Kotkamills Group Oyj

INTERIM REPORT

01.01. - 30.06.2018

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Kotkamills Group Oyj's Interim Report January 1– June 30, 2018

1. Events during April - June 2018

Demand continued on good level during the second quarter. In Industrial Products segment, the delivery volumes of both saturating base kraft and wood products were on the same level as in the previous quarter whereas delivery volumes in the Consumer Boards segment increased clearly compared to the previous quarter.

2. Key performance indicators

Q2/2018 (compared with Q2/2017)

The Group's revenue of EUR 97,9 million (EUR 75,9 million) from continuing operations improved by EUR 22,0 million from the same period a year ago mainly due to increased sales in the Consumer Boards segment.

The Group's EBITDA of EUR 8,0 million (EUR 2,4 million) increased clearly from the same period a year ago following the improved financial performance of Consumer Boards business.

Since completing the board machine investment in Q3/2016, Consumer Boards segment delivered the first positive quarter in Q2/2018 with an EBITDA of EUR 1,7 million (EUR -4,9 million).

Industrial Products segment continued its good financial performance with an EBITDA of EUR 5,8 million (EUR 7,3 million) in Q2/2018.

Operating profit from continuing operations was EUR 4,1 million (EUR -1,7).

Cash flow from operating activities was EUR 5,3 million (EUR -1,7 million), increased from previous year's level mainly due to the improved profitability.

Cash flow from investing activities of EUR -1,7 million (EUR -1,5 million) was on the same level as one year ago.

Cash flow from financing activities was EUR -0,5 million (EUR -0,3 million).

Q1-Q2/2018 (compared with Q1-Q2/2017)

The Group's revenue of EUR 185,5 million (EUR 135,9 million) from continuing operations improved by EUR 49,7 million from the same period a year ago mainly due to increased Consumer Boards sales.

The Group EBITDA from continuing operations was EUR 12,3 million (EUR 2,4 million) following the improved impact of Consumer Boards business.

Operating profit from continuing operations was EUR 4,4 million (EUR -5,8 million).

Cash flow from operating activities was EUR 8,4 million (EUR -8,3 million) and increased mainly due to improved profitability and stabilized net working capital.

Cash flow from investing activities of EUR -2,8 million (EUR -4,9 million) was improved due to lower capital expenditure.

Cash flow from financing activities was EUR -2,4 million (EUR 11,9 million), including shareholder loans of EUR 5,0 million, direct share issue of EUR 1,0 million and repayment of the bond loan of EUR -7,5 million.

	2018	2017	2018	2017	2017
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-31.12.
Continuing operations					
Revenue, EUR million	97,9	75,9	185,5	135,9	287,7
EBITDA, EUR million	8,0	2,4	12,3	2,4	28,8
Operating profit, EUR million	4,1	-1,7	4,4	-5,8	5,7
Operating profit / Revenue (%)	4,1	-2,3	2,4	-4,3	2,0
Group Total					
Return on equity (%)	5,6	-27,6	-8,5	-63,1	7,0
Equity ratio (%)	8,2	4,4	8,2	4,4	8,8
Equity ratio, adjusted (%)*	59,5	52,3	59,5	52,3	58,2

*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

On July 2nd, 2018 The Company informed that its subsidiaries Kotkamills Oy and Kotkamills Absorbex Oy have signed a long term service contract with Adven Oy, a supplier of tailored corporate energy and water solutions, concerning improvement of the evaporation process in the Group's Kotka pulp mill.

The service includes adding new evaporators and replacing obsolete parts of the existing evaporation plant of the pulp mill.

The service will improve Kotkamills' energy efficiency significantly by reducing the energy consumption in the evaporation of black liquor in the pulp production process, decrease environmental emissions and enable future production capacity increases of the pulp mill.

The service agreement will be implemented in two phases, the first phase is estimated to be operational in September 2019 and the new evaporation plant fully operational in September 2020. The service contract will be valid until 2035.

