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AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Kotkamills Group Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Kotkamills Group Oyj (business identity code 2673676-1) for the year ended 31 December, 2018. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue Recognition *We refer to the Group's accounting policies and the note 3* Revenue is recognised at the point in time, when products are transferred to the customer, customer acceptance for the delivery has been received and the control of the products has been transferred to the customer. The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the risks and rewards have been transferred. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) due to the identified risk of material misstatement in timely revenue recognition.	Our audit procedures to address the risk of material misstatement relating to revenue recognition, included, among others: • assessing the Group's accounting policies over revenue recognition and comparing them with applicable accounting standards; • understanding the nature of revenues and unusual contractual terms; • testing revenue recognition including testing the associated internal controls where applicable. Our testing included obtaining third party confirmations, agreeing recognized amounts to customer contracts and, verifying the customer acceptance of delivery, where relevant. • performing substantive analytical review procedures on revenues; and • assessing the Group's disclosures in respect of revenues

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 19.3.2015, and our appointment represents a total period of uninterrupted engagement of 4 years.

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Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 21.3.2019

Ernst & Young Oy
Authorized Public Accountant Firm

Kristina Sandin
Authorized Public Accountant

Unofficial translation from Finnish

Kotkamills Group Oyj

ANNUAL REPORT

1.1. - 31.12.2018

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BOARD OF DIRECTORS' REPORT

1. Company

Kotkamills Group Oyj (former Eagle Industries Oy, hereinafter "the Company") is a Finnish public limited company founded on 5 February 2015 (registered on February 13, 2015). Kotkamills Group Oyj and its subsidiaries form Kotkamills Group ("Kotkamills" or "the Group").

The Company is owned by its majority shareholder MB Equity Fund IV Ky funded by MB Funds and Nordic Mezzanine Fund III L.P.:n funded by Nordic Mezzanine, Elo Mutual Pension Insurance Company, Finnish Industry Investment Ltd and the management of the Company. MB Funds is an independent Finnish private equity firm, which invests in mature companies in different industries in the Nordic market. The largest Finnish institutional investors are involved in MB Equity Fund IV Ky.

Kotkamills is a Finnish forest industry group which in 2018 had production in Finland. Further, Kotkamills Oy has a branch in Germany (Kotkamills Oy Filiale in Deutschland) and Kotkamills Absorbex Oy has branches in Germany (Kotkamills Absorbex Oy Filiale in Deutschland) and Spain (Kotkamills Absorbex Oy - Branch Office in Spain). The Group is specialised in consumer boards, saturating base kraft (laminating papers) and wood products. The Group is organised into two operating segments, which are Consumer Boards and Industrial Products.

2. Events during the financial year

In July 2018 the company announced that Kotkamills Oy and Kotkamills Absorbex Oy, subsidiaries of Kotkamills Group Oyj, 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 Group's revenue totaled EUR 353,3 million (EUR 287,7 million in 2017) in the reporting period 1.1.-31.12.2.2018.

The Group's comparable EBITDA of EUR 23,2 million (EUR 6,2 million) improved clearly from the same period a year ago.

The Group's operating profit was EUR 7,1 million (EUR 5,7 million).

Higher delivery volumes of Consumer Boards together with the continuing good financial performance of Industrial Products improved operating profit. Foreign exchange rate movements and higher variable costs mainly in energy and wood based raw materials had a negative effect on the operating profit.

The cash flows from operating activities of EUR 21,3 million (EUR -10,0 million) were improved by the good performance of Consumer Boards and declined increase of net working capital.

The cash flows from investing activities of EUR -8,7 million (EUR 16,0 million including EUR 26,0 million gain relating to the disposal of Kotkamills Imprex Oy shares). Capital expenditure of EUR 8,7 million was lower than previous year (EUR 10,4 million).

Cash flows from financing activities were EUR -10,7 million (EUR -8,7 million) including shareholder loans of EUR 5,0 million, direct share issue EUR 1,0 million and repayment of bond loan EUR -15,0 million.

3. Structural and financial arrangements

The shareholders of Kotkamills Group Oyj have on 20 February 2018 unanimously resolved to offer by a directed issue a maximum of 450,770 new series A shares of the company for subscription to the holders of series A shares pro rata to their holding of series A shares, a maximum of 20,000 new series B shares for subscription to certain key employees of the Kotkamills group and a maximum of 49,230 new series B shares of the company for subscription to the holders of series B shares pro rata to their holding of series B shares, taking into account the shares offered for subscription to the key employees. In addition, the board of directors was authorised to issue a maximum of 24,376 new series B shares to key employees of the company or its subsidiaries as part of the company's management incentive system in deviation from the shareholders' pre-emptive subscription rights.

Based on the pre-emptive subscription right and the secondary subscription right issued by the Board of Directors, the holders of series A shares subscribed the maximum amount of 450.770 new A shares offered for subscription in the directed share issue, certain key employees subscribed the maximum amount of 20.000 shares offered for subscription and the holders of series B shares subscribed 47.493 new B shares of the 49.230 shares offered for subscription.

The subscription price for each new share was EUR 2.00 and the aggregate subscription price for the new shares was EUR 1,036,526. Pursuant to the terms of the share issue of the new A shares, the holders of series A shares were in connection with their participation in the share issue required to grant shareholder loans to the company up to the aggregate amount of EUR 5 million. The terms of the shareholder loans were in material respects equivalent to the terms of the existing shareholder loans.

The purpose of the share issue and the utilisation of the shareholder loans was to ensure full utilization of the commercial ramp-up of the food service boards and the efficient working capital management in connection to the increasing delivery volume of Consumer Boards.

As a result of the share issue and the utilisation of the new shareholder loans, Kotkamills Group Oyj obtained financing in the aggregate amount of EUR 6 million.

The company shareholders have on 17 December 2018 unanimously resolved to to authorize the board of directors to issue a maximum of 28.295 series B shares held by the company to key employees of the company or its subsidiaries as part of the company's management incentive system in deviation from the shareholders' pre-emptive subscription rights.

During 2018 the Company distributed dividend of aggregate amount of EUR 89,927 for class B preference shares, which equals 7% annual profit for subscription price calculated since the date the subscription price was paid.

4. Events after reporting date

Kotkamills Absorbex Oy, the subsidiary of the Company, has produced Saturating Base Kraft ("SBK") in Tainionkoski Paper Machine 7 ("PM7") in Imatra leased from Stora Enso Oyj since the separation of Kotkamills from Stora Enso in 2010. The operations have been part of the Group's Industrial Products segment.

As earlier informed ((Stock Exchange release on the 3rd of July 2017) the leasing agreement concerning Tainionkoski PM7 was terminated in accordance with its terms in January 2019.

To serve its existing customers and to fulfill the needs arising from the increasing demand for SBK, Kotkamils is increasing the production capacity and product portfolio of Paper Machine 1 on Kotkamills' site in Kotka. In addition, Kotkamills has subcontracted production capacity for SBK.

Furthermore, the company will continue the earlier informed feasibility study for a possible investment to increase the production capacity of SBK with a new paper machine 3 (a "New PM3") in Kotka. The capacity, cost estimation and project schedule of the New PM3 will be published later on subject to the positive investment decision.

February 27th, 2019, Kotkamills has been announced as one of the winners in the global innovation initiative NextGen Cup Challenge, launched by the NextGen Consortium, aiming to develop the next generation of recyclable, compostable, hot and cold to-go, fiber cups. Fully recyclable, plastic-free and biodegradable The Game Changer cup – made of Kotkamills' ISLA® board – is one of the 12 awarded solutions that push the boundaries of sustainable design and material innovation. Company sees this recognition as a confirmation for its commitment to revolutionize paper cup production and recycling with its plastic-free next-generation barrier board solutions.

5. Outlook for 2019

The commercial launch of new food service board products and increasing delivery volumes of folding box board will increase Consumer Boards' year 2019 revenues and improve profitability.

The demand of Industrial Products is expected to stay at present healthy level, but changes in global economic situation and geopolitical risks may have weakening impact on the demand.

Sales price increases will improve the Group's profit but unfavorable currency exchange rate development and possible increases in energy and wood based raw material prices may adversely impact the Group's profit development.

6. Research and development

In 2018 the Group's research and development activities focused especially on folding boxboards and barrier boards as well as laminating paper products. Expenditure on research and development (R&D) in 2018 was EUR 1.046 thousand (EUR 878 thousand in 2017 and EUR 944 thousand in 2016), equivalent to 0,3% (0,3% in 2017 and 0,4% in 2016) of sales.

7. Risk review

General competition and changes in demand and supply of paper, board and wood products can impact the Group's profitability. Commercial ramp-up of Consumer Boards' food service board business includes risk of delivery volumes. Also the economic cycles and changes in consumer behavior can impact negatively on the profitability. These risks are monitored and assessed regularly in operating units as part of the ordinary business.

The Group's global operating activities expose the Group to risk due to fluctuations in the foreign exchange rates. The risks result from the Group's cash flows from foreign currency sales and purchases.

The objective of the Group's risk management is to minimise the adverse impacts on the Group's profit due to changes in the financial markets. The main financial risks are market, credit and liquidity risks. The general principles of the Group's risk management are approved by the board and the centralised treasury department is responsible for the practical implementation. The Group's treasury department identifies and assesses the risks and acquires required instruments to hedge the risks in co-operation with operative units. The hedging transactions are carried out in accordance with the written risk management principles approved by the Group's management. The Group uses the following financial instruments in its risk management: foreign currency derivatives (options and forward contacts) and commodity derivatives (commodity swaps). Based on the Group's risk management principles, derivatives are not used in speculative trading.

The majority of the Group's financial liabilities, excluding derivative instruments, consist of interest bearing liabilities and trade and other payables. The main purpose of the financial liabilities is to finance and support Group's operational activities. The majority of the Group's financial assets consist of trade receivables, trade and other receivables, cash and short-term deposits which have arisen directly from the Group's operational activities. The Group also has investments classified as available-for-sale and enters into derivative contacts. The Group does not apply hedge accounting.

The credit risk of trade receivables is managed according to the Group's credit policy. The Group aims to identify all risks related to trade receivables. A part of the Group's receivable position is hedged with credit insurance. The risk of unsecured receivables is limited with prepayments or document payments and assessed and accepted internal risk.

The Group does not have significant concentrations of credit risk since it has a broadly segmented customer base. The accounts receivables do not include any significant concentrations of credit risk by customer. The customers operate mainly in the independent markets. Group companies hold contracts of approximately EUR 40 million with a Nordic financial institution concerning sale of trade receivables of the Group companies to the financial institution.

The Group's business units are dependent on operational reliability of materials management, production, logistics and IT systems. These risks are prevented by well-planned maintenance and continuous development of processes. The Group companies are insured against property damage and business interruption.

The increase in prices related to energy, fiber and other raw materials as well as transportation and personnel costs can weaken profitability. This risk is reduced by broaden raw material base and number of suppliers as well as by energy hedges, which are carried out in accordance with the Company's hedging policy.

Changes in legislation and especially in environmental regulation could affect the Group's business. Possible tightening of environment laws may impact production and delivery costs. The profitability can be impacted by expenses related to environmental permits from environmental laws and regulations.

Developing and maintaining competent personnel are important success factors for the Company. The Company strives to actively follow and improve employee satisfaction. The objective is also to reduce accidents and work-related sickness absences.

The Group may also be involved in labor disputes, which could have adverse impact on the Group's business.

8. Key performance indicators

Due to entering into Consumer Boards business in year 2016 and the disposal of Imprex business in years 2017 and 2016, the comparison years 2017 and 2016 are not fully comparable with year 2018.

Year 2017 operating profit of EUR 5,7 million includes EUR 19,6 million profit of the disposal of Kotkamills Imprex Oy shares and year 2016 operating profit of EUR -0,4 million includes EUR 18,9 million profit of the disposal of LPPF shares.

	2018	2017	2016
	1.1.-31.12.	1.1.-31.12.	1.1.-31.12.
Group Total			
Revenue, EUR million	353,3	287,7	219,1
EBITDA, EUR million	23,2	28,8	9,5
Operating profit, EUR million	7,1	5,7	-0,4
Operating profit / Revenue (%)	2,0	2,0	-0,2
Return on equity (%)	-47,4	7,0	-53,2
Equity ratio (%)	5,9	8,8	7,8
Equity ratio, adjusted (%)*	60,4	58,2	50,1

*Equity including shareholder loans and the junior term loan

9. Personnel

Figures related to personnel are:

	Group		
	2018	2017	2016
Average personnel	547	562	602
Wages and Salaries (EUR million)	33,0	32,7	32,6

The Company will publish a report on its non-financial key figures by the end of June 2019, which will be available on the Company’s Internet site.

10. Environment

The Company will publish a separate environmental report as a part of its report on non-financial key figures, which will be available on the Company’s Internet site.

Kotkamills Oy invested in a new waste water treatment plant in 2016.

	Group 2018	2017	2016
Expenditure, EUR million	3,5	3,0	2,9
Depreciation and amortisation, EUR million	0,4	0,6	0,2
Total environmental costs, EUR million	3,9	3,6	3,1
Environmental investments, EUR million	1,6	0,4	6,3

11. Proposal of the Board of Directors to Distribute Retained Earnings

The Board of Directors has proposed dividend for class B preference shares which amounts to 7% annual profit for subscription price calculated since the date the subscription price was paid, resulting in a total dividend amount of EUR 98 452,27.

12. Share capital and shareholders

Kotkamills Group Oyj has two classes of shares, class A and class B. On 11 February 2019 the company has 12.732.464 A shares and 1.414.718 B shares, in total 14.147.182 shares.

