

Kotkamills Group Oyj

INTERIM REPORT

01.01. - 30.09.2018

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Interim report 01.01.-30.09.2018

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

1. Events during July - September 2018

Demand continued on good level during the third quarter. In Industrial Products segment, the delivery volumes of both saturating base kraft and wood products were lower than in the previous quarter mainly due to annual maintenance shutdown. The delivery volumes of Kotka saturating base kraft were further offset by one-off effect of prolonged maintenance shutdown due to recovery boiler repair.

The delivery volumes in the Consumer Boards segment were clearly higher than a year ago, but below the previous quarter due to annual maintenance shutdown.

2. Key performance indicators

Q3/2018 (compared with Q3/2017)

The Group's revenue of EUR 82,8 million (EUR 72,5 million) from continuing operations improved by EUR 10,3 million from the same period a year ago mainly due to increased sales in the Consumer Boards segment.

The Group's EBITDA of EUR 3,2 million (EUR 2,7 million) increased slightly from the same period a year ago despite of prolonged maintenance shutdown of Kotka saturating base kraft production due to recovery boiler repair.

Consumer Boards segment EBITDA of EUR 1,5 million (EUR -2,9 million) stayed at the previous quarter level due to maintenance shutdown in August but was clearly better compared to the same period a year ago due to increased sales volumes.

Industrial Products segment EBITDA of EUR 0,5 million (EUR 5,5 million) was clearly offset by one-off effect of prolonged maintenance shutdown of Kotka saturating base kraft production due to recovery boiler repair. The delayed start-up together with the repair itself caused approximately EUR -3,2 million negative EBITDA effect compared to the same period a year ago.

Operating profit from continuing operations was EUR -0,9 million (EUR -5,2).

Cash flow from operating activities EUR 5,0 million (EUR 4,7 million) was on the same level as one year ago.

Cash flow from investing activities of EUR -1,9 million (EUR -2,5 million) was below the previous year level.

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.

Q1-Q3/2018 (compared with Q1-Q3/2017)

The Group's revenue of EUR 268,3 million (EUR 208,4 million) from continuing operations improved by EUR 59,9 million from the same period a year ago mainly due to increased Consumer Boards sales.

The Group EBITDA from continuing operations was EUR 15,5 million (EUR 5,1 million) following the improved impact of Consumer Boards business.

Operating profit from continuing operations was EUR 3,5 million (EUR -11,0 million).

Cash flow from operating activities was EUR 13,4 million (EUR -3,6 million) and increased mainly due to improved profitability and stabilized net working capital.

Cash flow from investing activities of EUR -4,7million (EUR -7,4 million) was improved due to lower capital expenditure.

Cash flow from financing activities was EUR -10,3 million (EUR 4,0 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 -15,0 million.

| | 2018 | 2017 | 2018 | 2017 | 2017 |
|--------------------------------|------------|------------|------------|------------|-------------|
| | 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 | 82,8 | 72,5 | 268,3 | 208,4 | 287,7 |
| EBITDA, EUR million | 3,2 | 2,7 | 15,5 | 5,1 | 28,8 |
| Operating profit, EUR million | -0,9 | -5,2 | 3,5 | -11,0 | 5,7 |
| Operating profit / Revenue (%) | -1,0 | -7,1 | 1,3 | -5,3 | 2,0 |
| Group Total | | | | | |
| Return on equity (%) | -23,9 | -38,1 | -32,7 | -103,4 | 7,0 |
| Equity ratio (%) | 6,7 | 2,3 | 6,7 | 2,3 | 8,8 |
| Equity ratio, adjusted (%)* | 60,1 | 53,0 | 60,1 | 53,0 | 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

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

4. Near-term outlook

Revenue of the fourth quarter in 2018 is estimated to be higher than in the third quarter despite of typically lower seasonal demand. Profit from continuing operations for the fourth quarter of 2018 is estimated to be clearly above the previous quarter's level due to increasing delivery volumes and higher sales prices partly offsetting estimated higher raw material prices.

