Building a better working world

Ernst & Young Oy
Alvar Aallon katu 5 C
FI-00100 Helsinki
FINLAND

Tel. +358 207 280 190
www.ey.com/fi
Business ID 2204039-6,
domicile Helsinki

Auditor's report

TRANSLATION

To the Annual General Meeting of Kotkamills Group Oy

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Kotkamills Group Oy (former Eagle Industries Oy) for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 8.2.2016

Ernst & Young Oy
Authorized Public Accountant Firm

Kristina Sandin
Authorized Public Accountant

Unofficial translation from Finnish

Kotkamills Group Oy

ANNUAL REPORT

13.2. - 31.12.2015

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BOARD OF DIRECTORS' REPORT

1. Significant events during the financial year

Kotkamills Group Oy (former Eagle Industries Oy, hereinafter "the Company") is a Finnish limited company founded on 5 February 2015 (registered on February 13, 2015). Kotkamills Group Oy and its subsidiaries form Kotkamills Group ("Kotkamills" or "the Group"). The reporting period for the Company's first financial statements was 13.2.-31.12.2015.

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 with production in Finland and Malaysia. Further, Kotkamills Oy has branches in Germany (Kotkamills Oy Filiale in Deutschland) and Spain (Kotkamills Oy - Branch Office in Spain). The Group is specialised in laminating papers, printing paper and wood products. The Group is organised into three operating segments, which are Consumer Boards, Industrial Products and Magazine Paper.

In March 2015, the Company acquired the entire share capital of Kotkamills Oy from the majority shareholder OpenGate Capital and from the minority shareholders. The acquisition resulted in a gain, negative goodwill, amounting to EUR 30,5 million as Kotkamills Oy's net assets of EUR 67,6 million exceeded the consideration paid of EUR 37,1 million. The gain has been recognised in other operating income and has no cash flow effect. The fair value allocations of the purchase price will increase depreciation and amortisation expenses in the consolidated financial statements in the following years, when the assets are depreciated and amortised according to the depreciation plan.

In accordance with IFRS standards assets acquired and liabilities assumed as part of a business combination are measured at fair value at the date of acquisition. The consideration paid by Kotkamills Group Oy was lower than the net assets acquired measured at fair value in accordance with IFRS due to moderate historical profit performance before the acquisition, risks related to industry - especially printing paper - and risks related to the planned conversion of the paper machine. The acquisitionrelated costs EUR 2,6 million were recognised as expenses and included in other operating expenses.

In April 2015, the Company announced the investment of more than EUR 140 million, needed to convert the paper machine from magazine paper to packaging boards. The capacity of the board machine will be 400 000 t/a, with the basis weight area of the end product being 150 – 500 g/m2. Primary products include a high-quality Nordic folding boxboard and recyclable barrier board for the food industry. By converting the paper machine product to packaging boards, Kotkamills Oy will secure its position as a globally significant manufacturer of forest industry products.

The Group's revenue totaled EUR 208,6 million in the reporting period 13.2.-31.12.2.2015. The operating profit was EUR 38,4 million (including NRI of EUR 30,5 million related to negative goodwill) and cash flow from operating activities was EUR 6,6 million. Cash flow from investing activities was EUR 88,5 million of which the largest investments were the acquisition of Kotkamills Oy's shares and conversion project of the paper machine.

Due to the Europe's weakening economic environment euro fell against US dollar during the financial year. Also geopolitical tensions remained tense and commodity prices, especially oil price, decreased.

The operating profit was impacted positively by exchange rates and decreased energy costs due to decreased oil price.

Demand of Industrial Products segment's laminating papers continued to stay at a good level. Economic uncertainty and geopolitical tensions were partly reflected in downstream converted products of the Industrial Products segment. Keen competition in printing papers was seen as decrease in Magazine Products sales prices. Consumer Boards had no deliveries during the financial year.

2. Structural and financial arrangements

The Shareholder of Kotkamills Group made on 23 February 2015 a decision to issue a total of 8 997 500 class A shares, with a subscription price of 1,00 euros per share. The share issue was issued as follows:

Issuer	**Number of class A shares**
Elo Mutual Pension Insurance Company	**957.500**
Finnish Industry Investment Ltd	957.500
Nordic Mezzanine Fund III L.P.	1.915.000
MB Equity Fund IV Ky	5.167.500
Total	**8.997.500**

The issuance of the shares had a financial reason for the company as referred in the Limited Liability Companies Act chapter 9, section 4(1) due to required capital for the Company to expand its operations. All the shares were subscribed and paid on March 13, 2015 in accordance with the terms and conditions of the Share Issue. The subscription price of the shares was fully credited to the reserve for invested unrestricted equity. After the Share Issue, the Company had 9.000.000 shares.