Each class A and class B share is assigned with one vote in the Annual General Meeting. The shares do not have a nominal value. The shares have a redemption clause.

Class B shares have a preference for annual dividend distribution from the Company's non-restricted equity, which equals to 7% annual profit of the subscription price. If the preferred dividend is not distributed fully, class B shares have right to unpaid preferred dividend added with 7% interest for the unpaid dividend amount from future non-restricted equity prior to the dividend distribution for class A shares.

Class A shares have preference for dividend after class B preference shares which equals to 7% annual profit for subscription price. If the preferred dividend for class A shares is not distributed fully, class A shares have right to unpaid preferred dividend added with 7% interest for the unpaid dividend amount from future non-restricted equity after the dividend distribution for class B shares.

If dividend distribution exceeds preferred dividends, the amount exceeded is distributed between all shareholders in proportion to their shareholdings.

Otherwise, class B and class A shares carry equal rights in the company

Kotkamills Group Oyj's fully paid and registered share capital is 80.000 euro.

13. Own shares

The company did not have own shares on 31.12.2018.

The company has issued own series B shares to certain key employees during 2018 as follows:

Date	Number	Value, EUR
28.12.2018	28 295	56 590
Total	**28 295**	**56 590**

14. Foreign branches

Kotkamills Group Oyj has a fully owned subsidiary Kotkamills Oy, which is located in Finland.

In addition, Kotkamills Oy has branch in Germany; Kotkamills Oy Filiale in Deutschland, Spaldingstraße 218, 20097 Hamburg, registration number 115516. Kotkamills Absorbex Oy, subsidiary of Kotkamills Oy, has branches in Germany; Kotkamills Absorbex Oy Filiale in Deutschland, Spaldingstraße 218, 20097 Hamburg, tax number 17/079/07157 and in Spain; Kotkamills Absorbex Oy - Branch Office in Spain, registration number W0322164E, Cr.Pau Claris, 172 5º 2 A, 08037 Barcelona.

15. The Company’s organisation, management and audit

The annual general meeting of Kotkamills Group Oyj on 16 April 2018 appointed Hannu Puhakka, Eero Niiva and Kari Rytkönen as members of the board. Hannu Puhakka has acted as the Chairman of the Board.

Authorized Public Accountant Firm Ernst & Young Oy has been appointed as auditors with APA Kristina Sandin as the responsible auditor.

Markku Hämäläinen has acted as the Company's CEO since February 18, 2015.

Consolidated statement of profit or loss

For the period 1.1.-31.12.2018

	Note	2018 €000	2017 €000
Revenue	3	**353 317**	**287 699**
Other operating income	6	**2 956**	**25 068**
Change in inventories of finished goods and work in progress		1 689	9 408
Production for own use		36	23
Materials and services		-239 924	-206 365
Employee benefit expenses	8	-40 048	-39 923
Depreciation and amortisation	12,13	-16 114	-16 199
Impairment		0	-6 830
Other operating expenses	7	-54 823	-47 132
Total expenses		**-349 186**	**-307 018**
Operating profit		**7 088**	**5 749**
Financial income	9	7 501	8 671
Financiel expenses	9	-22 967	-19 450
		-15 466	-10 779
Profit before taxes		**-8 379**	**-5 030**
Income taxes	11	-48	-24
Deferred taxes	11	-2 330	6 855
		-2 378	6 830
Profit (loss) for the period		**-10 757**	**1 800**

Consolidated statement of other comprehensive income

For the period 1.1.-31.12.2018

	Note	2018 €000	2017 €000
Profit (loss) for the period		**-10 757**	**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		239	-57
Income taxes		-59	11
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods after taxes	10	**180**	**-46**
Other comprehensive income for the period, net of tax		180	-46
Total comprehensive income for the period		**-10 577**	**1 755**

Consolidated statement of financial position

31.12.2018

		2018	2017
Assets	**Note**	**€000**	**€000**
Non-current assets			
Property, plant and equipment	12	201 407	209 091
Other intangible assets	13	7 586	5 758
Non-current financial assets	14	1 429	1 513
Deferred tax assets	11	3 863	6 252
		214 285	**222 615**
Current assets			
Inventories	16	41 437	36 401
Trade and other receivables	17	33 053	34 558
Other financial assets	14	1 040	4 181
Cash	18	15 936	14 047
		91 466	**89 187**
Total assets		**305 751**	**311 801**

Consolidated statement of financial position

31.12.2018

Equity and liabilities	**Note**	**2018** **€000**	**2017** **€000**
Equity			
Share capital		80	80
Reserve for invested non-restricted equity		14 668	13 523
Retained earnings		3 200	13 867
Total equity		**17 948**	**27 470**
Non-current liabilities			
Interest bearing loans and borrowings	14	206 831	208 881
Other non-current financial liabilities	14	4 633	4 892
Pension obligations	21	680	875
		212 145	**214 648**
Current liabilities			
Trade and other payables	22	56 087	52 468
Refund liabilities	23	1 948	
Interest bearing liabilities	14	14 705	14 635
Other current financial liabilities	14	2 917	2 579
		75 658	**69 683**
Total liabilities		**287 802**	**284 331**
Total shareholders' equity and liabilities		**305 751**	**311 801**

Consolidated statement of changes in equity

31.12.2018

€000	Share capital	Reserve for invested non-restricted equity	Retained earnings	Total equity
Equity as at 1.1.2017	**80**	**11 458**	**12 119**	**23 657**
Other compehensive income				
Profit (loss) for the period	0	0	1 800	1 800
Other compehensive income items (net of tax)				
Actuarial gains (+) / losses (-) on defined benefit plans	0	0	-46	-46
Total comprehensive income	**80**	**11 458**	**13 874**	**25 411**
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 31.12.2017	**80**	**13 523**	**13 867**	**27 470**
Equity as at 1.1.2018	**80**	**13 523**	**13 867**	**27 470**
Other comprehensive income				
Profit (loss) for the period	0	0	-10 757	-10 757
Other comprehensive income items (net of tax)				
Actuarial gains (+) / losses (-) on defined benefit plans	0	0	180	180
Total comprehensive income	**80**	**13 523**	**3 290**	**16 893**
Transactions with shareholders				
Share issue	0	1 093	0	1 093
Share issue, unregistered	0	52	0	52
Dividends, paid	0	0	-90	-90
Total transactions with shareholders	**0**	**1 145**	**-90**	**1 055**
Equity as at 31.12.2018	**80**	**14 668**	**3 200**	**17 948**

Consolidated statement of cash flows

For the period 1.1.-31.12.2018

	2018	2017
	€000	**€000**
Cash flows from operating activities		
Profit (loss) for the period	-8 379	-5 030
Adjustments:		
Transactions without payments	173	-246
Depreciation and impairments	16 114	23 029
Interest expenses and other financial expenses	22 967	19 450
Interest income and other financial incomes	-7 501	-8 671
Defined benefit plans, net	-180	57
Proceeds from disposal of subsidiary shares and business operations	0	-26 012
	31 574	7 608
Change in working capital:		
Change in trade and other receivables	1 477	-11 741
Change in inventories	-5 036	-4 350
Change in trade and other payables	2 666	8 599
Interests and other financial expenses, paid	-8 615	-10 311
Interests and other financial income, received	7 620	5 230
Taxes, paid	-48	-24
	-1 937	-12 597
Net cash flows from operating activities (A)	**21 258**	**-10 020**
Cash flows from investing activities		
Tangible and intangible assets sales profit	18	0
Proceeds from disposal of subsidiary shares and business operations	0	26 012
Investments in property, plant and equipment	-8 729	-10 406
Purchase of own shares	0	1
Change in non-current financial assets	-4	390
Net cash flows from investing activities (B)	**-8 715**	**15 997**
Cash flows from financing activities		
Proceeds received related to share issue	1 145	2 065
Proceeds from loans and borrowings	5 000	17 921
Repayment of loans and borrowings	-14 998	-27 317
Sale of own shares	0	63
Repayment of financial leases	-1 712	-1 383
Dividends, paid	-90	-69
Net cash flows from financing activities (C)	**-10 654**	**-8 719**
Change in cash (A+B+C)	1 889	-2 742
Cash and short term deposits at beginning of period	14 047	16 789
Cash and short term deposits at the end of period	**15 936**	**14 047**

Notes to the consolidated financial statements

1. Accounting policies for the consolidated financial statements

GENERAL INFORMATION

Kotkamills Group Oyj is a public limited company founded under Finnish legislation which domicile is Helsinki, registered address Norskankatu 6 48100 Kotka and business-ID 2673676-1. Kotkamills Group Oyj and its subsidiaries form Kotkamills Group (hereinafter “Kotkamills” or “the Group”).

Kotkamills is a Finnish forest industry group which in 2018 had production in Finland. In addition, Kotkamills Oy has a branch office in Germany (Kotkamills Oy Filiale in Deutschland) and Kotkamills Absorbex Oy has branch offices in Germany (Kotkamills Absorbex Oy Filiale in Deutschland) and in Spain (Kotkamills Absorbex Oy - Branch Office in Spain). The Group is specialised in consumer boards, saturating base kraft (laminating papers) and wood products.

The consolidated financial statements of Kotkamills Group Oyj for the period ended December 31, 2018 were authorised for issue by the Board of Directors at its meeting held on March 21, 2019. According to the Finnish Companies Act, shareholders have the right to approve or reject the financial statements at the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting has also the right to decide whether the financial statements are to be revised. A copy of the consolidated financial statements is available on the Internet at www.kotkamills.com/fi/kotkamillsgroup/keyfinancials or at the Company's head office at Kotkamills Oy, Yläkonttori, Gutzeitintie 1, 48100 Kotka.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in compliance with IAS and IFRS standards and SIC and IFRIC Interpretations effective on December 31, 2018. In accordance with the Finnish Accounting Act and regulations based on the Finnish Accounting Act, the International Financial Reporting Standards refer to the standards and related issued interpretations as adopted within the EU in accordance with regulation (EC) 1606/2002. Notes to the consolidated financial statements are also in accordance with Finnish accounting and company legislation conforming IFRS requirements.

All amounts in the consolidated financial statements are presented in thousands of euros and are based on historical cost, except below specified items measured at fair value in accordance with the standards. The financial statements are presented by applying nature of expense income statement and balance sheet form.

Kotkamills Group Oyj (former Eagle Industries Oy) was established on February 5, 2015 and registered on February 13, 2015. On March 24, 2015 the Company acquired the entire share capital of Kotkamills Oy from the majority shareholder OpenGate Capital and the minority shareholders. The reporting period of Kotkamills Group is a calendar year.

SUBSIDIARIES

The consolidated financial statements include the financial statements of the parent company Kotkamills Group Oyj and its subsidiaries. Subsidiaries are entities which the parent company controls. Control is established when the Company is exposed or has rights to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. The subsidiaries are listed in Note 5 Group information.

Subsidiaries are consolidated to the consolidated financial statements and intragroup share ownership is eliminated using the acquisition method. Consideration transferred and identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date. Acquisition related costs, except the costs to issue debt or equity securities, are recognised as expenses. Any possible contingent consideration is measured at fair value and classified as liability or equity at the acquisition date. The contingent consideration classified as liability is measured at fair value at the end of each reporting period and changes in the fair value are recognised through profit or loss. The contingent consideration classified as equity is not revalued.

Acquired subsidiaries are consolidated from the date on which the Group obtains control over the subsidiary and divested subsidiaries until the date, on which the Group ceases control. All intragroup transactions, receivables, liabilities, and unrealised profit and internal profit distribution are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated when the loss is due to impairment. If necessary, accounting policies of subsidiaries are unified to correspond to the Group's accounting policies.

FOREIGN CURRENCY TRANSLATION

The Group's performance and financial position are measured in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in euros, which is the functional and presentation currency for the parent company of the Group.

Transactions in foreign currencies are recorded in the functional currency by applying the exchange rates at the dates of the individual transactions. At the end of the accounting period, the unsettled balances of foreign currency monetary items are translated using the exchange rates at the end of the accounting period. Foreign currency non-monetary items are measured using the exchange rates at the dates of the individual transactions. Foreign exchange gains and losses resulting from translation of foreign currency transactions and monetary items are recognised through profit and loss. Foreign exchange gains and losses arising from operating activities are recognised in the respective items in the income statement as the underlying transaction. Foreign exchange gains and losses arising from loan receivables and loans denominated in foreign currency are included in financial income and expenses.

Liabilities and assets of the subsidiaries outside the euro-zone are translated into euros at the closing rates. Profit or loss and other comprehensive income and expense items are translated into euros using the average exchange rate for the reporting period. If exchange rates have significant fluctuations, income and expense items are translated into euros using the exchange rates at the dates of individual transactions. Exchange differences resulting from translating the functional currency into the presentation currency are recognised in other comprehensive income.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and possible impairments.

The cost comprises the following expenses directly attributable to the acquisition:

- purchase price, including import duties and non-refundable purchase taxes, after deducting possible discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Borrowing costs relating to the acquisition of property, plant and equipment are capitalised in conjunction of cost of that asset.

If the property, plant or equipment asset consists of several parts with different useful lives, each part is considered as a separate asset. In such cases, the cost of replacing part of such items is recognised in the carrying amount and the carrying amount of those parts that are replaced is derecognised. Otherwise costs incurred subsequently are included in the carrying amount of property, plant and equipment only, if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Other repair and maintenance expenses are recognised through profit and loss when they occur.

Assets are depreciated using straight-line depreciation method over the remaining useful life of the related asset. Land is not depreciated.