Demand of all business segments is expected to stay on a 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 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.-30.09.2018

| | 01.07.- 30.09.2018 | 01.07.- 30.09.2017 | 01.01.- 30.9.2018 | 01.01.- 30.09.2017 | 01.01.- 31.12.2017 |
|---|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| | €000 | €000 | €000 | €000 | €000 |
| Continuing operations | | | | | |
| Revenue | 82 772 | 72 500 | 268 304 | 208 374 | 287 699 |
| Other operating income | 437 | 252 | 1 583 | 1 252 | 25 068 |
| Change in inventories of finished goods and work in progress | 703 | 1 304 | 1 285 | 5 323 | 9 408 |
| Production for own use | 10 | 5 | 35 | 23 | 23 |
| Materials and supplies | -58 347 | -50 548 | -182 697 | -146 852 | -206 365 |
| Employee benefit expenses | -9 645 | -9 557 | -30 190 | -30 166 | -39 923 |
| Depreciation and amortisation | -4 050 | -4 010 | -12 010 | -12 234 | -16 199 |
| Impairment | 0 | -3 853 | 0 | -3 853 | -6 830 |
| Other operating expenses | -12 744 | -11 266 | -42 796 | -32 859 | -47 132 |
| Total expenses | -84 072 | -77 924 | -266 374 | -220 617 | -307 018 |
| Operating profit | -863 | -5 173 | 3 514 | -10 991 | 5 749 |
| Financial income | 1 785 | 2 149 | 6 281 | 5 174 | 8 671 |
| Financial expenses | -5 599 | -4 911 | -16 675 | -14 598 | -19 450 |
| | -3 815 | -2 762 | -10 393 | -9 423 | -10 779 |
| Profit before taxes | -4 677 | -7 935 | -6 880 | -20 415 | -5 030 |
| Income taxes | -5 | -7 | -13 | -14 | -24 |
| Deferred taxes | -892 | 999 | -957 | 1 643 | 6 855 |
| Profit (loss) for the period from continuing operatios | -5 574 | -6 943 | -7 849 | -18 786 | 1 800 |
| Profit (loss) for the period | -5 574 | -6 943 | -7 849 | -18 786 | 1 800 |

Consolidated statement of other comprehensive income

For the period 01.01.-30.09.2018

| | 01.07.- 30.09.2018 | 01.07.- 30.09.2017 | 01.01.- 30.09.2018 | 01.01.- 30.09.2017 | 01.01.- 31.12.2017 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | €000 | €000 | €000 | €000 | €000 |
| Profit (loss) for the period | -5 574 | -6 943 | -7 849 | -18 786 | 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 | -5 574 | -6 943 | -7 849 | -18 786 | 1 755 |

Consolidated statement of financial position

30.09.2018

| | 30.09.2018 | 31.12.2017 | 30.09.2017 |
|-------------------------------|-------------------|-------------------|-------------------|
| | €000 | €000 | €000 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 202 557 | 209 091 | 209 924 |
| Other intangible assets | 7 857 | 5 758 | 8 877 |
| Non-current financial assets | 1 828 | 1 513 | 2 408 |
| Deferred tax assets | 5 296 | 6 252 | 1 029 |
| | 217 538 | 222 615 | 222 237 |
| Current assets | | | |
| Inventories | 38 668 | 36 401 | 36 346 |
| Trade and other receivables | 37 686 | 34 558 | 28 448 |
| Other financial assets | 1 937 | 4 181 | 3 570 |
| Cash | 12 487 | 14 047 | 9 769 |
| | 90 778 | 89 187 | 78 133 |
| Total assets | 308 316 | 311 801 | 300 370 |