At the same date, the Shareholder authorised the Board of Directors to issue maximum 1.000.000 new class B shares. By virtue of the authorisation, the Board of Directors is authorised to deviate from the pre-emptive right of the shareholders and transfer shares to the Company's or the Subsidiaries' key management as part of the incentive plan. The authorisation is valid for an indefinite period.

The Board of Directors decided on 18 February 2015 to issue a senior secured callable bond of EUR 105 million at the maximum. The bond was issued 13 March 2015 and EUR 105 million was subscribed.

Shareholder and issuers of the directed share issue on February 23, 2015 signed a shareholders' agreement on 23 February 2015.

On February 18, 2015, the Board of Directors made a decision to approve a shareholders' loan agreement of EUR 86 million in accordance with terms and conditions of the loan agreement. The shareholder loan was fully disbursed on February 23, 2015.

On February 18, 2015, the Board of Directors made a decision to approve a loan agreement for a Junior bond of EUR 20 million in accordance with terms and conditions of the loan agreement. In accordance with the agreement, the loan is to be disbursed at the latest on September 13, 2016. The loan has not been disbursed at the balance sheet date.

The Kotkamills Group Oy became the parent company on 24 March 2015, when the Company acquired the entire share capital of Kotkamills Oy from the majority shareholder OpenGate Capital and from the minority shareholders.

On 24 March 2015, the Board of Directors made a decision to issue 500.000 class B preference shares and on 8 July 2015 to issue 480.000 class B preference shares with a issue of new shares deviating from the shareholders' pre-emptive subscription rights. The share issue was directed for the Company's key management. The subscription price of all shares was EUR 1,00 per share. All the shares were subscribed and were paid in accordance with the terms and conditions of the issue at the latest on July 31, 2015. The subscription price of the shares was fully credited to the reserve for invested unrestricted equity.

3. Significant events after reporting date

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

4. Outlook for 2016

The revenue and the profit for the first half-year will decrease due the production stop of the magazine paper production in January and the investment shutdown until June 2016. The production of packaging board is expected to start in June 2016.

Market of other businesses is expected to be at least at the same level as in the current year, but ongoing weakening economic environment in Europe and geopolitical tensions may have weakening impact on demand.

Also weakened euro and decreased oil price is expected to support the Company's performance, but possible increases in raw material prices could adversely impact the Group's profit development.

5. Research and development

The Group focused in 2015 especially on folding boxboard and barrier board as well as laminating paper and its converted products. Expenditure on research and development (R&D) in 2015 was EUR 350 thousand, equivalent to 0,2% of sales.

6. Risk review

Competition and changes in demand and supply of paper, board and wood products can impact the Group's profitability. 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 purchases and sales as well as liabilities and assets of the foreign subsidiary translated into euros.

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, 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 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.

One of the Group's most significant balance sheet items is trade receivables. The credit risk of trade receivables is managed according to the Group's credit policy and efficient debt collection. The risk related to receivables is reduced by broadly segmented customer base and customers that operate in various, different geographic areas. A part of the Group's receivable position is also hedged with credit insurance.

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.

Timetables, expenses, suppliers, marketing and sales risks related to the investment in the board machine can weaken the Group's profitability. These risks are controlled by careful supplier selection as well by planning and monitoring the project. The investment project is separately insured by a property damage and business interruption insurance.

7. Key performance indicators

The first reporting period for Kotkamills Group covers the period of 13.2.-31.12.2015. Therefore no comparative information is presented.

The Group recognized a gain, i.e. negative goodwill, of EUR 30,5 million on the acquisition of Kotkamills Oy. The gain has been recognised in other operating income.

	GROUP 2015
Sales, EUR million	208,6
EBITDA, EUR million	47,5
Operating profit, EUR million	38,3
Operating profit of Sales (%)	18,4
Return on equity (%)	122,4
Equity ratio (%)	13,1
Equity ratio, adjusted (%)*	44,3

*Equity includes shareholder loans

8. Personnel

Figures related to personnel are:

	GROUP 2015
Average personnel	576
Wages and Salaries (EUR million)	29,1

9. Environment

Kotkamills Group has complied with the requirements of environmental legislation. The Company will publish a separate environmental report, which will be available on the Company's Internet site.

	GROUP 2015
Expenditure, EUR million	1,8
Depreciation and amortisation, EUR million	0,04
Total environmental costs, EUR million	1,9
Environmental investments , EUR million	0,01

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

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 that the subscription price was paid, resulting in a total dividend amount of 30 647 euros.

11. Share capital and shareholders

The Company's number of shares is 9.980.000 shares corresponding to carrying amount of 9.980.000 euros.