The estimated useful lives are:

Buildings and constructions	5 - 40 years
Machinery and equipment	5 - 30 years
Vehicles	3 - 5 years
Computer and office equipment	3 - 5 years
Other tangible assets	5 - 20 years

The residual value and useful life of an asset are reviewed at the end of each financial reporting period, and if expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

The gain or loss arising from the disposal of property, plant and equipment is recognised in profit or loss and presented in other operating income and expenses. Proceeds from the sale are determined as the difference between the selling price and the carrying amount of the asset.

GOVERNMENT GRANTS

Government grants are recognised as a reduction of the carrying amount of the property, plant and equipment when there is reasonable assurance that the Group will receive the grants and will comply with the conditions attached to it. Grants are recognised as reduction to the carrying amount of the asset and recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense. The government grants received as compensation for expenses are recognised through profit and loss over the same periods when the related expenses are recognised and are presented in other operating income.

INTANGIBLE ASSETS

Goodwill

Goodwill resulting from business combinations is measured at the aggregate amount of the consideration transferred measured at fair value, any non-controlling interest in the acquired assets and the amount of previously owned proportion exceeding the fair value of the net assets. If the net of assets acquired and the liabilities assumed measured at the acquisition-date fair value exceeds the consideration transferred, a gain on negative goodwill is recognised immediately.

Goodwill is not depreciated, but it is tested annually for possible impairment. For this purpose, goodwill is allocated to the cash-generating units. Goodwill is measured at cost less impairments.

Research and development costs

Research costs are recognised as expenses when they occur. Development costs are recognised as intangible assets if, and only if, the product is technically feasible, it has commercial substance, it is expected to generate probable future economic benefits, and expenditure incurred during the development phase can be measured reliably. The capitalised development cost comprises all directly attributable costs necessary to create, produce, and prepare the asset to its intended use including materials, employee benefits and testing costs. Development costs recognised initially as an expense are not capitalised later.

Amortisation begins when the asset is available for use. The useful life of capitalised development costs is 5 years and intangible assets arising from development are recognised as expenses on a straight-line basis over the useful life. An intangible asset not yet available for use is annually tested for the impairment. Capitalised development costs are measured at the initial cost less accumulated amortisation and impairments.

Other intangible assets

Other intangible assets include customer relationships, trademarks, software and licenses. An intangible asset is recognised at cost if the acquisition cost of the asset can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. The intangible assets acquired as part of a business combination are measured at fair value at the date of acquisition.

Intangible assets with finite useful life are recognised as an expense using straight-line amortisation method over known or expected useful life of the asset. The Group has no intangible assets with indefinite useful life.

The estimated useful lives are:

Customer relationships	5 – 15 years
Trademarks	10 – 20 years
Software and licenses	3 – 10 years

The useful life of an asset is reviewed at the end of each financial period, and if the expectations differ from previous estimates, the change is accounted for as a change in an accounting estimate.

The gain or loss arising from the disposal of an intangible asset is recognised in profit or loss and presented in other operating income and expenses. Proceeds from the sale are determined as the difference between the selling price and the carrying amount of the asset.

Emission allowances

The Group is involved in the EU emissions trading system in which it has been allocated certain number of allowances for a particular time period. Emission allowances are recognised as intangible assets. Emission allowances received free of charge are measured at their nominal value (i.e. at zero) and purchased emission allowances are measured at cost.

The Group is obliged to return emission allowances equivalent to the actual emissions to the Union registry. A provision is recognised to cover the obligation to buy emission allowances if received and purchased emission allowances intended to cover the deficit do not cover actual emissions. The provision is measured at the market price at the end of the reporting period.

IMPAIRMENT

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is assessed for goodwill, intangible assets not yet available for use and assets with indefinite useful life annually.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When determining the value in use, the expected future cash flows are discounted to their present value. The pre-tax interest rate reflecting market assessment of the time value of money and the risks specific to asset’s future cash flows is used as a discount rate.

Impairment loss is recognised through profit and loss if the carrying amount exceeds the recoverable amount of the asset. An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The impairment loss is reversed at maximum to the carrying amount of the asset before recognising the impairment loss. Impairment loss of goodwill is never reversed.

INVENTORIES

The Group's inventories consist of materials and supplies, semi-finished goods and finished goods. Inventories are measured at the lower of cost or net realisable value. The cost comprises all purchase costs, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned by using the weighted average cost method. The net realisable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

LEASES

Group as a lessee

The Group classifies lease as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership. If the risks and rewards incidental to ownership are not transferred substantially to the Group, a lease is classified as an operating lease.

A finance lease is recognised as an asset and liability in the balance sheet at the beginning of the lease term at amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment. If there is reasonable certainty that the Group obtains the ownership by the end of the lease term, the period of expected use of the asset equals to asset's expected useful life. Otherwise assets leased under finance leases are depreciated over shorter of the useful life or the lease term. The lease payments are apportioned between the finance charge and the reduction of the outstanding liability during the lease term so that each period has a constant periodic rate of interest. Lease payment obligations are included in the financial liabilities.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease expenses are included in other operating expenses.

Group as a lessor

The Group has leased properties with agreements, where substantially all the risks and rewards incidental to the ownership remains with the lessor. Leased asset is presented in the statements of the financial position according to the nature of the asset and is depreciated on a straight-line basis following the depreciation plan. Rental income from the operating lease agreements is recognised in other operating income.

PENSION PLANS

The Group has both defined contribution and defined benefit pension plans.

The Group's employees' statutory pension scheme is covered by an external insurance company and is classified as a defined contribution plan. Under defined contribution plan the Group pays fixed contributions into a separate entity and payments are recognised in the related period. The Group has no legal or constructive obligation to pay further contributions if the party is unable to pay the pension benefits.

The Group has a greater liability in pension schemes classified as defined benefit plans. The liability covers the risk of changes in the defined benefit obligation and plan assets. Pension expenses are recognised as expenses during employees' service period using actuarial calculations. The present value of the obligation at the end of the reporting period less fair value of plan assets is recognised as a liability in the balance sheet. The present value of the obligation is determined by discounting the expected amounts of the future benefits. The discount rate is based on high quality corporate bonds' or state bonds' market yield. The pension plan assets are measured at the fair value at the end of the financial period. The actuarial gains and losses, return on plan assets (excluding amounts included in net interest) and changes in the effect of the asset ceiling (excluding amounts included in net interest) resulting from remeasurements of the net defined benefit liability are recognised in other comprehensive income. The net interest on the defined benefit plan and all other expenses are recognised through profit and loss.

PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, payment required to settle the obligation is probable and a reliable estimate can be made of the amount of the obligation. Amount to be recognised as a provision is the best estimate of the expense which is required to settle the present obligation at the end of the reporting period. Change in the provision is recognised in the respective items in the income statement where the provision was initially recognised. If the effect of time value of money is material, the provision is presented at the present value of the expenditures expected to be required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation of which payment is not probable or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are presented in the notes to the financial statements, unless the probability of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are disclosed if an inflow of economic benefits is probable.

INCOME TAXES

The taxes recognised in the consolidated income statement include the Group companies' taxes accounted for on an accrual basis, adjustments to prior year taxes and changes in deferred taxes. The tax effect of items recognised directly in equity or in other comprehensive income are recognised respectively in equity or in other comprehensive income.

Deferred tax assets and liabilities are recognised for all temporary differences between the carrying amount of an asset or liability and its tax base. Deferred tax liability is not recognised when it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised for unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group has right to set off current tax assets against current tax liabilities.
Deferred taxes are measured using enacted or substantively enacted tax rates by the end of the reporting period.

The most significant temporary differences arise from fair value measurements of acquired balances as part of a business combination, property, plant and equipment, defined benefit plans, financial instruments, provision and unused tax losses.

REVENUE RECOGNITION

The Group is specialised in producing consumer boards, laminating papers and wood products. The Group has only one revenue stream, which is the sale of goods. The Group is acting as principal in all of the customer contracts as the Group provides the goods and services itself to a customer and controls the specified goods and services before they are transferred to a customer.

Performance obligation. Sale of goods. The sale of goods includes products such as consumer boards, laminating papers and wood products. In sale of goods, each good provided to the customer is a separate performance obligation. The adoption of IFRS 15 did not have any impact on the identified performance obligations.

Variable consideration. The amount of consideration that the Group is entitled to may vary due to items of variable consideration. Relevant variable consideration for the Group includes different kind of payment discounts and volume based rebates. These are deducted from sales according to the estimated amounts of the discounts as customer is entitled to them.

Significant financing component. The Group's contracts with customers do not include significant financing components.

Non-cash consideration. The Group's contracts with customers do not include non-cash consideration. The Group provides free of charge items such as free samples before actual order. The Group does not consider the free of charge items as a performance obligation but considers them to be normal sales and marketing activity. Therefore, the Group is not providing distinct goods or service for free to the customer. The amount of free of charge items and options for additional goods and services is considered immaterial. However, in case the amount of these items would be considered material, the Group would evaluate the activity and adjust the timing of the revenue deferral accordingly.

Allocation of the transaction price to the performance obligations. In general, the allocation of transaction prices is not relevant in terms of the Group's contracts with customers as the contracts are based on the stand-alone selling prices of the goods provided. Variable consideration is allocated to the performance obligation or to a specific good that forms a part of performance obligation when the terms of variable consideration relate specifically to the performance obligation or to a specific good or service and allocated transaction price reflects the amount that the Group is entitled to. If the contract includes free of charge items, these items will be allocated.

Timing of revenue recognition. The Group recognises the revenue for the goods at a point in time once the asset is delivered to the customer, the customer has accepted the delivery and control over the asset is transferred to the customer. The Group analyses the exact timing of the control being transferred contract by contract taking into account the delivery terms, customer acceptance clauses and customer's ability to benefit from the goods delivered. The adoption of IFRS 15 did not have any impact on the timing of revenue recognition.

Contract balances

Trade receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Refund liabilities. A refund liability is the obligation to refund some or all of the consideration received from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities at the end of each reporting period. Refer to above accounting policy on variable consideration. The Groups' refund liabilities comprise of rebates and discounts given.

Cost to obtain a contract. In general, there are no costs that the Group incurs in obtaining a contract to provide goods and services to customers in sale of goods and in rendering services including project business.

The Group applied the following judgments that significantly affect the determination and amount of revenue from contracts with customers.

Principal versus agent considerations. In general, the Group is considered as a principal in its contracts with customers as the Group controls the specified goods or services before they are transferred to a customer.

Determining the method to estimate variable consideration and assessing the constraint. The Group estimates the amount of variable consideration at the contract inception. The amount of variable consideration is estimated by using either the expected value method or the most likely amount method depending on which method better predicts the amount of consideration to which the Group will be entitled. The Group selects and applies one method consistently for similar types of contracts when estimating the variable consideration amount.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with cash discounts options, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of goods with volume rebates, the Group determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

The Group has signed contracts total of approximately EUR 40 million with a Nordic financial institution concerning sale of trade receivables of the Group to the financial institution on an ongoing and non-recourse basis.

Interest income is recognised using the effective interest rate method. Dividends are recognised when the right to the dividend is established.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets

The Group classifies its financial assets at amortized cost, fair value through other comprehensive income items or at fair value through profit or loss. The classification is made on the basis of the purpose of the acquisition of the financial assets at initial recognition. The classification depends on the contractual terms of the business model and cash flows used in managing the Group's financial assets. The transaction cost is included in the original carrying amount of the financial asset in the case of an item that is not measured at fair value through the income statement. Transaction costs related to financial assets at fair value through profit or loss are recognized immediately in the income statement.

The Group recognizes financial assets in the balance sheet when it becomes a party to the contractual terms of the instrument. All purchases and sales of financial assets are recorded on the trade date. Financial assets are derecognised when the contractual right to the cash flows of a financial asset ceases to exist or when the Group has transferred substantially all the risks and rewards of financial assets to the Group.

A financial asset is measured at amortized cost if the financial asset is held in accordance with a business model that aims to hold the financial assets to collect contractual cash flows and the contractual terms of the financial asset provide for cash flows at certain times that are exclusively interest on the principal and the remaining principal. The Group's trade and other receivables and cash and cash equivalents are measured at amortized cost. They are recorded in the balance sheet according to their nature either as current or non-current assets: the latter, if they mature more than 12 months after the end of the financial year.

Cash and cash equivalents consist of cash and cash equivalents and other short-term, highly liquid investments. Items classified as cash and cash equivalents have a maximum maturity of three months from the acquisition date. Available credit limits are included in current interest-bearing liabilities.

A financial asset is measured at fair value through other comprehensive income if the financial asset is held in accordance with a business model whose objective is achieved by collecting contractual cash flows as well as by selling financial assets and the contractual terms of a financial asset provide for cash flows at certain times, which are exclusively the payment of interest on the principal and the remaining amount of capital.

However, in initial recognition, an entity may make an irrevocable choice that certain investments in equity instruments that would otherwise be measured at fair value through profit or loss are treated in such a way that subsequent changes in fair value are presented in other comprehensive income. This group includes shares in the electricity subscription agreement.

A financial asset item shall be measured at fair value through profit or loss unless it is measured at amortized cost or fair value through other comprehensive income. Financial assets at fair value through profit or loss are financial assets held for trading or, for example, derivatives. In the Group, this group includes foreign currency and commodity derivatives related to business operations. After initial recognition, the Group values derivative assets at fair value. Derivatives are non-current assets with a maturity of over 12 months and current assets with a remaining maturity of less than 12 months. Derivatives may also be debt, and their accounting principles are described later in “Financial Liabilities”.

Realized and unrealized losses and gains arising from changes in fair value are recognized in the income statement for the period in which they are incurred in the income or expenses of the income statement.

