994	27 147	26 908
Change in cash (A+B+C)	-5 734	1 873	-7 020	-88 915	-86 368
Cash and short term deposits at beginning of period	15 504	12 369	16 789	103 157	103 157
Cash and short term deposits at the end of period	9 769	14 241	9 769	14 241	16 789

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 2016.

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 2016.

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
01.07.-30.09.2017	€000	€000	€000	€000	€000
Revenue					
External customers	28 884	41 934	0	70 818	0
Inter-segment	21	1 084	-1 105	0	0
Total revenue	28 904	43 018	-1 105	70 818	0
Depreciation and amortisation	-2 275	-685	0	-2 960	0
Segment operating profit	-5 202	4 605	0	-597	0
01.07.-30.09.2016	Consumer Boards	Industrial Products	Adjustments	Total	Magazine Papers
	€000	€000	€000	€000	€000
Revenue					
External customers	5 394	53 202	0	58 597	483
Inter-segment	61	1 432	-1 493	0	0
Total revenue	5 455	54 634	-1 493	58 597	483
Depreciation and amortisation	-1 358	-570	0	-1 928	0
Segment operating profit	-14 265	8 881	0	-5 384	-299
01.01-31.12.2016	Consumer Boards	Industrial Products	Adjustments	Total	Magazine Papers
	€000	€000	€000	€000	€000
Revenue					
External customers	11 473	200 275	0	211 747	18 712
Inter-segment	93	3 090	-3 182	0	0
Total revenue	11 566	203 364	-3 182	211 747	18 712
Depreciation and amortisation	-3 603	-2 081	0	-5 685	-878
Segment operating profit	-38 209	23 096	0	-15 113	-2 279

Reconciliation of revenue

	01.07.- 30.09.2017	01.07.- 30.09.2016	01.01.- 31.12.2016
Revenue	€000	€000	€000
Total segment revenue	70 818	58 597	211 747
Items not allocated to segments			
Sales of energy	998	1 107	6 673
Other and exchange rate differences	683	263	679
Total unallocated items	1 682	1 370	7 352
IFRS adjustments	0	-5	0
Group's total revenue	72 500	59 962	219 099

Reconciliation of profit

	01.07.- 30.09.2017	01.07.- 30.09.2016	01.01.- 31.12.2016
Operating profit	€000	€000	€000
Segment operating profit	-597	-5 384	-15 113
Items not allocated to segments			
Unallocated administrative income/expenses	3	-120	-365
Total unallocated items	3	-120	-365
Sales of assets	0	0	18 907
Asset impairment	-3 853	0	0
Other IFRS adjustments	-726	-538	-3 855
Group's total operating profit	-5 173	-6 042	-426

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 last deliveries of magazine paper were done during 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:

	01.07.-30.09.2017	01.07.-30.09.2016
	€000	€000
Revenue	0	485
Expenses	0	-784
Operating profit	0	-299
Profit (loss) before tax from discontinued operations	0	-299
Profit (loss) after tax for the period from discontinued operations	0	-299
Total profit before tax		
Profit (loss) before tax from discontinued operations	0	-299
Total	0	-299

Net cash flow of the discontinued operations:

	01.07.-30.09.2017	01.07.-30.09.2016
	€000	€000
Operating	0	2136
Investing	0	63
Net cash flow	0	2198

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
Acquisition cost						
31.12.2016	755	11 221	209 665	1 715	3 360	226 716
Additions	0	9	6 345	5 660	225	12 240
Transfers	0	0	0	-6 547	0	-6 547
30.09.2017	755	11 230	216 011	828	3 585	232 409
Depreciation and impairment						
31.12.2016	0	561	10 782	0	213	11 557
Depreciation charge for the year	0	310	10 433	0	185	10 928
30.09.2017	0	872	21 216	0	398	22 485
Carrying amount						
31.12.2016	755	10 660	198 883	1 715	3 147	215 160
30.09.2017	755	10 358	194 795	828	3 187	209 924

Notes to the interim report

5. Financial assets and liabilities

Financial assets	30.09.2017	30.09.2017	31.12.2016	31.12.2016	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	1 750	1 750	438	438	2
Commodity derivatives	1 970	1 970	2 197	2 197	2
Total	3 719	3 719	2 635	2 635	
Total financial assets at fair value through profit or loss	3 719	3 719	2 635	2 635	
Loans and other receivables					
Trade receivables	15 539	15 539	10 526	10 526	
Cash	9 769	9 769	16 789	16 789	
Total	25 308	25 308	27 315	27 315	
Total financial assets	29 027	29 027	29 950	29 950	
Total non-current					
Non-current financial assets	1 965	1 965	1 815	1 815	