Consolidated statement of financial position

30.09.2018

| | <u>30.09.2018</u> | <u>31.12.2017</u> | <u>30.09.2017</u> |
|---|-------------------|-------------------|-------------------|
| | €000 | €000 | €000 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 80 | 80 | 80 |
| Reserve for invested non-restricted equity | 14 559 | 13 523 | 13 523 |
| Retained earnings | 5 928 | 13 867 | -6 673 |
| Total equity | 20 567 | 27 470 | 6 930 |
| Non-current liabilities | | | |
| Interest bearing loans and borrowings | 204 917 | 208 881 | 219 319 |
| Other non-current financial liabilities | 4 480 | 4 892 | 5 448 |
| Provisions | 0 | 0 | 377 |
| Pension obligations | 850 | 875 | 787 |
| | 210 247 | 214 648 | 225 932 |
| Current liabilities | | | |
| Trade and other payables | 59 058 | 52 468 | 49 308 |
| Contract liabilities | 1 450 | | |
| Interest bearing liabilities | 14 687 | 14 635 | 14 623 |
| Other current financial liabilities | 2 306 | 2 579 | 3 579 |
| | 77 501 | 69 683 | 67 509 |
| Total liabilities | 287 748 | 284 331 | 293 441 |
| Total shareholders' equity and liabilities | 308 316 | 311 801 | 300 370 |

Consolidated statement of changes in equity

30.09.2018

| €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 | -18 786 | -18 786 |
| 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 |
| Equity as at 01.10.2017 | 80 | 13 523 | -6 673 | 6 929 |
| Other comprehensive income | | | | |
| Profit (loss) for the period | 0 | 0 | 20 586 | 20 586 |
| 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 | -7 849 | -7 849 |
| Total comprehensive income | 80 | 13 523 | 6 018 | 19 621 |
| Transactions with shareholders | | | | |
| Share issue | 0 | 1 037 | 0 | 1 037 |
| Dividends, paid | 0 | 0 | -90 | -90 |
| Total transactions with shareholders | 0 | 1 037 | -90 | 947 |
| Equity as at 30.09.2018 | 80 | 14 559 | 5 928 | 20 567 |

Consolidated statement of cash flows

For the period 01.01.-30.09.2018

| | 01.07.- 30.09.2018 | 01.07.- 30.09.2017 | 01.01.- 30.09.2018 | 01.01.- 30.09.2017 | 01.01.- 31.12.2017 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | €000 | €000 | €000 | €000 | €000 |
| Cash flow from operating activities | | | | | |
| Profit (loss) for the period before taxes | -4 677 | -7 935 | -6 880 | -20 415 | -5 030 |
| Adjustments: | | | | | |
| Transactions without payments | 35 | 119 | 97 | 351 | -246 |
| Depreciation and impairment | 4 050 | 7 863 | 12 010 | 16 087 | 23 029 |
| Interest expenses and other financial expenses | 5 599 | 4 911 | 16 675 | 14 598 | 19 450 |
| Interest income | -1 785 | -2 149 | -6 281 | -5 174 | -8 671 |
| Defined benefit plans, net | 0 | 0 | 0 | 0 | 57 |
| Other | 0 | 0 | -5 | 0 | -26 012 |
| | 7 899 | 10 744 | 22 495 | 25 861 | 7 608 |
| Change in working capital: | | | | | |
| Change in trade and other receivables | 2 412 | 3 546 | -3 096 | -6 228 | -11 741 |
| Change in inventories | -1 073 | 42 | -2 267 | -4 295 | -4 350 |
| Change in trade and other payables | 1 921 | 1 097 | 4 855 | 7 537 | 8 599 |
| Interests and other financial expenses, paid | -3 513 | -4 280 | -7 936 | -9 486 | -10 311 |
| Interests and other financial income, received | 2 004 | 1 485 | 6 232 | 3 433 | 5 230 |
| Taxes, paid | -5 | -7 | -13 | -14 | -24 |
| | 1 746 | 1 883 | -2 226 | -9 053 | -12 597 |
| Net cash flow from operating activities (A) | 4 968 | 4 693 | 13 389 | -3 607 | -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 | -1 870 | -2 467 | -4 672 | -7 273 | -10 406 |
| Purchase of own shares | 0 | 2 | 0 | 1 | 1 |
| Change in non-current financial assets | 0 | -20 | -4 | -135 | 390 |
| Net cash flow from investing activities (B) | -1 870 | -2 485 | -4 657 | -7 407 | 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 | 13 | 0 | 5 046 | 17 921 | 17 921 |
| Repayment of loans and borrowings | -7 499 | -7 499 | -14 998 | -14 998 | -27 317 |
| Sale of own shares | 0 | 0 | 0 | 63 | 63 |
| Repayment of financial leases | -421 | -443 | -1 287 | -988 | -1 383 |
| Dividends, paid | 0 | 0 | -90 | -69 | -69 |
| Net cash flow from financing activities (C) | -7 908 | -7 942 | -10 292 | 3 994 | -8 719 |
| Change in cash (A+B+C) | -4 810 | -5 734 | -1 560 | -7 020 | -2 742 |
| Cash and short term deposits at beginning of period | 17 297 | 15 504 | 14 047 | 16 789 | 16 789 |
| Cash and short term deposits at the end of period | 12 487 | 9 769 | 12 487 | 9 769 | 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 Consumer 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