Impairment of financial assets

For financial assets classified at amortized cost, the increase in credit risk is estimated on the balance sheet date. The applicable method is determined by the potential increase in credit risk. When there is no significant increase in credit risk, the estimated amount of credit losses is based on the expected credit losses for a 12 month period.

On each balance sheet date, the Group assesses whether there is objective evidence of impairment of an individual financial asset or group of financial assets. The triggering factors for an impairment may include, but are not limited to, the financial difficulties of the counterparty. The value of financial assets is considered to be impaired if their carrying amount is greater than the estimated recoverable amount. An impairment loss is recognized through profit or loss.

The assessment of the Group’s credit loss provision is based on the expected credit losses over the entire life of the trade receivables in accordance with IFRS 9. The simplified procedure for expected credit losses is applied to trade receivables. The expected loss of the Group's trade receivables’ credit risk is based on historical loss amounts. The expected credit losses are calculated by multiplying the book value of the outstanding trade receivables with the expected loss rate for each receivable age group.

Financial liabilities

Financial liabilities are recognized in the balance sheet on the trade date. Financial liabilities are initially recognized at fair value, which is the amount of cash minus translation costs. After initial recognition, liabilities are measured at amortized cost using the effective interest rate method except for derivatives. Financial liabilities are derecognised when the related obligations under the contracts expire or are transferred from the Group.

The Group's financial liabilities are mainly trade payables, MFI loans and derivatives, for which the Group does not apply hedge accounting.

Financial liabilities are classified as non-current liabilities if their due date is more than 12 months after the end of the financial year and current liabilities if they mature less than 12 months after the financial statements.

Foreign currency and commodity derivatives related to business and financing are recorded under financial liabilities at fair value through profit or loss.

EQUITY

The nominal value of the ordinary shares is presented as share capital. Costs related to issue or purchase of equity instruments are deducted from the equity.

Dividend distribution to the Company's shareholders proposed by the Board of Directors to the General Meeting is recognised as a liability and deducted from the equity in the consolidated balance sheet for the period in which the General Meeting has approved the dividend.

NON-RECURRING ITEMS

The Group accounts for exceptional, outside ordinary course of business transactions as non-recurring items. For example proceeds or losses from the sale of properties and business, disposal expenses of businesses and impairments are classified as non-recurring items. Proceeds on sales are recognised in the other operating income and losses in the other operating expenses. Impairments are recognised in the profit and loss account 'Impairments'. More information about non-recurring items in the financial period is presented in Note 6. Other operating income.

NEW IFRS STANDARDS

IASB has published the following new or amended standards and interpretations, which the Group has adopted in the beginning of year 2018:

IFRS 9 Financial instruments

In July 2014 IASB issued full version of the standard IFRS 9 Financial Instruments, which will replace the current standard IAS 39 Financial Instruments: Recognition and Measurement. The new standard includes requirements for classification and measurement of financial assets and liabilities. Different measurement principles will remain, but they have been simplified by determining three measurement categories: recognised at the amortised cost, at the fair value through other comprehensive income and at the fair value through profit and loss. The classification depends on the business model of the entity and the characteristics of the contractual cash flows. The loss allowance model in IAS 39 is replaced with new expected credit loss model. Changes in financial liabilities measured at fair value relating to own credit risk are recognised in other comprehensive income.

The Group records the expected credit losses and their changes in each reporting period. The Group does not apply hedge accounting. The new requirements for the classification and measurement of financial assets is not expected to have material impact on the Group's consolidated financial statements.

	Classification under IAS 39	**Classification under IFRS 9**
Financial assets		
Non-current financial assets	Financial assets available for sale	Fair value through other comprehensive income
Trade and other receivables	Loans and receivables	Amortised cost
Derivative financial instruments	Financial assets held for trading	Fair value through profit and loss
Financial liabilities		
Interest bearing liabilities	Financial liabilities measured at amortised cost	Amortised cost
Trade and other payables	Financial liabilities measured at amortised cost	Amortised cost
Derivative financial instruments	Financial assets held for trading	Fair value through profit and loss

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 obligations 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 obligation 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 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. During 2017, the Group performed an assessment of IFRS 15 impacts and as a result, no significant accounting changes were identified. Therefore, there are no changes impacting the comparative information and no restatements have been made in the Group's financial statements.

In the beginning of 2019, the Group will adopt the following new standard:

IFRS 16 Leases

In January 2016 IASB issued new leasing standard, IFRS 16 Leases, which will replace IAS 7 standard and the related interpretations. The new standard changes the accounting requirements for a lessee. All leases, except short-term leases and leases of low value, are recognised on the balance sheet of the lessee as a right-of-use asset and as a liability. The lessee shall recognize interest expense on the liability and depreciations according to plan on the asset. In addition, the lessee has to determine the amount of the lease liability in the event of certain circumstances (for example when rent changes due to an index increase).

The Group intends to adopt IFRS 16 from 1 January 2019 using the simplified retrospective application method, without adjusting prior reporting periods. Instead, the group will recognize the cumulative impact of IFRS 16 in equity and other impacted balance sheet items on the opening balance sheet. The Group is going to use the exemptions provided in the IFRS 16 standard, that concern short-term leases and low-value assets.

The Group estimates that the impacts of the application of IFRS 16 on the remaining lease obligations are approximately 960 thousand euros in the balance sheet. The impact on the Group’s profit and loss statement is estimated to remain minor. Depreciations are estimated to increase approximately 960 thousand euros and leasing expenses to decrease approximately 990 thousand euros. Operating profit is estimated to increase by 30 thousand euro following the recognized financial expenses. Items in the cash flow statement are reclassified as the lease liability’s asset share will be presented in the cash flow from financing.

No other already issued, but not yet effective new standards, amendments to standards or IFRIC interpretations are expected to have a material impact on the Group’s consolidated financial statements.

2. Management's judgements on key estimates and assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future, which include uncertainty. The actual results may differ from estimates and assumptions. The estimates are based on management's previous experience, all available information at the end of the reporting period and justified assumptions. In addition, judgment needs to be exercised when applying accounting principles especially when IFRS standards include alternative accounting treatments. The following presents the key accounting estimates and assumptions included in the consolidated financial statements:

Estimating volume rebates and discounts
The Group applies a statistical model for estimating volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing pattern and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group. The Group updates its assessment of expected refund liabilities quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebates entitlements may not be representative of customer's actual rebate entitlements in the future.

Measurement of the acquired assets and liabilities

Assets and liabilities acquired in a business combination are measured at fair value at the acquisition date. The fair value is attempted to be defined primarily based on market values. If market values are not available, as for example for intangible assets, the measurement is based on estimated performance considering the intended use in the Group's business. The valuation requires management to estimate inter alia future cash flows and intended use of the asset.

Impairment testing

Determining the asset's or cash-generating unit's recoverable amounts based on value in use calculations requires estimates and assumptions. Value in use is calculated using discounted cash flow method, which is sensitive to changes in expected future cash flows and discount rate.

Useful lives of property, plant and equipment and intangible assets

The residual value and useful life of property, plant and equipment are re-estimated at the end of each reporting period. The monetary amount received from disposal at the end of the useful life is assessed, when determining the residual value. The estimation of asset's useful life is based on previous experience on similar assets.

Concerning the intangible assets, the management assess whether the useful life is definite or indefinite. In conjunction with the assessment the management analyses inter alia typical life cycle of the asset, technological aging and legal and other restrictions on the use of the asset.

Employee benefits

Measurement of defined benefit obligations requires actuarial assumptions on discount rate, expected return on funds, increases in wages and demographic factors. Assumptions used in calculating the defined benefit plans are presented in more detail in Note 21. Pension obligations. Changes in the assumptions and actuarial conditions may materially affect the defined benefit obligation and expense.

Income taxes

Deferred tax assets are recognised for unused tax losses and tax credits and other deductible temporary differences to the extent that it is probable that the future taxable profit will be available against which deductible temporary difference can be utilised. Estimating the future amount of taxable income requires management's judgement and is based on the management's assumptions made at the reporting date.

Provisions

The amount to be recognised as a provision is based on the management's best estimate on expenses to fulfil the existing obligation at the end of reporting date. The estimation on the probability of the realisation of the obligation and the economic impact requires management's judgement and is based on empirical knowledge on similar events. The actual expenses may differ from the assumed provision.

Inventories

Inventories are stated at the lower of the acquisition cost or net realisable value at the end of the reporting period. Determining the net realisable value requires management's assumptions on which monetary amount the inventory is realisable at the end of the reporting period. Management also assesses the amount of direct expenses relating to the completion of the inventories and to obtain the sales. The assessment is based on the most reliable available information at the end of the reporting period.

Accounts receivables

The management assesses at the end of the reporting period the amount of credit risk and recognises credit loss provision on those accounts receivables where it is probable that full payment is not received. The assumptions are based on a systematic credit control, previous experiences on realised credit losses and economic circumstances at the assessment date. Contracts total of approximately EUR 40 million concerning sale of trade receivables of the Group to the financial institution on an ongoing and non-recourse basis decrease credit risk.

Notes to the consolidated financial statements

3. Segment information

The Group is organised into two strategic business units, which produce different products or services. Business units are managed separately. The Group's segment information is based on internal management reporting provided to the Senior Management Group for the purpose of making operational decisions.

The Group has the following two active reportable segments:
- Consumer Boards: Consumer Boards provides renewable and fiber-based packaging materials for consumer boards. The production of Consumber Boards was started in July 2016.
- Industrial Products: Industrial Products produces saturating base kraft (laminating papers) as well as wood products for construction and transportation industry.

No operating segments have been aggregated to form the above reportable operating segments.

On October 12, 2017 Kotkamills Oy signed and completed a share purchase agreement concerning the sale and purchase of all issued and outstanding shares in Kotkamills Imprex Oy, the subsidiary of Kotkamills Oy, to Dongwha Enterprise Co. The ownership to Kotkamills Imprex Oy's shares was transferred to Dongwha Enterprise Co. on October 31, 2017. Kotkamills Imprex Oy was part of Industrial Products segment.

The Senior Management Group monitors the operating results of its operating segments and makes decisions about resource allocation. Segment performance is evaluated based on operating profit. The Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis, and are not allocated to operating segments. Items managed on a Group basis are presented below in section 'Adjustments and eliminations'. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Adjustments and eliminations
Inter-segment revenues are eliminated upon consolidation and reflected in the 'Adjustments' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

Financing and tax items, fair value gains and losses, items not related to operating activities nor non-recurring items are not allocated to operating segments.

2018	**Consumer Boards**	**Industrial Products**	**Adjustments**	**Total**
	€000	**€000**	**€000**	**€000**
Revenue				
External customers	181 690	162 257	0	343 947
Inter-segment	6	5 830	-5 836	0
Total revenue	**181 696**	**168 087**	**-5 836**	**343 947**
Depreciation and amortisation	-9 272	-1 791	0	-11 063
Segment operating profit	**-6 219**	**14 243**	**0**	**8 024**

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	-9 080	-2 373	0	-11 454
Segment operating profit	**-29 518**	**23 706**	**0**	**-5 812**

Revenues from both of Kotkamills revenue streams *Consumer Boards* and *Industrial Products* are recognised at point in time.

Reconciliation of revenue

	2018	2017
Revenue	**€000**	**€000**
Total segment revenue	343 947	282 375
Items not allocated to segments		
Sales of energy	8 315	6 258
Revenue recognition and other	1 054	-934
Total unallocated items	9 370	5 324
Group's total revenue	**353 317**	**287 699**

Reconciliation of profit

	2018	2017
Operating profit	**€000**	**€000**
Segment operating profit	8 024	-5 812
Items not allocated to segments		
Unallocated administrative gains/expenses	105	-1 542
Total unallocated items	105	-1 542
Sales of assets	0	23 679
Asset impairment	0	-6 830
Other IFRS adjustments	-1 041	-3 745
Group's total operating profit	**7 088**	**5 749**

Information about geographical areas

The Group operates in the following geographical areas: EU, other European countries, North America, South America, Far East and Southeast Asia. The geographical revenue is reported based on the customers locations and the assets are reported based on the locations in which the assets are held. Revenue from external customers is measured in accordance with IFRS standards. The following items are excluded from the non-current assets: financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts.

	2018 Revenue	2017 Revenue
	€000	**€000**
Germany	43 172	33 675
Finland	33 137	34 414
Poland	23 991	21 613
Italy	23 426	18 990
Turkey	22 202	17 781
UK	19 059	4 718
Russia	17 689	14 751
France	14 847	15 607
Japan	10 662	10 650
Austria	9 996	9 961
Other countries	135 137	105 539
Total	**353 317**	**287 699**

Information about major customers

The Group has no single external customers from which revenues amount to 10 per cent or more of the Group's revenue.

Notes to the consolidated financial statements

4. Capital management

For the purpose of the Group's capital management, capital includes issued capital, reserve for invested non-restricted equity and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and adjusts it based on changes in the economic conditions and considering the requirements of the financial covenant. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a equity ratio and an adjusted equity ratio based on the financial covenants, which is total equity added with shareholder loans and the junior term loan and divided by total assets. The Group's policy is to keep the adjusted equity ratio above 30%.

	Equity ratio		*Financial covenant* **Equity ratio, adjusted**	
	2018	**2017**	**2018**	**2017**
	€ 000	**€ 000**	**€ 000**	**€ 000**
Equity	17 948	27 470	17 948	27 470
Added: Shareholder loans and the junior term loan			166 698	154 045
Total	**17 948**	**27 470**	**184 647**	**181 516**
Total assets	**305 751**	**311 801**	**305 751**	**311 801**
Equity ratio	**5,9 %**	**8,8 %**	**60,4 %**	**58,2 %**

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets the equity ratio as defined in the financial covenant. The equity ratio defines the capital structure requirements. Breaches in meeting the financial covenant would enable the creditor to immediately call loans and borrowings. There have been no breaches of the financial covenant of adjusted equity ratio in the current period.