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	30.09.2017	30.09.2017	31.12.2016	31.12.2016	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	840	840	1 030	1 030	2
Commodity derivatives	819	819	956	956	2
Total	1 658	1 658	1 987	1 987	
Financial liabilities measured at amortised cost					
Bond	81 669	81 669	96 352	96 352	
Shareholder loan	131 913	131 913	108 898	108 898	
Trade payables	30 000	30 000	27 479	27 479	
Junior term loan	20 356	20 356	20 175	20 175	
Leasing liabilities	6 826	6 826	7 676	7 676	
Total	270 765	270 765	260 580	260 580	
Total financial liabilities	272 423	272 423	262 567	262 567	
Financial liabilities held for trading					
Bond	364	364	40	40	
Shareholder loan	67 046	67 046	81 765	81 765	
Junior term loan	131 913	131 913	108 898	108 898	
Leasing liabilities	20 356	20 356	20 175	20 175	
Total non-current	224 764	224 764	217 080	217 080	
Financial liabilities held for trading					
Bond	1 294	1 294	1 946	1 946	
Trade payables	14 623	14 623	14 587	14 587	
Leasing liabilities	30 000	30 000	27 479	27 479	
Total current	47 659	47 659	45 488	45 488	

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 / 2017.

Notes to the interim report

6. Commitments and contingencies

	30.09.2017	31.12.2016
	€000	€000
Operating lease commitments		
Operating leases, within one year	55	153
Operating leases, more than one year	116	153
Guarantees		
Securities given on own behalf		
Mortgages	750 000	750 000
Shares of Kotkamills Oy	39 653	39 653
Intercompany loan	175 000	155 000
Total	964 824	944 959

Commitments

Litigations and disputes

In a 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 has been sent to the Court of Appeals on 15.6.2016 for review. On April 7, 2017 the Court of Appeals approved the decision of the court of first instance and sent the lawsuit file back to the court of first instance for finalization of the decision. The court of first instance finalized the lawsuit and the case have been closed.

Disputes

At the closing date the Kotkamills Oy has one unsettled contractual dispute. The dispute relates to a potential compensation claim by a supplier related to performed construction work. In a pending arbitration the supplier claims Kotkamills Oy for compensation of EUR 1 600 thousand by appealing to rushing costs and increases of unit prices. Kotkamills Oy has disputed the claims as unfounded and has not recognised any provision because of the claim.

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:

	30.09.2017			
	Sales	Purchases	Receivables	Liabilities
	€000	€000	€000	€000
Entities with significant influence over the Group				76 355

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 October 12th, 2017 The Company informed that it's fully owned subsidiary Kotkamills Oy has signed a share purchase agreement concerning the sale and purchase of all issued and outstanding shares in Kotkamills Imprex Oy to Dongwha Enterprise Co. Kotkamills Imprex Oy is part of Group's Industrial Products segment.

On October 31st, 2017 The Company informed that it's fully owned subsidiary Kotkamills Oy has completed the disposal of Kotkamills Imprex Oy.

The enterprise value (on a debt and cash free basis) of Kotkamills Imprex Oy was EUR 27 million. The purchase price is subject to a customary closing accounts adjustment. The purchase price was paid to Kotkamills Oy in cash.

In accordance with the terms and conditions of the consent for the disposal of the Imprex Business granted by the holders of Kotkamills Group Oyj's EUR 105,000,000 Senior Secured Callable Bonds 2015/2020 (ISIN: FI4000148705) (the "Bonds") on 16 January 2017, 50 per cent of the net disposal proceeds received by Kotkamills Oy from the sale of Kotkamills Imprex Oy shall be applied in partial repayment on outstanding Bonds. On that basis, the amount to be repaid for each Bond is EUR 11,732.00. The Record Date (as defined in the terms and conditions of the Bonds) for the repayment was 6 November 2017 and the repayment of EUR 12,5 million (including accrued interest) was disbursed to the bondholders on 7 November 2017. The repayment will decrease non-current liabilities by EUR 12,3 million in Q4/2017.

The disposal will improve Kotkamills group's Q4/2017 operating profit approximately by EUR 20 million.

On November 24th, 2017 The Company's fully owned subsidiary Kotkamills Oy reached a settlement in the contractual dispute related to potential compensation claim by a supplier related to performed construction work and pending arbitration was withdrawn. The settlement does not have a material impact on Kotkamills Oy's operating profit or balance sheet.