The service contract is estimated to have a positive impact on the profitability of Kotkamills Group.

4. Near-term outlook

Revenue of the third quarter in 2018 is estimated to be lower than in the second quarter due to the annual maintenance shutdown in August. Profit from continuing operations for the third quarter of 2018 is estimated to be below the previous quarter's level due to the one-time effect of the maintenance shutdown.

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 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 2017. The annual financial statement of 2017 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.-30.06.2018

	01.04.-30.06.2018	01.04.-30.06.2017	01.01.-30.6.2018	01.01.-30.06.2017	01.01.-31.12.2017
	€000	**€000**	**€000**	**€000**	**€000**
Continuing operations					
Revenue	**97 947**	**75 930**	**185 532**	**135 874**	**287 699**
Other operating income	**751**	**713**	**1 146**	**1 000**	**25 068**
Change in inventories of finished goods and work in progress	929	-460	581	4 018	9 408
Production for own use	21	15	25	18	23
Materials and supplies	-64 992	-50 928	-124 350	-96 304	-206 365
Employee benefit expenses	-10 592	-10 947	-20 545	-20 609	-39 923
Depreciation and amortisation	-3 982	-4 125	-7 961	-8 223	-16 199
Impairment	0	0	0	0	-6 830
Other operating expenses	-16 024	-11 929	-30 053	-21 593	-47 132
Total expenses	**-94 640**	**-78 374**	**-182 302**	**-142 693**	**-307 018**
Operating profit	**4 057**	**-1 731**	**4 376**	**-5 819**	**5 749**
Financial income	2 287	1 759	4 497	3 025	8 671
Financial expenses	-4 993	-4 856	-11 075	-9 687	-19 450
	-2 706	-3 097	-6 579	-6 661	-10 779
Profit before taxes	**1 351**	**-4 828**	**-2 202**	**-12 480**	**-5 030**
Income taxes	-5	-5	-8	-7	-24
Deferred taxes	78	382	-65	644	6 855
Profit (loss) for the period from continuing operatios	**1 424**	**-4 451**	**-2 275**	**-11 843**	**1 800**
Profit (loss) for the period	**1 424**	**-4 451**	**-2 275**	**-11 843**	**1 800**

Consolidated statement of other comprehensive income

For the period 01.01.-30.06.2018

	01.04.-30.06.2018	01.04.-30.06.2017	01.01.-30.06.2018	01.01.-30.06.2017	01.01.-31.12.2017
	€000	€000	€000	€000	€000
Profit (loss) for the period	**1 424**	**-4 451**	**-2 275**	**-11 843**	**1 800**
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	0	0	0	0	-57
Income taxes	0	0	0	0	11
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods after taxes	**0**	**0**	**0**	**0**	**-46**
Other comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**-46**
Total comprehensive income for the period, net of tax	**1 424**	**-4 451**	**-2 275**	**-11 843**	**1 755**

Consolidated statement of financial position

30.06.2018

	30.06.2018	31.12.2017	30.06.2017
Assets	**€000**	**€000**	**€000**
Non-current assets			
Property, plant and equipment	204 562	209 091	211 056
Other intangible assets	6 174	5 758	13 079
Non-current financial assets	1 834	1 513	2 193
Deferred tax assets	6 187	6 252	31
	218 757	**222 615**	**226 359**
Current assets			
Inventories	37 595	36 401	36 388
Trade and other receivables	40 223	34 615	31 994
Other financial assets	3 815	4 181	3 530
Cash	17 297	14 047	15 504
	98 930	**89 244**	**87 416**
Total assets	**317 688**	**311 858**	**313 774**