Notes to the consolidated financial statements

5. Group information

Information about the subsidiaries

The following subsidiaries are consolidated in the consolidated financial statements:

Name of the entity	Principal business	Domicile	Ownership % 31.12.2018	Parent company
Kotkamills Oy	Production of consumer boards (folding boxboard and barrier board)	Finland	100 %	Kotkamills Group Oyj
Kotkamills Absorbex Oy	Saturating base kraft (laminating papers) products	Finland	100 %	Kotkamills Oy
Kotkamills Wood Oy	Wood products	Finland	100 %	Kotkamills Oy

Kotkamills Group Oyj owns 100 % of Kotkamills Oy's shares.

Kotkamills Oy has branche office in Germany (Kotkamills Oy Filiale in Deutschland). Kotkamills Absorbex Oy has branches in Germany (Kotkamills Absorbex Oy Filiale in Deutschland) and in Spain (Kotkamills Absorbex Oy - Branch Office in Spain).

Entities which have significant influence over the Group

Entity MB Equity Fund IV Ky owns 51,7 % of the shares of Kotkamills Group Oyj.

Notes to the consolidated financial statements

6. Other operating income

	2018	2017
	€000	**€000**
Gain on sale of subsidiary	0	23 478
Rental income	183	96
Government grants	1 109	106
Insurance claims	8	0
Sale of services	661	327
Other income items	996	1 061
Total	**2 956**	**25 068**

Notes to the consolidated financial statements

7. Other operating expenses

	2018	2017
	€000	**€000**
Rental expenses	2 406	1 668
Shipping expenses of the products	38 323	31 370
Sales comissions	4 747	3 570
Administration and office services	4 023	4 872
Insurance payments	753	746
Other expenses	4 572	4 906
Total other operating expenses	**54 823**	**47 132**

Fees to the auditors

	2018	2017
	€000	**€000**
Audit	155	102
Tax consultation	149	210
Other services	56	32
Total	**360**	**345**

Notes to the consolidated financial statements

8. Employee benefit expenses

	2018	2017
	€000	**€000**
Wages and salaries	32 951	32 679
Pension expenses, defined contribution plans	5 948	5 941
Pension expenses, defined benefit plans	29	-60
Other social security costs	1 121	1 363
Total	**40 048**	**39 923**

Average personnel of the Group during the period divided into groups:

	2018	2017
Consumer Boards	142	120
Industrial Products	208	252
Common operations	196	190
Total	**547**	**562**

The defined benefit pension plan is described more in detail in the note 21. Pension obligations. The information relating to management's employee benefits is presented in the note 25. Related party transactions.

Years of service retention

Long-term commitment to the Group is acknowledged with years of service retentions after 20-50 years' commitment. The retentions consists of gifts and health packages in the destinations chosen by the employer.

At the end of the reporting period, EUR 310 thousand of service retention liability has been recognised in the balance sheet.

Notes to the consolidated financial statements

9. Financial income and expenses

Financial income	**2018**	**2017**
	€000	**€000**
Changes in fair values of financial items recognised through profit and loss		
Foreign currency derivatives	491	2 068
Commodity derivatives	6 994	6 559
Other financial income	16	44
Total financial income	**7 501**	**8 671**
Financial expenses		
Interest expenses from financial liabilities	16 463	17 493
Changes in fair values of financial items recognised through profit and loss		
Foreign currency derivatives	187	73
Commodity derivatives	5 537	1 448
Other financial expenses	780	435
Total	**22 967**	**19 450**
Total financial expenses	**22 967**	**19 450**

The interest income and expenses and changes in fair values of financial instruments recognised through profit and loss are related to derivative contracts, which are not determined as hedging instruments. The Group has not applied hedge accounting during the 2018 reporting period. The information regarding the derivatives is presented in the note 14. Financial assets and liabilities.

The foreign currency exchange rate differences has been recognized in income statement's finance expenses total EUR 73 thousand in 2018.

Other financial income and expenses consists of indirect taxation's tax-free interest income and other income of total EUR 16 thousand, interest on arrears EUR 27 thousand and financing expenses relating to factoring EUR 389 thousand.

Notes to the consolidated financial statements

10. Other comprehensive income to be reclassified to profit or loss in subsequent periods

Items recognised to other comprehensive income and adjustments related to reclassification of such items are as follows:

	2018	2017
	Recognised to other comprehensive income items	**Recognised to other comprehensive income items**
	€000	**€000**
Actuarial gains (+) / losses (-) on defined benefit plans	180	-46
Translation differences	0	0
Total	**180**	**-46**

The taxes related to other comprehensive income items are presented in the note 11. Income taxes.

Notes to the consolidated financial statements

11. Income taxes

Consolidated statement of profit or loss	**2018**	**2017**
	€000	**€000**
Current income tax charge	-48	-24
Deferred taxes	-2330	6855
Total	**-2378**	**6830**

Consolidated statement of other comprehensive income

Deferred tax related to items recognised in other comprehensive income during in the year:

	2018	**2017**
	€000	**€000**
Actuarial gains (+) / losses (-) on defined benefit plans	-59	11
Total	**-59**	**11**

Reconciliation of tax expense and tax calculated at domestic tax rate 20%:

	2018	**2017**
	€000	**€000**
Profit before taxes	-8 379	-5 030
Tax calculated at parent's tax rate 20%	-1 676	-1 006
Tax-exempt income	0	-23
Non-deductible expenses for tax purposes	2 289	1 619
The reporting period unrecognised deferred tax assets from tax losses	0	-142
Unused tax losses prior years	-1 777	4 234
Impairment of purchase price allocation	440	1 926
Other temporary differences	-1 605	222
Income tax expense reported in the statement of profit or loss	-2 330	6 830

Deferred taxes

	Consolidated statement of financial position	Consolidated statement of profit or loss	Consolidated statement of financial position	Consolidated statement of profit or loss
Deferred tax assets	**2018**	**2018**	**2017**	**2017**
	€000	**€000**	**€000**	**€000**
Excess of depreciation made in taxation	2 288	0	2 288	-23
Defined benefit plans	198	-41	239	2
Unused tax losses	4 912	-1 777	6 689	4 234
Other temporary differences	227	0	927	709
Deferred tax expense (/benefit)		**-1 819**		**4921**
Total deferred tax assets	**7 625**		**10 143**	
Deferred tax liabilities	**2018**	**2018**	**2017**	**2017**
	€000	**€000**	**€000**	**€000**
Capitalised borrowing costs	687	-38	725	-38
Purchase price allocation	2 706	-440	3 146	-1 926
Other temporary differences	368	0	20	20
Deferred tax expense (/benefit)		**-478**		**-1 945**
Total deferred tax liabilities	**3 762**		**3 891**	
Net deferred tax assets (/liabilities)	3 863		6 252	
Reflected in the statement of financial positionas follows:				
Deferred tax assets	7 625		10 143	
Deferred tax liabilities	-3 762		-3 891	
Total	**3 863**		**6 252**	

Reconciliation of deferred tax, net	**2 018**	**2 017**
	€000	**€000**
Deferred tax assets (/liabilities) at the beginning of the financial period	**6 252**	**-614**
Tax income/(expense) recognised in profit or loss	-2 330	6 894
Tax income/(expense) recognised in other comprehensive items	-59	-28
Deferred tax assets (/liabilities) at the end of the financial period	**3 863**	**6 252**

Deferred tax assets and liabilities have been offset only when the Group has a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority.

The Group has unused tax losses of EUR 2 126 thousand available until 2022, EUR 3 392 thousand available until 2025, EUR 18 334 thousand available until 2026 and EUR 708 thousand until 2027, that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax asset has been recognised on the unused tax losses from previous years.

Notes to the consolidated financial statements

12. 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	261	9 557	8 915	241	18 974
Transfers	0	0	0	-10 027	0	-10 027
Disposals	0	0	-400	0	0	-400
31.12.2017	**755**	**11 482**	**218 822**	**603**	**3 601**	**235 262**
Additions	0	111	7 339	6 240	67	13 756
Transfers	0	0	0	-6 295	0	-6 295
Disposals	0	0	-31	0	0	-31
31.12.2018	**755**	**11 593**	**226 130**	**548**	**3 667**	**242 693**
Accumulated depreciation and impairment						
31.12.2016	0	561	10 782	0	213	11 557
Depreciation charge for the year	0	415	13 952	0	249	14 615
31.12.2017	**0**	**976**	**24 734**	**0**	**462**	**26 172**
Depreciation charge for the year	0	425	14 446	0	262	15 133
Disposals	0	0	-18	0	0	-18
31.12.2018	**0**	**1 401**	**39 162**	**0**	**724**	**41 286**
Carrying amount						
31.12.2017	755	10 506	194 087	603	3 139	209 091
31.12.2018	**755**	**10 192**	**186 968**	**548**	**2 944**	**201 407**

The Group's loans are secured by real estates and machinery. In addition, the Group has investing commitments relating to the purchase agreement of production machines. Details about commitment and contingencies are presented in the note 24. Commitments and contingencies.

Financial leases

Property, plant and equipment includes the following assets through financial leases:

	Machinery and equipment	Total
Acquisition cost	**€000**	**€000**
31.12.2017	8 584	8 584
Additions	1 335	1 335
31.12.2018	**9 919**	**9 919**
Accumulated depreciation		
31.12.2017	3 175	3 175
Depreciations	1 879	1 879
31.12.2018	**5 054**	**5 054**
Carrying amount		
31.12.2017	5 409	5 409
31.12.2018	**4 865**	**4 865**

Notes to the consolidated financial statements

13. Intangible assets

	Customer relationships	Trademarks	Emission allowances	Other intangible assets	Total
	€000	**€000**	**€000**	**€000**	**€000**
Acquisition cost					
31.12.2016	12 403	3 956	1 803	1 416	**19 578**
Additions	0	0	767	0	**767**
31.12.2017	12 403	3 956	2 570	1 416	**20 345**
Additions	0	0	3 921	79	**4 000**
31.12.2018	**12 403**	**3 956**	**6 490**	**1 495**	**24 345**
Accumulated depreciation and impairment					
31.12.2016	2 481	791	1 725	468	**5 465**
Depreciation charge for the year	944	365	708	274	**2 292**
Impairment	5 907	923	0	0	**6 830**
31.12.2017	9 332	2 079	2 433	743	**14 587**
Depreciation charge for the year	439	268	1 189	276	**2 171**
31.12.2018	**9 771**	**2 347**	**3 622**	**1 018**	**16 759**
Carrying amount					
31.12.2017	3 070	1 877	137	674	**5 758**
31.12.2018	**2 632**	**1 609**	**2 868**	**477**	**7 586**

Other intangible assets includes IT software and licences.

Notes to the consolidated financial statements

14. Financial assets and liabilities

Financial assets	2018 Carrying amount	2018 Fair value	2017 Carrying amount	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	2	2	809	809	2
Commodity derivatives	1 037	1 037	3 460	3 460	2
Total	**1 040**	**1 040**	**4 269**	**4 269**	
Total financial assets at fair value through profit or loss	**1 040**	**1 040**	**4 269**	**4 269**	
Loans and other receivables					
Trade receivables	15 567	15 567	15 194	15 194	
Cash	15 936	15 936	14 047	14 047	
Total	**31 503**	**31 503**	**29 241**	**29 241**	
Total financial assets	**32 542**	**32 542**	**33 510**	**33 510**	
Total non-current					
Non-current financial assets	**1 429**	**1 429**	**1 425**	**1 425**	

Foreign currency derivatives included in financial assets held for trading comprise of currency forward contracts, EURUSD and EURGBP options and option structures. Commodity derivatives comprise of cash-settled OTC commodity swap contracts of long fiber (NBSK) and short fiber (BHKP) pulp, dated brent oil, API2 coal and electricity year, quarter and month products.

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	2018		2017		
	Carrying amount	Fair value	Carrying amount	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	14	14	374	374	2
Commodity derivatives	1 272	1 272	402	402	2
Total	**1 286**	**1 286**	**776**	**776**	
Financial liabilities measured at amortised cost					
Bond	54 837	54 837	69 468	69 468	
Shareholder loan	145 979	145 979	133 689	133 689	
Trade payables	32 323	32 323	28 521	28 521	
Junior term loan	20 719	20 719	20 356	20 356	
Leasing liabilities	5 954	5 954	6 373	6 373	
Total	**259 814**	**259 814**	**258 408**	**258 408**	
Total financial liabilities	**261 100**	**261 100**	**259 184**	**259 184**	
Financial liabilities held for trading	0	0	91	91	
Bond	40 133	40 133	54 833	54 833	
Shareholder loan	145 979	145 979	133 689	133 689	
Junior term loan	20 719	20 719	20 356	20 356	
Leasing liabilities	4 633	4 633	4 801	4 801	
Total non-current	**211 464**	**211 464**	**213 770**	**213 770**	
Financial liabilities held for trading	1 286	1 286	685	685	
Bond	14 705	14 705	14 635	14 635	
Trade payables	32 323	32 323	28 521	28 521	
Leasing liabilities	1 322	1 322	1 572	1 572	
Total current	**49 636**	**49 636**	**45 414**	**45 414**	

Foreign currency derivatives included in financial liabilities held for trading comprise of currency forward contracts, EURUSD and EURGBP options and option structures. Commodity derivatives comprise of cash-settled OTC commodity swap contracts of long fiber (NBSK) and short fiber (BHKP) pulp, dated brent oil, API2 coal and electricity year, quarter and month products.