| | Continuing operations | | | Total continuing operations |
|---------------------------------|-----------------------|---------------------|---------------|-----------------------------|
| | Consumer Boards | Industrial Products | Adjustments | |
| | €000 | €000 | €000 | €000 |
| 01.07.-30.09.2018 | | | | |
| Revenue | | | | |
| External customers | 46 905 | 34 157 | 0 | 81 062 |
| Inter-segment | 0 | 1 277 | -1 277 | 0 |
| Total revenue | 46 905 | 35 434 | -1 277 | 81 062 |
| Depreciation and amortisation | -2 322 | -447 | 0 | -2 769 |
| Segment operating profit | -817 | 88 | 0 | -728 |
| 01.07.-30.09.2017 | | | | |
| Revenue | | | | |
| External customers | 28 884 | 41 934 | 0 | 70 818 |
| Inter-segment | 21 | 1 084 | -1 105 | 0 |
| Total revenue | 28 904 | 43 018 | -1 105 | 70 818 |
| Depreciation and amortisation | -2 275 | -685 | 0 | -2 960 |
| Segment operating profit | -5 202 | 4 605 | 0 | -597 |
| 01.01-31.12.2017 | | | | |
| 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 | -9 080 | -2 373 | 0 | -11 454 |
| Segment operating profit | -29 518 | 23 706 | 0 | -5 812 |

Reconciliation of revenue

| | 01.07.- 30.09.2018 | 01.07.- 30.09.2017 | 01.01.- 31.12.2017 |
|--|-----------------------|-----------------------|-----------------------|
| Revenue | €000 | €000 | €000 |
| Total segment revenue | 81 062 | 70 818 | 282 375 |
| Items not allocated to segments | | | |
| Sales of energy | 1 710 | 998 | 6 258 |
| Revenue recognition and other | 0 | 683 | -934 |
| Total unallocated items | 1 710 | 1 682 | 5 324 |
| Group's total revenue from contracts with customers | 82 772 | 72 500 | 287 699 |

Reconciliation of profit

| | 01.07.- 30.09.2018 | 01.07.- 30.09.2017 | 01.01.- 31.12.2017 |
|--|-----------------------|-----------------------|-----------------------|
| Operating profit | €000 | €000 | €000 |
| Segment operating profit | -728 | -597 | -5 812 |
| Items not allocated to segments | | | |
| Unallocated administrative income/expenses | -35 | 3 | -1 542 |
| Total unallocated items | -35 | 3 | -1542 |
| Sales of assets | 0 | 0 | 23 679 |
| Asset impairment | 0 | -3 853 | -6 830 |
| Other IFRS adjustments | -99 | -726 | -3 745 |
| Group's total operating profit | -863 | -5 173 | 5 749 |