Consolidated statement of financial position

30.06.2018

	30.06.2018	31.12.2017	30.06.2017
Equity and liabilities	**€000**	**€000**	**€000**
Equity			
Share capital	80	80	80
Reserve for invested non-restricted equity	14 559	13 523	13 523
Retained earnings	11 502	13 867	270
Total equity	**26 142**	**27 470**	**13 873**
Non-current liabilities			
Interest bearing loans and borrowings	210 310	208 881	224 774
Other non-current financial liabilities	4 736	4 892	5 619
Provisions	0	0	234
Pension obligations	858	875	803
	215 905	**214 648**	**231 431**
Current liabilities			
Trade and other payables	56 634	51 875	49 700
Contract liabilities	861	650	0
Interest bearing liabilities	14 669	14 635	14 610
Other current financial liabilities	3 477	2 579	4 161
	75 641	**69 740**	**68 471**
Total liabilities	**291 546**	**284 388**	**299 902**
Total shareholders' equity and liabilities	**317 688**	**311 858**	**313 774**

Consolidated statement of changes in equity

30.06.2018

€000	Share capital	Reserve for invested non-restricted equity	Retained earnings	Total equity
Equity as at 01.01.2017	**80**	**11 458**	**12 119**	**23 657**
Other comprehensive income				
Profit (loss) for the period	0	0	-11 843	-11 843
Total comprehensive income	**80**	**11 458**	**276**	**11 814**
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 30.06.2017	**80**	**13 523**	**270**	**13 873**
Equity as at 01.07.2017	**80**	**13 523**	**270**	**13 873**
Other comprehensive income				
Profit (loss) for the period	0	0	13 643	13 643
Other comprehensive income items (net of tax)				
Actuarial gains (+) / losses (-) on defined benefit plans	0	0	-46	-46
Total comprehensive income	**80**	**13 523**	**13 867**	**27 470**
Equity as at 31.12.2017	**80**	**13 523**	**13 867**	**27 470**
Equity as at 01.01.2018	**80**	**13 523**	**13 867**	**27 470**
Other comprehensive income				
Profit (loss) for the period	0	0	-2 275	-2 275
Total comprehensive income	**80**	**13 523**	**11 592**	**25 195**
Transactions with shareholders				
Share issue	0	1 037	0	1037
Dividends, paid	0	0	-90	-90
Total transactions with shareholders	**0**	**1 037**	**-90**	**947**
Equity as at 30.06.2018	**80**	**14 559**	**11 502**	**26 142**

Consolidated statement of cash flows

For the period 01.01.-30.06.2018

	01.04.-30.06.2018	01.04.-30.06.2017	01.01.-30.06.2018	01.01.-30.06.2017	01.01.-31.12.2017
	€000	€000	€000	€000	€000
Cash flow from operating activities					
Profit (loss) for the period before taxes	1 351	-4 828	-2 202	-12 480	-5 030
Adjustments:					
Transactions without payments	-94	-267	62	232	-246
Depreciation and impairment	3 982	4 125	7 961	8 223	23 029
Interest expenses and other financial expenses	4 993	4 856	11 075	9 687	19 450
Interest income	-2 287	-1 759	-4 497	-3 025	-8 671
Defined benefit plans, net	0	0	0	0	57
Other	0	0	-5	0	-26 012
	6 594	6 955	14 596	15 116	7 608
Change in working capital:					
Change in trade and other receivables	-3 072	-4 834	-5 509	-9 773	-11 741
Change in inventories	-761	-30	-1 194	-4 338	-4 350
Change in trade and other payables	-47	606	2 934	6 440	8 599
Interests and other financial expenses, paid	-863	-541	-4 423	-5 206	-10 311
Interests and other financial income, received	2 105	1 009	4 228	1 948	5 230
Taxes, paid	-5	-5	-8	-7	-24
	-2 643	-3 795	-3 972	-10 936	-12 597
Net cash flow from operating activities (A)	**5 302**	**-1 668**	**8 422**	**-8 300**	**-10 020**
Cash flow from investing activities					
Proceeds from sale of tangible and intangible assets	0	0	18	0	0
Proceeds from disposal of subsidiary shares and business operations	0	0	0	0	26 012
Investments in property, plant and equipment	-1 667	-1 341	-2 801	-4 806	-10 406
Purchase of own shares	0	0	0	-1	1
Change in non-current financial assets	-4	-115	-4	-115	390
Net cash flow from investing activities (B)	**-1 671**	**-1 456**	**-2 787**	**-4 922**	**15 997**
Cash flow from financing activities					
Proceeds received related to share issue	0	0	1 037	2 065	2 065
Proceeds from loans and borrowings	33	0	5 033	17 921	17 921
Repayment of loans and borrowings	0	0	-7 499	-7 499	-27 317
Sale of own shares	0	0	0	63	63
Repayment of financial leases	-420	-239	-865	-545	-1 383
Dividends, paid	-90	-69	-90	-69	-69
Net cash flow from financing activities (C)	**-477**	**-308**	**-2 385**	**11 936**	**-8 719**
Change in cash (A+B+C)	3 154	-3 432	3 250	-1 286	-2 742
Cash and short term deposits at beginning of period	14 143	18 935	14 047	16 789	16 789
Cash and short term deposits at the end of period	**17 297**	**15 504**	**17 297**	**15 504**	**14 047**