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.

Interest bearing loans and borrowings

	Effective interest rate	Maturity	2018 Loan principal	2017 Loan principal
	%		€000	€000
Non-current interest bearing loans and borrowings				
Finance lease liabilities	2,86 %	2019-2024	4 633	4 801
Bond	8,91 %	2 020	40 188	55 183
Shareholder loan	6,00 %	2 025	122 358	117 358
Junior term loan	9,75 %	2 021	20 719	20 356
Total non-current interest bearing loans and borrowings			187 898	197 699
Current interest bearing loans and borrowings				
Bond			14 998	14 998
Finance lease liabilities			1 322	1 572
Total current interest bearing loans and borrowings			16 320	16 570
Total interest bearing loans and borrowings			204 218	214 269

Bond

The bond included in interest-bearing loans is a secured bond amounting to EUR 105 million and that has been issued by Kotkamills Group Oyj. The bond has been split into shares with a nominal value of 100 000 eur for each share. Fixed interest of 8,25 per cent per annum is paid on principal of the loan semi-annually. Maturity of the bond is until 2020. Amount outstanding is EUR 55,2 million.

Shareholder loan

Total of shareholder loan EUR 122,4 million has been borrowed from Kotkamills Group Oyj's shareholders. Interest of 6 per cent per annum is paid on principal of the loan. Maturity of the loan is until 2025.

Junior term loan

Junior term loan amounting to EUR 20 million is loan from Kotkamills Group Oyj's shareholders and other investors.

Fair value measurement

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value of the financial assets and liabilities is included at the amount at which the instrument would be received to sell or paid to transfer in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values:

- Financial assets at fair value through profit or loss are either marketable or their valuation is based on participant's purchase price at the closing date, which has also been tested using widely used valuation techniques and available quoted prices.

- Investments in unquoted shares have been measured at cost less possible impairment, because fair values cannot be reliably measured. Unquoted shares have no active markets.

- The fair values of the Group’s interest-bearing borrowings and loans are based on amortised cost using the effective interest method.

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 significant transfers between Level 1 and Level 2 during 2017.

Finance lease liabilities

Finance lease liabilities mature as follows:

	2018	**2017**
	€000	**€000**
Within one year	1 322	1 572
Between one and five years	4 542	4 801
More than five years	90	0
Total minimum lease payments	5 954	6 373
Future finance charges	-283	-432
Present value of minimum lease payments	**5 671**	**5 941**

Present value of minimum lease payments:

	2018	**2017**
	€000	**€000**
Within one year	1 204	1 406
Between one and five years	4 468	4 534
Total present value of minimum lease payments	**5 671**	**5 941**

The Group's financial lease liabilities mainly comprise of leased machinery and equipment.

Changes in liabilities arising from financing activities

	1.1.2018 €000	Cash flows €000	New leases €000	Other €000	31.12.2018 €000
Current interest-bearing loans and borrowings (excluding items listed below)	14 635	-14 998	0	15 067	14 705
Current obligations under finance leases and hire purchase contracts	1 572	-1 712	0	1 461	1 322
Non-current interest-bearing loans and borrowings (excluding items listed below)	208 878	5 000	0	-7 047	206 831
Non-current obligations under finance leases and hire purchase contracts	4 801	0	1 335	-1 503	4 633
Total liabilities from financing activities	**229 887**	**-11 710**	**1 335**	**7 978**	**227 490**

	1.1.2017 €000	Cash flows €000	New leases €000	Other €000	31.12.2017 €000
Current interest-bearing loans and borrowings (excluding items listed below)	14 587	-27 317	0	27 366	14 635
Current obligations under finance leases and hire purchase contracts	1 475	-1 383	0	1 480	1 572
Non-current interest-bearing loans and borrowings (excluding items listed below)	210 838	17 921	0	-19 881	208 878
Non-current obligations under finance leases and hire purchase contracts	6 201	0	139	-1 539	4 801
Total liabilities from financing activities	**233 101**	**-10 779**	**139**	**7 425**	**229 887**

The ‘Other’ column includes the effect of reclassification of non-current portion of interest-bearing loans and finance leases. Column also includes the effect of accrued but not yet paid interest of the interest-bearing loans.

Notes to the consolidated financial statements

16. Financial risk management

Financial risk management objectives

Under its normal business, the Group is exposed to several financial risks. The objective of the Group's risk management is to minimise the adverse impacts on the Group's profit due to changes in the financial markets. The main financial risks are market, credit and liquidity risks. The general principles of the Group's risk management are approved by the board and the centralised treasury department is responsible for the practical implementation. The Group's treasury department identifies and assesses the risks and acquires required instruments to hedge the risks in co-operation with the operative units. The hedging transactions are carried out in accordance with the written risk management principles approved by the Group's management. The Group uses the following financial instruments in its risk management: foreign currency derivatives (options and forward contracts) and commodity derivatives (commodity swaps). Based on the Group's risk management principles, derivatives are not used in speculative trading.

The majority of the Group's financial liabilities, excluding derivative instruments, consist of interest bearing liabilities, trade and other payables and financial obligations. The main purpose of the financial liabilities is to finance and support Group's operational activities. The majority of the Group's financial assets consist of loan receivables, trade and other receivables, cash and short-term deposits which have arisen directly from the Group's operational activities. The Group also has investments classified as available-for-sale and enters into derivative contacts.

The Group does not apply hedge accounting.

Market risk

The market risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in the market prices. The market risk covers the following risk types: interest rate risk, foreign currency risk and other price risks such as, for example, the commodity price risk. The financial instruments impacted by the market risk are interest bearing liabilities, deposits, investments classified as available-for-sale and derivative instruments.

Interest rate risk

The interest risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in the interest rates.

The Group's loans are fixed rate loans, thus the company is not exposed to changes in interest rates arising from changes in the income statement. The aggregate interest under the junior term loan will be 9.75 per cent per annum, part of which will be capitalised, added with a variable interest of 0.0 to 3.0 per cent per annum determined by the levels of certain financial key figures of the Group.

At 31 December 2018 100% of the Group's loans were fixed rate. (excludig above mentioned variable interest component of junior loan).

Foreign currency risk

The foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in the foreign currencies. The Group's exposure to the changes in the exchange rates results mainly from the Group's operational activities when the income or expense item is denominated in foreign currency. The most important currencies in the Group are USD and GBP.

22 % of the Group companies' sales and less than 1% of the purchases are denominated in foreign currency. The most important sales currencies are USD and GBP. External receivables are mainly in euros.

Sensitivity to the fluctuations in foreing currency rates

The following table describes the impact of a 10 % change in EUR/USD and EUR/GBP rates to the Group's profit and equity before taxes, with all other variables held constant. The impact on the Group's profit before taxes is due to changes in the fair values of the monetary assets and liabilities, including derivatives not classified as hedging instruments. Although derivatives are not classified under hedge accounting, they are an economic hedge by reversing the transactions of the underlying securities when they occur.

The Group's exposure to changes in other foreign currency rates is not material.

	Change in EUR/USD currency rates	Effect on profit before tax	Effect on pre-tax equity
	%	€000	€000
31.12.2018	10 %	-338	-338
	-10 %	383	383
31.12.2017	10 %	-369	-369
	-10 %	414	414

	Change in EUR/GBP currency rates	Effect on profit before tax	Effect on before tax equity
	%	€000	€000
31.12.2018	10 %	-119	-119
	-10 %	148	148
31.12.2017	10 %	-125	-125
	-10 %	22	22

Commodity risk

The Group is exposed to commodity risk relating to the availability and changes in prices of the commodities. The Group aims to reduce these risks by entering into framework agreements with known counterparties and by obtaining certain commodity swap agreements. The Group has hedged 44 % of the following 12 months net position of electricity consumptions and electricity production, 10 % of pulp purchases and 4 % of oil risk in natural gas energy price. Hedge accounting is not applied to these hedging derivatives. Thus the changes in the fair values of these derivatives are recognised through profit and loss and presented in the financial income and expenses. The Group's exposure to the natural gas price risk of energy unit prices in Finland is determined based on the following price factors and weights: Brent-oil (40%), API2-coal (30%) and the domestic market basic price index's sub index D35 (30%), which describes the electricity, gas and heat supply and cooling business price development on the domestic market in Finland.

The below table presents the impact to the profit (loss) before taxes of 10 % increase (or decrase) in prices of commodity derivatives outstanding at the end of the reporting period, with all other variables held constant.

	Effect on profit before tax	
	2018	**2017**
	€000	**€000**
Pulp commodity derivative	698	2 168
Oil commodity derivative	60	319
Electricity commodity derivative	-216	32
Coal commodity derivative		313
Total	**542**	**2 833**

Credit risk

Credit risk is a risk relating to credit loss due to that the counterparty does not fulfill its obligation towards the financial instrument or the customer contract. The Group is exposed to the credit risk through its operational activities (mainly trade receivables) and financing activities including bank deposits, foreign exchange transactions and other financial instruments.

Trade receivables

The credit risk of trade receivables is managed according to the Group's credit policy. The Group aims to identify all risks related to trade receivables. A part of the Group's receivable position is hedged with credit insurance. The risk of unsecured receivables is limited with prepayments or document payments and assessed and accepted internal risk.

The Group does not have significant concentrations of credit risk since it has a broadly segmented customer base. The accounts receivables do not include any significant concentrations of credit risk by customer. The customers operate mainly in the independent markets. The maximum exposure to the credit risk at the end of the reporting period for trade receivables is 14,4 %. The proportion of insured trade receivables at the reporting date is 66,3 % after considering the own liability. Trade receivables with payment terms limiting the customer risk at the reporting date is 19,3 %. Terms of payment limiting customer risk are advance payment, letter of credit and documentary collections where the customer receives documents entitling the goods against payment. The Group holds contracts of approximately EUR 40 million with a Nordic financial institution concerning sale of trade receivables of the Group to the financial institution.

The impairment of outstanding trade receivables is assessed at each reporting period. During the reporting period EUR 4 thousand of impairment was expensed. Impairment losses are all related to trade receivables and are due to unexpected changes in the customer's economic environment. The Group has not renegotiated the payment terms on receivables during the reporting period of which would otherwise be overdue or which value may be impaired.

The ageing analysis of trade receivables is presented in the note 17. Trade and other receivables.

Financial instruments and cash deposits

Credit risk related to cash deposits in the banks and financial institutions is managed by the treasury department in accordance with the Group's risk management principles. The Group aims to mimimise the risk concentration and thus mitigates the possible finance losses which occur if the counterparties cannot fulfill their obligations. The Group enters into derivative contracts and investing transactions only with counterparties with minimum 3B credit rating.

The Group's maximum exposure to credit risk through balance sheet items at 31 December 2018 is the carrying amount of those items presented in the note 15. Financial assets and liabilities, excluding guarantees and derivative instruments. The Group's maximum exposure to guarantees and derivative instruments is presented below in the liquidity-table. There is no significant credit risk concentration relating to cash and derivatives.

Liquidity risk

The Group monitors the adequacy of assets using the tools designed to planning and assessing of liquidity. Availability and flexibility of the Group's financing is aimed at assuring sufficient loan reserves and long term loans.

At the end of the reporting period at 31 December 2018 approximately 7 % of the Group's interest bearing liabilities will mature during the next year, based on the carrying amounts presented in the financial statements.

Availability of the short-term financing is presented in the table below:

	31.12.2018	31.12.2017
	€000	€000
Cash at bank	15 936	14 047
Total	**15 936**	**14 047**

Additionally the Group has available unutilized limit of the sale of the trade receivables.

The most important covenants are reported to the debtors quarterly. If the Group breaches the loan covenants, the debtor may demand accelerated repayment of the loans. During the reporting period, the Group has been able to fulfill the covenants of the loans related to equity ratio (loan covenant described in the note 4. Capital management).

Table below presents the maturity profile of the Group's financing liabilities based on contractual undiscounted cash flows (including both interest payments and repayment of the principal).

31.12.2018	On demand	Less than 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
	€000	€000	€000	€000	€000	€000	€000
Bond	0	9 776	9 466	41 845	0	0	61 087
Shareholder loan	0	0	0	0	0	194 972	194 972
Junior term loan	0	856	744	1 600	30 348	0	33 548
Finance leases	0	353	968	1 187	3 356	90	5 954
Trade and other payables	0	56 087	0	0	0	0	56 087
Derivative contracts	0	323	963	0	0	0	1 286
	0	**67 396**	**12 141**	**44 632**	**33 704**	**195 062**	**352 935**

31.12.2017	On demand	Less than 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
	€000	€000	€000	€000	€000	€000	€000
Bond	0	10 239	10 085	19 242	41 845	0	81 411
Shareholder loan	0	0	0	0	0	184 638	184 638
Junior term loan	0	0	0	1 600	31 267	0	32 867
Finance leases	0	296	1 276	1 085	3 716	0	6 373
Trade and other payables	0	52 468	0	0	0	0	52 468
Derivative contracts	0	378	307	91	0	0	776
	0	**63 381**	**11 668**	**22 018**	**76 828**	**184 638**	**358 534**

Notes to the consolidated financial statements

16. Inventories

	2018	2017
	€000	**€000**
Materials and supplies	15 077	11 730
Work in progress	757	701
Finished goods	25 604	23 970
Total	**41 437**	**36 401**

Notes to the consolidated financial statements

17. Trade and other receivables

	2018	2017
	€000	**€000**
Trade receivables	15 567	15 194
Accrued income	9 380	7 428
Other receivables	8 106	11 936
Total	**33 053**	**34 558**

The most significant items of the other receivables are EUR 3 558 thousand from the Nordic financial institution, VAT receivables EUR 4 427 thousand.