Kotkamills Group has two classes of shares, class A and class B. Each class A and class B share is assigned with one vote in the Annual General Meeting. Maximum number of shares is 10.000.000 shares. 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 Oy's fully paid and registered share capital is 2500 euros.

12. Foreign subsidiaries and branches

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

Kotkamills Oy owns 100 % of the shares in subsidiary L.P. Pasific Films Sdn. Bhd. located in Maleysia.

In addition, Kotkamills Oy has branches in Germany; Kotkamills Oy Filiale in Deutschland, Spaldingstraße 218, 20097 Hamburg, registration number 115516; and in Spain; Kotkamills Oy - Branch Office in Spain, registration number W0321811B, Cr.Pau Claris, 172 5º 2 A, 08037 Barcelona.

13. The Company's organisation, management and audit

In the incorporation meeting of Kotkamills Group on 5 February 2015 Oy Hannu Puhakka, Eero Niiva and Kari Rytkönen were appointed as board members. Hannu Puhakka has acted as the Chairman of the Board.

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 13.2.-31.12.2015

	Note	2015 €000
Revenue	3	**208 594**
Other operating income	7	**30 919**
Change in inventories of finished goods and work in progress		2 102
Production for own use		594
Materials and supplies		-133 825
Employee benefit expenses	9	-28 958
Depreciation and amortisation	13,14	-5 443
Impairment	17	-363
Other operating expenses	8	-35 191
Total expenses		**-201 085**
Operating profit		**38 428**
Financial income	10	5 145
Financiel expenses	10	-15 563
		-10 418
Profit before taxes		**28 010**
Income taxes	12	-273
Deferred taxes	12	937
Profit (loss) for the period		**28 674**

Consolidated statement of other comprehensive income

For the period 13.2.-31.12.2015

	Note	2015 €000
Profit (loss) for the period		**28 674**
Other comprehensive income items:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Translation differences		-863
Net other comprehensive income to be reclassified to profit or loss in subsequent periods after taxes	11	**-863**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
Actuarial gains (+) / losses (-) on defined benefit plans		93
Income taxes		-18
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods after taxes	11	**75**
Other comprehensive income for the period, net of tax		**-788**
Total comprehensive income for the period, net of tax		**27 886**

Consolidated statement of financial position

31.12.2015

		2015
Assets	**Note**	**€000**
Non-current assets		
Property, plant and equipment	13	85 915
Other intangible assets	14	16 432
Investments		20
Non-current financial assets	15	526
		102 893
Current assets		
Inventories	17	39 971
Trade and other receivables	18	41 144
Other financial assets	15	1 698
Cash	19	103 157
		185 970
Total assets		**288 863**

Consolidated statement of financial position

31.12.2015

		2015
Equity and liabilities	**Note**	**€000**
Equity		
Share capital		3
Reserve for invested non-restricted equity		9 978
Retained earnings		27 886
Total equity		**37 866**
Non-current liabilities		
Interest bearing loans and borrowings	15	185 985
Other non-current financial liabilities	15	63
Provisions	21	133
Pension obligations	22	712
Deferred tax liabilities	12	845
		187 738
Current liabilities		
Trade and other payables	23	52 910
Interest bearing liabilities	15	7 052
Other current financial liabilities	15	3 297
		63 259
Total liabilities		**250 998**
Total shareholders' equity and liabilities		**288 863**

Consolidated statement of changes in equity
31.12.2015

€000	Share capital	Reserve for invested non-restricted equity	Retained earnings	Total equity
Equity as at 24.3.2015	3	8 998	0	9 000
Other compehensive income				
Profit (loss) for the period	0	0	28 674	28 674
Other compehensive income items (net of tax)				
Translation differences	0	0	-863	-863
Actuarial gains (+) / losses (-) on defined benefit plans	0	0	75	75
Total comprehensive income	**0**	**0**	**27 886**	**27 886**
Transactions with shareholders				
Share issue	0	980	0	980
Total transactions with shareholders	**0**	**980**	**0**	**980**
Equity as at 31.12.2015	**3**	**9 978**	**27 886**	**37 866**

Consolidated statement of cash flows

For the period 13.2.-31.12.2015

	2015
	€000
Cash flows from operating activities	
Profit (loss) for the period	28 010
Adjustments:	
Transactions without payments	752
Depreciation	5 443
Interest expenses and other financial expenses	15 563
Interest income	-5 145
Defined benefit plans, net	28
Other	-38 205
	-21 564
Change in working capital:	
Change in trade and other receivables	1 345
Change in inventories	-1 284
Change in trade and other payables	8 831
Interests, paid	-6 549
Interests, received	187
Other payments	-2 111
Taxes, paid	-273
	146
Net cash flows from operating activities (A)	**6 593**
Cash flows from investing activities	
Acquisition of subsidiaries, net of cash	-32 815
Investments in property, plant and equipment	-55 662
Net cash flows from investing activities (B)	**-88 477**
Cash flows from financing activities	
Paid share capital	3
Proceeds received related to share issue	9 978
Proceeds from loans and borrowings	191 000
Repayment of loans and borrowings	-15 648
Repayment of financial leases	-291
Net cash flows from financing activities (C)	**185 041**
Change in cash (A+B+C)	103 157
Cash and short term deposits at the end of period	**103 157**