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 2017.

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 2017, except for the adoption of new standards and amendments effective as of January 1, 2018.

New standards, interpretations and amendments adopted by the Group

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 has superseded the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the good or service underlying the particular performance obligation is transferred to the customer. The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption. There are no changes impacting the comparative information.

The Group is specialised in consumer boards, saturating base kraft (laminating papers) and wood products. The revenue streams can be divided into two operating segments, which are Consumer Boards and Industrial Products. The Group is acting as a principal in all of the customer contracts as the Group provides the good and services itself to a customer and controls the specified goods and services before they are transferred to a customer.

Consumer Boards

Consumer Boards provides renewable and fiber-based packaging materials for consumer boards. The production of Consumber Boards was started in July 2016.

The company's sales consist mainly of sales of products and performance obligations are normally defined as the products are delivered based on customer contracts and customer order confirmations. The Group's contracts with customers for the sale of Consumer Boards generally include one performance obligation. The Group has concluded that revenue from sale of Consumer Boards should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The exact timing of the control transfer is analyzed contract by contract taking into account the delivery terms, customer acceptance clauses and customer's ability to benefit from the goods delivered. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Industrial Products

Industrial Products produces saturating base kraft (laminating papers) as well as wood products for construction and transportation industry.

Similar to Consumer Boards, performance obligations are normally defined as the products are delivered based on customer contracts and customer order confirmations. The Group's contracts with customers for the sale of Industrial Products generally include one performance obligation. The Group has concluded that revenue from sale of Industrial Products should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The exact timing of the control transfer is analyzed contract by contract taking into account the delivery terms, customer acceptance clauses and customer's ability to benefit from the goods delivered. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

In conclusion the Group does not identify factors that would materially change the amount and timing of the present revenue recognition practises of sales of Consumer Boards and Industrial Products.

IFRS 9 *Financial Instruments*

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. In accordance with the section on classification and measurement included in IFRS 9, financial assets are classified and measured based on the entity's business model and contractual cash flows of financial assets. The classification and measurement of financial liabilities primarily complies with the principles of IAS 39, the current standard.

The hedge accounting model provides more opportunities for the application of hedge accounting, thereby allowing entities to reflect their risk management practices in more detail in financial statements. The hedge effectiveness testing rules have been revised, and the new principles are based on financial dependence.

The impairment model pursuant to IAS 39 was based on credit losses incurred, while the new impairment model takes into account expected credit losses. Entities recognize the expected credit losses and changes in them in each reporting period so that changes in the credit risk after initial recognition are taken into consideration. The standard will provide new disclosure requirements concerning the entity's risk management practices.