Terms relating to the receivables from the related parties are presented in the note 25. Related party transactions.

Trade receivables are interest-free and the terms of payment are mainly 30-90 days.

Accrued cash discounts EUR 57 thousand were reduced from the trade receivables in year 2017. Annual rebates are presented in the note 23. Refund liabilities in year 2018.

Expected credit losses of trade receivables are EUR 47 thousand at the year-end.

The Group has recognised total amount of EUR 4 thousand credit losses during the period.

Part of the Group's trade receivables are hedged with a credit insurance. Open receivables hedged with credit insurance amount to 66,3 % at year-end. Trade receivables with payment term limiting the customer risk amount to 19,3 % at the reporting date. The Group does not obtain collaterals to other receivables. The Group holds contracts of approximately EUR 40 million with a Nordic financial institution concerning sale of trade receivables of the Group to the financial institution.

The ageing analysis of trade receivables is as follows

	2018	2017
	€000	**€000**
Not due	13 762	13 659
Due		
< 30 days	978	1 399
30-60 days	421	37
61-90 days	100	90
> 90 days	306	10
Total	**15 567**	**15 194**

Note 15. Financial risk management includes a decription of how the Group manages and assesses the quality of those trade receivables which are not due and not impaired.

Notes to the consolidated financial statements

18. Cash

	2018	2017
	€000	**€000**
Cash at banks and on hand	15 936	14 047
Total	**15 936**	**14 047**

The banks pay a floating rate on the bank deposits according to the the daily deposit rates.

Cash in the statement of cash flows

Cash in the statement of cash flows consists of:

	2018	2017
	€000	**€000**
Cash at banks and on hand	15 936	14 047
Cash	**15 936**	**14 047**

Items classified as cash in the statement of cash flows has the maturity of maximum three months from the acquisition date.

Notes to the consolidated financial statements

19. Equity

Changes in share capital

	Number of shares A	B	Total	Share capital	Reserve for invested non-restricted equity	Total
	(1 000)	(1 000)	(1 000)	€000	€000	€000
1.1.2017	10 406	1 131	**11 538**	80	11 458	**11 538**
Share issue	1 875	190	2 065	0	2 065	2 065
31.12.2017	**12 282**	**1 321**	**13 603**	**80**	**13 523**	**13 603**
1.1.2018	**12 282**	**1 321**	**13 603**	**80**	**13 523**	**13 603**
Share issue	451	67	518	0	1 093	1 093
Share issue, unregistered	0	26	26	0	52	52
31.12.2018	**12 732**	**1 415**	**14 147**	**80**	**14 668**	**14 748**

Kotkamills Group Oyj has two classes of shares, class A and class B. Each class A and class B share entitles to one vote in the Annual General Meeting. Maximum number of shares is 14.147.182 shares. Shares do not have a nominal value. The shares have a redemption clause. Kotkamills Group Oyj's fully paid and registered share capital is EUR 80 thousand.

Equity reserves are described as following:

Share capital

The share subscription price is credited to the share capital, unless it is provided in the decision to credit the reserve for invested unrestricted equity.

Reserve for invested non-restricted equity

The reserve of invested non-restricted equity includes share subscription prices designated to be included in reserve of invested non-restricted equity.

Own shares

The company did not have own serie B shares on 31.12.2018.

The company has issued own serie B shares to certain key employees during 2018 as follows:

Date	Number	Value, EUR
28.12.2018	28 295	56 590
Total	**28 295**	**56 590**

Share issues

The shareholders of Kotkamills Group Oyj have on 20 February 2018 unanimously resolved to offer by a directed issue a maximum of 450,770 new series A shares of the company for subscription to the holders of series A shares pro rata to their holding of series A shares, a maximum of 20,000 new series B shares for subscription to certain key employees of the Kotkamills group and a maximum of 49,230 new series B shares of the company for subscription to the holders of series B shares pro rata to their holding of series B shares, taking into account the shares offered for subscription to the key employees. In addition, the board of directors was authorised to issue a maximum of 24,376 new series B shares to key employees of the company or its subsidiaries as part of the company's management incentive system in deviation from the shareholders' pre-emptive subscription rights.

Based on the pre-emptive subscription right and the secondary subscription right issued by the Board of Directors, the holders of series A shares subscribed the maximum amount of 450.770 new A shares offered for subscription in the directed share issue, certain key employees subscribed the maximum amount of 20.000 shares offered for subscription and the holders of series B shares subscribed 47.493 new B shares of the 49.230 shares offered for subscription. The subscription price for each new share was EUR 2.00.

The company shareholders have on 17 December 2018 unanimously resolved to to authorize the board of directors to issue a maximum of 28.295 series B shares held by the company to key employees of the company or its subsidiaries as part of the company's management incentive system in deviation from the shareholders' pre-emptive subscription rights.

Dividend

During 2018 the Company distributed dividend of aggregate amount of EUR 89 926,77 for class B preference shares which equalled with the amount of 7% annual profit for subscription price calculated since the date the subscription price was paid. After the balance sheet date, the Board of Directors has proposed dividend for class B preference shares which amount would reflect 7% annual profit for subscription price calculated since the date the subscription price was paid, resulting in a total dividend amount of EUR 98 452,27.

Notes to the consolidated financial statements

20. Provisions

Obligation to buy emission allowances

The Group has not recognised a provision to cover the obligation to buy emission allowances as the allocated and purchased allowances exceeded the obligation to return emission allowances equivalent to the actual emissions. The actual amount of CO_2 emissions in 2018 were 237 768 tons. The allocation of emission allowances for the year amounted to 107 874 tons and the amount of purchased allowances in 2018 was 225 000 tons. Emission allowances are returned to the Union registry latest on April 30, 2019.

Notes to the consolidated financial statements

21. Pension obligations

Most of the Group's employees are located in Finland and the pension scheme is covered by a defined contribution plan.

Part of the Group's personnel is, in addition to statutory pension scheme, entiteled to pension schemes classified as defined benefit plans. At the closing date the arrangement covers 23 active employees, 12 employees that have free-form pension and 86 retired persons. The Group has two arrangements, a supplementary pension and a group pension insurance. The benefits include old-age pension, early old-age pension, disability pension and other benefits agreed in the insurance contract.

Pension schemes are covered by local external insurance companies.

Summary of post-employment benefit plan's impact on the consolidated financial statements

	2018	2017
	€000	€000
Present value of funded obligations	4 057	4 630
Fair value of plan assets	-3 377	-3 755
Net defined benefit liabilities	**680**	**875**
Pension expenses, defined contribution plans	-5 948	-5 941
Pension expenses, defined benefit plans and other post-employment benefits	-29	60
Expenses included in income statement	**-5 977**	**-5 881**
Actuarial gains (+) / losses (-) on defined benefit plans and other post-employment benefits	239	-21
Remeasurements in other comprehensive income	**239**	**-21**

Changes in the defined benefit obligations:

	Present value of defined benefit obligation	Fair value of plan assets	Total
	€000	€000	€000
31.12.2016	4 725	-3 888	837
Current service cost	174	0	174
Interest cost (+) / income (-)	68	-57	11
Acquisitions	-83	64	-19
The return on plan assets, excluding amounts included in net interest	0	-119	-119
Vakutuusmatemaattiset voitot (-) ja tappiot (+) johtuen muutoksis	36	0	36
Experience adjustment, gain (+) / loss (-)	104	0	104
Contributions by employer	0	-148	-148
Benefits paid	-394	394	0
31.12.2017	**4 630**	**-3 755**	**875**
Current service cost	131	0	131
Interest cost (+) / income (-)	67	-55	12
The return on plan assets, excluding amounts included in net interest	0	80	80
Vakutuusmatemaattiset voitot (-) ja tappiot (+) johtuen muutoksis	-207	0	-207
Experience adjustment, gain (+) / loss (-)	-112	0	-112
Contributions by employer	0	-99	-99
Benefits paid	-452	452	0
31.12.2018	**4 057**	**-3 377**	**680**

Defined benefit obligation by persons

	31.12.2018	31.12.2017
	€000	€000
Active employees	640	1 212
Inactive employees, paid up policies	477	75
Inactive employees, pensions	2 940	3 343
	4 057	4 630

Significant actuarial assumptions

	2018	2017
Discount rate	1,77 %	1,52 %
Future salary increases	1,40 %	1,60 %
Future pension cost increase	1,64 %	1,84 %
Inflation	1,40 %	1,60 %

Interest rate risk: Present value of pension obligations are measured using interest rates of high quality corporate bonds. Therefore pension obligations are highly sensitive to changes in the interest rate.

Inflation risk: Changes in defined benefit plans are measured based on changes in pension index. Pension index is calculated as weighted average of the changes in wages and salaries (20%) and changes in prices (80%). Changes in wages and salaries as well as inflation impacts benefits paid.

Changes in the life expectancy for pensioners: If pensioners live longer than expected, the pension obligation might be understated.

Quantitative sensitivity analysis for significant assumptions

The effect of changes on the defined benefit obligation December 31, 2018:

Assumption	Change in assumption	Impact on increase in assumption	Impact on decrease in assumption
Discount rate	0,5%-unit	Obligation decreases 5,17%	Obligation increases 5,71%
Future salary increases	0,50 %	Obligation increases 1,18%	Obligation decreases 1,18%
Future pension cost increase	0,50 %	Obligation increases 32,67%	Obligation decreases 30,97%
		Increase by one year	**Decrease by one year**
Life expectancy		Obligation increases 2,68%	Obligation decreases 2,61%

The effect of changes on the defined benefit obligation December 31, 2017:

Assumption	Change in assumption	Impact on increase in assumption	Impact on decrease in assumption
Discount rate	0,5%-unit	Obligation decreases 5,41%	Obligation increases 5,99%
Future salary increases	0,50 %	Obligation increases 1,52%	Obligation decreases 1,51%
Future pension cost increase	0,50 %	Obligation increases 29,77%	Obligation decreases 28,19%
		Increase by one year	**Decrease by one year**
Life expectancy		Obligation increases 2,64%	Obligation decreases 2,57%

The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation.

The financial assumptions which have the most significant effect on pension obligation are changes in discount rate or inflation. Expected return on funds is based on analysis of historical return and market expectations of future return on long-term investments.

As at 31 December 2018, expected benefits to be paid during 2018 is EUR 111 thousand.

Maturity profile of defined benefit plans

	Within one year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
	€000	**€000**	**€000**	**€000**
31.12.2018	**460**	**499**	**854**	**2 997**
31.12.2017	410	594	820	3 702

Notes to the consolidated financial statements

22. Trade and other payables

	2018	2017
	€000	**€000**
Trade payables	32 323	28 521
Accrued expenses	22 137	22 527
Other payables	1 627	1 420
Total	**56 087**	**52 468**

Annual rebates EUR 593 thousand were presented in accrued expenses in year 2017. Annual rebates are presented in the note 23. Refund liabilities in year 2018.

Trade payables are interest-free and are paid mainly during 30 days.

The ageing analysis of trade and other payables is presented in the note 15. Financial risk management.

Terms relating to the transactions with related parties are presented in the note 25. Related party transactions.

The process of how the Group manages credit risk is presented in the note 15. Financial risk management.

Notes to the consolidated financial statements

23. Refund liabilities

	2018	2017
	€000	**€000**
Annual rebates	1 890	
Cash discounts	58	
Yhteensä	**1 948**	

Annual rebates EUR 593 thousand were presented in accrued expenses in year 2017. Annual rebates are presented in the note 23. Refund liabilities in year 2018.

Accrued cash discounts EUR 57 thousand were reduced from the trade receivables in year 2017. Annual rebates are presented in the note 23. Refund liabilities in year 2018.

Notes to the consolidated financial statements

24. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has entered into operating leases on machinery and equipment as well as properties. The agreements include option to continue the lease after the initial lease term.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
	€000	€000
Within one year	247	52
Between 1 and 5 years	153	105
Total	**400**	**157**

The Group has in 2018 recognised as expense total lease payments EUR 535 thousand of operating leases including contingent rents of EUR 174 thousand.

Operating lease commitments – Group as lessor

The Group has entered into operating leases on two properties and one land area. The lease terms of properties are for an indefinite period with three months notice period. The lessees of the properties have no right or obligation to redeem the leased assets. The land lease agreement is valid until 31 August 2067. The tenant has the right to terminate the lease to expire on 31 August 2027 or thereafter. The tenant has also the right to extent the land lease agreement by another 50 years. Upon termination of the land lease the lessor has the right to redeem the properties on the leased land area.

Guarantees

	2018	2017
	€000	€000
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	**1 164 653**	**1 164 653**

Mortgages include Kotkamills Oy's real estate mortgages amounting to EUR 700 million and enterprise mortgages totalling to EUR 250 million.

Mortgages, shares of Kotkamills Oy owned by the company and internal loan to Kotkamills Oy are collateral for the bond totalling to EUR 105 million and the junior term loan of EUR 20 million is considered as second lien debt to the first mortage.

Securities given on behalf of a related party have been specified in note 25. Related party transactions.

Litigations and disputes

Litigations

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 consolidated financial statements

25. Related party transactions

The management of the Group including the Board members of Kotkamills Group Oyj and Kotkamills Oy and the Senior Management Group members of Kotkamills Oy including managing director are considered as related parties. The entities with significant influence over the Group are also a part of related party.

The parent company and the subsidiaries belonging to the same group are considered to be related parties. The information about the group structure is presented in the note 5. Group information.