At the closing date the Group has recognised impairment losses on receivables and contract assets arising from contracts with customers total EUR 197 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 | 27 | 5 235 | 4 785 | 61 | 10 108 |
| Transfers | 0 | 0 | 0 | -5 354 | 0 | -5 354 |
| Disposals | 0 | 0 | -31 | 0 | 0 | -31 |
| 30.09.2018 | 755 | 11 509 | 224 026 | 34 | 3 662 | 239 986 |
| Depreciation and impairment | | | | | | |
| 31.12.2017 | 0 | 976 | 24 734 | 0 | 462 | 26 172 |
| Depreciation charge for the year | 0 | 317 | 10 763 | 0 | 194 | 11 275 |
| Disposals | 0 | 0 | -18 | 0 | 0 | -18 |
| 30.09.2018 | 0 | 1 293 | 35 479 | 0 | 656 | 37 428 |
| Carrying amount | | | | | | |
| 31.12.2017 | 755 | 10 506 | 194 087 | 603 | 3 139 | 209 091 |
| 30.09.2018 | 755 | 10 216 | 188 546 | 34 | 3 006 | 202 557 |

Notes to the interim report

4. Financial assets and liabilities

| Financial assets | 30.09.2018 | 30.09.2018 | 31.12.2017 | 31.12.2017 | 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 | 4 | 4 | 809 | 809 | 2 |
| Commodity derivatives | 2 333 | 2 333 | 3 460 | 3 460 | 2 |
| Total | 2 337 | 2 337 | 4 269 | 4 269 | |
| Total financial assets at fair value through profit or loss | 2 337 | 2 337 | 4 269 | 4 269 | |
| Loans and other receivables | | | | | |
| Trade receivables | 10 956 | 10 956 | 15 194 | 15 194 | |
| Cash | 12 487 | 12 487 | 14 047 | 14 047 | |
| Total | 23 443 | 23 443 | 29 241 | 29 241 | |
| Total financial assets | 25 780 | 25 780 | 33 510 | 33 510 | |
| Total non-current | | | | | |
| Non-current financial assets | 1 459 | 1 459 | 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 | 30.09.2018 | 30.09.2018 | 31.12.2017 | 31.12.2017 | 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 | 15 | 15 | 374 | 374 | 2 |
| Commodity derivatives | 1 312 | 1 312 | 402 | 402 | 2 |
| Total | 1 326 | 1 326 | 776 | 776 | |
| Financial liabilities measured at amortised cost | | | | | |
| Bond | 54 754 | 54 754 | 69 468 | 69 468 | |
| Shareholder loan | 144 129 | 144 129 | 133 689 | 133 689 | |
| Trade payables | 30 782 | 30 782 | 28 521 | 28 521 | |
| Junior term loan | 20 719 | 20 719 | 20 356 | 20 356 | |
| Leasing liabilities | 5 132 | 5 132 | 6 373 | 6 373 | |
| Total | 255 516 | 255 516 | 258 408 | 258 408 | |
| Total financial liabilities | 256 842 | 256 842 | 259 184 | 259 184 | |
| Financial liabilities held for trading | 487 | 487 | 91 | 91 | |
| Bond | 40 069 | 40 069 | 54 833 | 54 833 | |
| Shareholder loan | 144 129 | 144 129 | 133 689 | 133 689 | |
| Junior term loan | 20 719 | 20 719 | 20 356 | 20 356 | |
| Leasing liabilities | 3 992 | 3 992 | 4 801 | 4 801 | |
| Total non-current | 209 397 | 209 397 | 213 770 | 213 770 | |
| Financial liabilities held for trading | 839 | 839 | 685 | 685 | |
| Bond | 14 687 | 14 687 | 14 635 | 14 635 | |
| Trade payables | 30 782 | 30 782 | 28 521 | 28 521 | |
| Leasing liabilities | 1 140 | 1 140 | 1 572 | 1 572 | |
| Total current | 47 447 | 47 447 | 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 Q3 / 2018.

Notes to the interim report

5. Commitments and contingencies

| | 30.09.2018 | 31.12.2017 |
|--------------------------------------|-------------------|-------------------|
| | €000 | €000 |
| Operating lease commitments | | |
| Operating leases, within one year | 204 | 52 |
| Operating leases, more than one year | 175 | 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 | 1 165 031 | 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 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:

| | 30.09.2018 | | | |
|--|-------------------|------------------|--------------------|--------------------|
| | Sales | Purchases | Receivables | Liabilities |
| | €000 | €000 | €000 | €000 |
| Entities with significant influence over the Group | 0 | 0 | 0 | 83 425 |

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.