The Group has applied IFRS 9 with the initial application date of 1 January 2018. The Group concluded that the timing recording expected credit losses will be impacted by the new standard and notes information disclosed will be affected. The Group does not apply hedge accounting. There is no impact on Group's consolidated financial statements by the new requirements for the classification and measurement of financial assets.

This interim report is unaudited.

Notes to the interim report

2. Segment information and revenue from contract with customers

01.04.-30.06.2018	Continuing operations Consumer Boards	Industrial Products	Adjustments	Total continuing operations
	€000	**€000**	**€000**	**€000**
Revenue				
External customers	50 097	45 978	0	**96 074**
Inter-segment	6	1 592	-1 598	0
Total revenue	**50 103**	**47 570**	**-1 598**	**96 074**
Depreciation and amortisation	-2 315	-441	0	-2 756
Segment operating profit	**-610**	**5 319**	**0**	**4 709**

01.04.-30.06.2017	Consumer Boards	Industrial Products	Adjustments	Total
	€000	**€000**	**€000**	**€000**
Revenue				
External customers	21958	53 402	0	**75 360**
Inter-segment	8	1 486	-1 494	0
Total revenue	**21966**	**54 888**	**-1 494**	**75 360**
Depreciation and amortisation	-2264	-522	0	-2 786
Segment operating profit	**-7 213**	**6 753**	**0**	**-461**

01.01-31.12.2017	Consumer Boards	Industrial Products	Adjustments	Total
	€000	**€000**	**€000**	**€000**
Revenue				
External customers	93 620	188 756	0	282 375
Inter-segment	109	5 494	-5 603	0
Total revenue	**93 728**	**194 250**	**-5 603**	**282 375**
Depreciation and amortisation	-9080	-2 373	0	-11 454
Segment operating profit	**-29 518**	**23 706**	**0**	**-5 812**

Reconciliation of revenue

Revenue	01.04.- 30.06.2018	01.04.- 30.06.2017	01.01.- 31.12.2017
	€000	**€000**	**€000**
Total segment revenue	96 074	75 360	282 375
Items not allocated to segments			
Sales of energy	1 242	1 161	6 258
Revenue recognition and other	630	-591	-934
Total unallocated items	**1 873**	**570**	**5 324**
Group's total revenue from contracts with customers	**97 947**	**75 930**	**287 699**

Reconciliation of profit

Operating profit	01.04.- 30.06.2018	01.04.- 30.06.2017	01.01.- 31.12.2017
	€000	**€000**	**€000**
Segment operating profit	4 709	-461	-5 812
Items not allocated to segments			
Unallocated administrative income/expenses	114	-77	-1 542
Total unallocated items	**114**	**-77**	**-1542**
Sales of assets	0	0	23 679
Asset impairment	0	0	-6 830
Other IFRS adjustments	-766	-1 194	-3 745
Group's total operating profit	**4 057**	**-1 731**	**5 749**

At the closing date the Group has recognised impairment losses on receivables and contract assets arising from contracts with customers total EUR 169 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						
31.12.2017	**755**	**11 482**	**218 822**	**603**	**3 601**	**235 262**
Additions	0	0	3 189	3 005	9	6 203
Transfers	0	0	0	-3 248	0	-3 248
Disposals	0	0	-31	0	0	-31
30.06.2018	**755**	**11 482**	**221 980**	**360**	**3 610**	**238 187**
Depreciation and impairment						
31.12.2017	**0**	**976**	**24 734**	**0**	**462**	**26 172**
Depreciation charge for the year	0	208	7 132	0	131	7 471
Disposals	0	0	-18	0	0	-18
30.06.2018	**0**	**1 184**	**31 848**	**0**	**592**	**33 625**
Carrying amount						
31.12.2017	755	10 506	194 087	603	3 139	209 091
30.06.2018	**755**	**10 298**	**190 131**	**360**	**3 018**	**204 562**