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

2018	**Sales**	**Purchases**	**Receivables**	**Liabilities**
	€000	**€000**	**€000**	**€000**
Entities with significant influence over the Group	0	0	0	84 496

2017	**Sales**	**Purchases**	**Receivables**	**Liabilities**
	€000	**€000**	**€000**	**€000**
Entities with significant influence over the Group	0	0	0	77 382

Terms relating to the related party transactions

The loan is a shareholderloan form the majority owner. The annual interest of 6% is paid on the loan nominal. The loan matures in year 2025.

Management's employee benefits

The total of employee benefits paid to the members of the Senior Management Group.

	2018			**2017**		
	Managing director	**Other members**	**Senior Management Group, total**	**Managing director**	**Other members**	**Senior Management Group, total**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**
Wages and salaries	226	986	**1 212**	211	859	**1 070**
Company-paid cars and mobilephones	1	13	**14**	12	4	**16**
Bonuses	0		**0**	0	63	**63**
Total	**227**	**999**	**1226**	**223**	**926**	**1148**

The transactions relating to management's employee benefits presented in the table are expensed during the reporting period.

The managing director is entitled to a statutory pension and the retirement age is determined within the framework of the statutory pension scheme. The statutory pension expenses of the managing director was EUR 57 113 in 2018 (EUR 55 862 in 2017).

Remuneration of the Board of Directors

No remuneration has been paid for the Board of Directors of Kotkamills Group Oyj during the reporting period.

	2018	**2017**
	€000	**€000**
The Board members of Kotkamills Oy, remuneration	120	125
Total	**120**	**125**

Notes to the consolidated financial statements

26. Events after the reporting period

Kotkamills Absorbex Oy, the subsidiary of the Company, has produced Saturating Base Kraft (“SBK”) in Tainionkoski Paper Machine 7 (“PM7”) in Imatra leased from Stora Enso Oyj since the separation of Kotkamills from Stora Enso in 2010. The operations have been part of the Group’s Industrial Products segment.

As earlier informed ((Stock Exchange release on the 3rd of July 2017) the leasing agreement concerning Tainionkoski PM7 was terminated in accordance with its terms in January 2019.

To serve its existing customers and to fulfill the needs arising from the increasing demand for SBK, Kotkamils is increasing the production capacity and product portfolio of Paper Machine 1 on Kotkamills’ site in Kotka. In addition, Kotkamills has subcontracted production capacity for SBK.

Furthermore, the company will continue the earlier informed feasibility study for a possible investment to increase the production capacity of SBK with a new paper machine 3 (a “New PM3”) in Kotka. The capacity, cost estimation and project schedule of the New PM3 will be published later on subject to the positive investment decision.

February 27th, 2019, Kotkamills has been announced as one of the winners in the global innovation initiative NextGen Cup Challenge, launched by the NextGen Consortium, aiming to develop the next generation of recyclable, compostable, hot and cold to-go, fiber cups. Fully recyclable, plastic-free and biodegradable The Game Changer cup – made of Kotkamills’ ISLA® board – is one of the 12 awarded solutions that push the boundaries of sustainable design and material innovation. Company sees this recognition as a confirmation for its commitment to revolutionize paper cup production and recycling with its plastic-free next-generation barrier board solutions.

Parent company's financial statements

KOTKAMILLS GROUP OYJ

Parent company's statement of profit or loss

For the period 1.1.-31.12.2018	Note	**1.1.-31.12.2018**	**1.1.-31.12.2017**
		€000	€000
Net Sales	1	**720**	**709**
Other operating income	2	5	0
Personnel expenses	3	-452	-422
Depreciation, amortisation and impairments	4	-1	-6
Other operating expenses	5	-200	-222
		-648	**-651**
Operating profit (loss)		**72**	**59**
Financial income and expenses	6	115	-771
Profit (loss) before appropriations and taxes		**187**	**-712**
Profit (loss) for the period		**187**	**-712**

KOTKAMILLS GROUP OYJ

Parent company's balance sheet

31.12.2018

ASSETS	Note	2018 €000	2017 €000
Non-current assets			
Tangible assets	7	0	13
Investments	8	39 653	39 653
Non-current assets total		**39 653**	**39 667**
Current assets			
Long-term receivables			
Loan receivable	9	190 000	190 000
Short-term receivables			
Current receivables	10	12 781	11 435
Cash and bank		426	433
Current assets total		**203 207**	**201 868**
		242 860	**241 535**

EQUITY AND LIABILITIES			
Equity	11		
Share capital		80	80
Reserve for invested non-restricted equity		14 668	13 523
Retained earnings		-1 161	-359
Profit (loss) for the period		187	-712
Equity total		**13 774**	**12 532**
Liabilities			
Non-current liabilities	12	206 884	209 229
Current liabilities	13	22 202	19 774
Liabilities total		**229 086**	**229 003**
		242 860	**241 535**

KOTKAMILLS GROUP OYJ

Parent company's cash flow statement

For the period 1.1.-31.12.2018

	1.1.-31.12.2018	1.1.-31.12.2017
	€000	€000
Cash flow from operating activities		
Profit (loss) before taxes	**187**	**-712**
Adjustments for		
Depreciation, amortisation and impairment	1	6
Tangible assets sales profit	-5	0
Financial income and expenses	-115	771
Changes in working capital:		
Change in current assets, non-interest bearing gain(-)/loss(+)	-71	200
Change in current liabilities, non-interest bearing gain(+)/loss(-)	51	-82
Cash flow from operating activities before financial items and taxes	48	183
Interest received from operating activities	14 400	15 300
Interest paid and financial expenses paid for operating activities	-5 530	-7 947
Cash flow from operating activities (A)	**8 918**	**7 535**
Cash flow from investing activities		
Purchase of own shares	0	-1
Tangible and intangible assets sales profit	18	0
Cash flow from investing activities (B)	**18**	**-1**
Cash flow from financing activities		
Dividend paid	-90	-69
Proceeds from long-term loans	5 000	17 921
Repayment of long-term loans	-14 998	-27 317
Sales of own shares	0	63
Proceeds from investments in invested non-restricted equity	1 145	2 065
Cash flow from financing activities (C)	**-8 943**	**-7 337**
Change in cash and cash equivalents (A+B+C)	**-7**	**198**
Cash and cash equivalents at beginning of period	433	235
Cash and cash equivalents at end of period	**426**	**433**

KOTKAMILLS GROUP OYJ

Notes to the parent company's financial statements

Accounting Policies

The Parent Company Financial Statements are prepared in accordance with Generally Accepted Accounting Principles in Finland (Finnish GAAP).

Foreign currency translation

Transactions in foreign currencies are recorded in euro by applying the exchange rates at the dates of the individual transactions. At the end of accounting period, the unsettled balances of foreign currency receivables and liabilities are translated using the exchange rates at the end of the accounting period. Foreign exchange gains and losses resulting from translation of foreign currency transactions are recognised through statement of profit and loss.

Measurement of receivables, financial assets and liabilities

Receivables are measured at face value, however, not in excess of their probable value. Financial assets are measured according to Finnish accounting act (FAA) 5:2§ to the lower of acquisition costs or estimated realisable value. Financial liabilities are measured according to FAA 5:2§ at face value.

Pension costs

Employees' statutory pension scheme is covered by an external insurance company. Pension costs are accrued based on paid salaries of the accounting period.

Intangible and tangible assets and depreciation

Intangible and tangible assets are measured at cost less accumulated depreciation and possible impairments. Assets are depreciated using straight-line depreciation method over the remaining useful life of the related asset.

The estimated useful lifes are:
Vechiles 3-5 years

Taxes

The taxes recognised in the income statement include company's taxes accounted for on an accrual basis based on taxable income according to local tax regulations. Deferred taxes are not recognized in the parent company.

KOTKAMILLS GROUP OYJ

Notes to the parent company's financial statements

Notes to the statement of profit and loss	2018	2017
	€000	€000

1 Sales by segment

EU	720	709
Sales, total	**720**	**709**

2 Other operating income

Other operating income	5	0
Other operating income, total	**5**	**0**

3 Personnel expenses and number of employees

Personnel expenses in the income statement		
Wages and salaries	381	359
Pension costs	66	65
Other personnel expenses	5	-2
Personnel expenses, total	**452**	**422**

Wages and salaries paid by the Group to managing director during the reporting period.	**227**	**223**

No remuneration for the Board of Directors has been paid during the reporting period.

The number of employees at the end of the financial period		
Number of employees	2	2
At the end of period	**2**	**2**

4 Depreciation, amortisation, and impairments

Depreciation and amortisation according to plan	1	6
Depreciation and amortisation, total	**1**	**6**

5 Other operating expenses

Consulting services	28	38
Administrative services and facility services	13	20
Audit services	75	73
Insurance fees	9	14
Other operating expenses	76	77
Other operating expenses, total	**200**	**222**

Notes to the statement of profit and loss	2018 €000	2017 €000
5.1. Auditors' fees		
Ernst & Young Oy		
Audit fees	44	42
Tax consultancy	0	12
Other services	31	20
Audit fees, total	**75**	**73**
6 Financial income and expenses		
Other interest income		
From Group companies	15 675	15 675
Interest income, total	**15 675**	**15 675**
Interest expenses and other financial expenses		
To others	-15 560	-16 446
Interest expenses and other financial expenses, total	**-15 560**	**-16 446**
Financial income and expenses, total	**115**	**-771**
Net exchange gains (+) / losses (-) included in the financial items	**0**	**0**

KOTKAMILLS GROUP OYJ

Notes to parent company's financial statements

Notes to parent company's balance sheet		2018	2017
		€000	€000
	Non-current assets		
7	**Machinery and equipment**		
	Acquisition cost, beginning of period	31	31
	Disposals	-13	0
	Acquisition cost, end of period	18	31
	Accumuleted depreciation	-17	-11
	Depreciation	-1	-6
	Book value 31.12.	0	13
	Tangible assets, total	**0**	**13**
8	**Investments**		
	Shares in group companies		
	Acquisition cost 1.1.	39 653	39 653
	Acquisition cost 31.12.	39 653	39 653
	Book value 31.12.	39 653	39 653
	Investments, total	**39 653**	**39 653**
	Current assets		
9	**Long-term receivables**		
	Receivables from Group companies	190 000	190 000
	Total	190 000	190 000
	Long-term receivables, total	**190 000**	**190 000**
10	**Short-term receivables**		
	Receivables from Group companies		
	Accounts receivable	74	0
	Prepayments and accrued income	12 691	11 416
	Total	12 766	11 416
	Receivables from other companies		
	Prepayments and accrued income	15	18
	Yhteensä	15	18
	Short-term receivables, total	**12 781**	**11 435**
	Significant items included in prepaid and accrued income		
	Prepaid and accrued interest, Group	12 691	11 416
	Prepayments and accrued income	15	18
	Total	**12 706**	**11 435**

KOTKAMILLS GROUP OYJ

Notes to parent company's financial statements

Notes to parent company's balance sheet	**2018**	**2017**
	€000	€000
11 Equity		
Restricted equity		
Share capital 1.1.	80	80
Share capital 31.12.	80	80
Restricted equity, total	**80**	**80**
Non-restricted equity		
Reserve for invested non-restricted equity 1.1.	13 523	11 458
Increase	1 093	2 065
Increase, not registered	52	0
Reserve for invested non-restrictedequity 31.12.	14 668	13 523
Retained earnings 1.1.	-1 071	-352
Purchase of own shares	0	-1
Sale of own shares	0	63
Dividend paid	-90	-69
Retained earnings 31.12.	-1 161	-359
Profit (loss) for the financial year	187	-712
Non-restricted equity, total	**13 694**	**12 452**
Equity, total	**13 774**	**12 532**
Calculation of Distributable equity 31.12.		
Reserve for invested non-restricted equity	14 668	13 523
Retained earnings	-1 161	-359
Profit (loss) for the financial year	187	-712
Total	13 694	12 452
Non-restricted equity, total	**13 694**	**12 452**
12 Non-current liabilities		
From others		
Bond	40 186	55 184
Junior loan	20 719	20 356
Other liabilities		
Other non-current liabilities	145 979	133 689
Total	206 884	209 229
Non-current liabilities, total	**206 884**	**209 229**

Notes to parent company's balance sheet	2018	2017
	€000	€000
13 Current liabilities		
Liabilities to other parties		
Bond	15 000	15 000
Accounts payable	23	14
Other liabilities	36	38
Accruals	7 143	4 722
Total	22 202	19 774
Current liabilities, total	**22 202**	**19 774**
Significant items included in accruals		
Interest expenses	7 010	4 633
Accrued personnel expenses	113	80
Other accrued liabilities	20	9
Total	**7 143**	**4 722**

Notes	2018	2017
	€000	€000
Guarantees and contingent liabilities		
Liabilities guaranteed with a pledge		
Bond	105 000	105 000
Junior bond	20 000	20 000
Pledged assets (book value)		
Shares of Kotkamills Oy	39 653	39 653
Intercompany loan	175 000	175 000

SIGNATURES AND DATE OF FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Helsinki, March 21st , 2019

Hannu Puhakka
Chairman of the Board

Eero Niiva
Member of the Board

Kari Rytkönen
Member of the Board

Markku Hämäläinen
Managing Director

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Helsinki, March 21st, 2019

Ernst & Young Oy
Accounting firm

Kristina Sandin
Authorised Public Accountant

List of account books:

General journal and general ledger	CD
Ledger specifications	CD
Purchase ledger vouchers	CD
Sales ledger vouchers	CD
Memo vouchers	CD

Calculation of key ratios:

Equity ratio: 100x $\dfrac{\text{Equity + non-controlling interest}}{\text{Total assets - advances received}}$

Equity ratio, adjusted: 100x $\dfrac{\text{Equity + non-controlling interest + shareholder loan + junior term loan}}{\text{Total assets - advances received}}$