Notes to the interim report

4. Financial assets and liabilities

Financial assets	30.06.2018 Carrying amount	30.06.2018 Fair value	31.12.2017 Carrying amount	31.12.2017 Fair value	Level of hierarchy
	€000	€000	€000	€000	
Financial assets at fair value through profit or loss					
Financial assets held for trading					
Foreign currency derivatives	33	33	809	809	2
Commodity derivatives	4 188	4 188	3 460	3 460	2
Total	**4 221**	**4 221**	**4 269**	**4 269**	
Total financial assets at fair value through profit or loss	**4 221**	**4 221**	**4 269**	**4 269**	
Loans and other receivables					
Trade receivables	16 405	16 405	15 194	15 194	
Cash	17 297	17 297	14 047	14 047	
Total	**33 703**	**33 703**	**29 241**	**29 241**	
Total financial assets	**37 924**	**37 924**	**33 510**	**33 510**	
Total non-current					
Non-current financial assets	**1 429**	**1 429**	**1 425**	**1 425**	

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	30.06.2018 Carrying amount	30.06.2018 Fair value	31.12.2017 Carrying amount	31.12.2017 Fair value	Level of hierarchy
	€000	€000	€000	€000	
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading					
Foreign currency derivatives	162	162	374	374	2
Commodity derivatives	2 185	2 185	402	402	2
Total	**2 347**	**2 347**	**776**	**776**	
Financial liabilities measured at amortised cost					
Bond	62 163	62 163	69 468	69 468	
Shareholder loan	142 278	142 278	133 689	133 689	
Trade payables	27 794	27 794	28 521	28 521	
Junior term loan	20 539	20 539	20 356	20 356	
Leasing liabilities	5 541	5 541	6 373	6 373	
Total	**258 314**	**258 314**	**258 408**	**258 408**	
Total financial liabilities	**260 661**	**260 661**	**259 184**	**259 184**	
Financial liabilities held for trading	496	496	91	91	
Bond	47 493	47 493	54 833	54 833	
Shareholder loan	142 278	142 278	133 689	133 689	
Junior term loan	20 539	20 539	20 356	20 356	
Leasing liabilities	4 240	4 240	4 801	4 801	
Total non-current	**215 046**	**215 046**	**213 770**	**213 770**	
Financial liabilities held for trading	1 851	1 851	685	685	
Bond	14 669	14 669	14 635	14 635	
Trade payables	27 794	27 794	28 521	28 521	
Leasing liabilities	1 301	1 301	1 572	1 572	
Total current	**45 615**	**45 615**	**45 414**	**45 414**	

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 Q2 / 2018.

Notes to the interim report

5. Commitments and contingencies

	30.06.2018	31.12.2017
	€000	**€000**
Operating lease commitments		
Operating leases, within one year	53	52
Operating leases, more than one year	41	105
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	**1 164 747**	**1 164 810**

Commitments

Litigations and disputes

At the closing date there was not any pending litigations.

Disputes

At the closing date there was not any 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:

	30.06.2018			
	Sales	**Purchases**	**Receivables**	**Liabilities**
	€000	**€000**	**€000**	**€000**
Entities with significant influence over the Group	0	0	0	82 354

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

On July 2nd, 2018 The Company informed that its subsidiaries Kotkamills Oy and Kotkamills Absorbex Oy, have signed a long term service contract with Adven, a supplier of tailored corporate energy and water solutions, concerning improvement of the evaporation process in the Group's Kotka pulp mill.

The service includes adding new evaporators and replacing obsolete parts of the existing evaporation plant of the pulp mill.

The service will improve Kotkamills energy efficiency significantly by reducing the energy consumption in the evaporation of black liquor in the pulp production process, decrease environmental emissions and enable future production capacity increases of the pulp mill.

The service agreement will be implemented in two phases, the first phase is estimated to be operational in September 2019 and the new evaporation plant fully operational in September 2020. The service contract will be valid until 2035.

The service contract is estimated to have a positive impact on the profitability of Kotkamills Group.