Notes to the consolidated financial statements

1. Accounting policies for the consolidated financial statements

GENERAL INFORMATION

Kotkamills Group Oy is a limited company founded under Finnish legislation which domicile is Helsinki, registered address c/o MB Rahastot Oy Bulevardi 1 A 00100 Helsinki and business-ID 2673676-1. Kotkamills Group Oy and its subsidiaries form Kotkamills Group (hereinafter “Kotkamills” or “the Group”).

Kotkamills is a Finnish forest industry group with production in Finland and Malaysia. In addition, Kotkamills Oy has branches in Germany (Kotkamills Oy Filiale in Deutschland) and Spain (Kotkamills Oy - Branch Office in Spain). The Group is specialised in laminating papers, printing paper and wood products.

The consolidated financial statements of Kotkamills Group Oy for the period ended December 31, 2015 were authorised for issue by the Board of Directors at the meeting held February 5, 2016. According to the Finnish Companies Act, shareholders have 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 is 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 International Financial Reporting Standards (IFRS) and in compliance with IAS and IFRS standards and SIC and IFRIC Interpretations effective on December 31, 2015. In accordance with 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 Oy (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 from the majority shareholder OpenGate Capital and from the minority shareholders. The first reporting period for Kotkamills Group covers the period of 13.2.-31.12.2015, and hence does not cover 12 months.

SUBSIDIARIES

The consolidated financial statements include the financial statements of the parent company Kotkamills Group Oy 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 the 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 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 acquire 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 assess 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 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

Fair value of the consideration received from sale of goods adjusted with indirect taxes, rebates and foreign currency sales translation differences is presented as net sales. Revenue is recognised when the significant risks and rewards of ownership are transferred to the buyer, and the Group has no longer control over the good. In practice, revenue is recognised at the time the Group transfers the good to the customer in accordance with the delivery terms.

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's financial assets are classified in the following categories: financial assets recognised at fair value through profit and loss, loans and other.

Classification is based on the purpose of the acquired financial assets at the initial recognition. The Group recognises a financial asset when it becomes a party to the contractual provisions. All purchases and sales of financial assets are recognised at the settlement date. A financial asset is derecognised when the contractual rights to the cash flows of the financial asset expire or the Group transfers the risks and rewards of ownership of the financial asset outside the Group.

All financial assets are measured at fair value at the initial recognition. Transaction costs directly attributable to the acquisition of a financial asset are included in initial carrying amount of the financial asset when the item is not measured at fair value through profit and loss. Transactions costs related to financial assets recognised at fair value are expensed immediately through profit and loss.

Financial assets measured at fair value through profit and loss are held for sale financial assets or derivatives, which does not fulfil the hedge accounting requirements of IAS 39. The Group has classified foreign currency and commodity derivatives relating to operating activities and for which the Group does not apply IAS 39 hedge accounting as financial assets measured at fair value through profit and loss. After the initial recognition, the Group measures derivatives at the fair value. Derivatives are classified as non-current assets, when their maturity is more than 12 months and as current receivables, when the maturity is less than 12 months. Derivatives can also be liabilities and the accounting principles are specified below under "Financial liabilities".

Loans and other receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market or which the Group does not hold for purpose of selling or particularly classify those at the initial recognition as available-for-sale. The Group has classified trade receivables and cash and cash equivalents to this category. These are measured at amortised cost. They are included in the balance sheet according to their nature in current or non-current assets: latter if they mature over 12 months after the reporting period.

Impairment of financial assets

The Group assesses at the end of each reporting period, whether there is objective evidence that a financial asset measured at acquisition cost is impaired. The financial asset is considered to be impaired when the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognised through profit and loss.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, deposits or liquid money market investments with an initial maturity of three months or less. They are measured at cost and related income is recognised in financial income.

Financial liabilities

The Group's financial liabilities are classified in two categories: financial liabilities at fair value recognised through profit and loss and financial liabilities measured at amortised cost.

Financial liabilities are recognised at the settlement date. Financial liabilities are classified as non-current liabilities if their maturity is more than 12 months after the reporting period and as current liabilities if they mature less than 12 months after the reporting period.

Financial liabilities are derecognised when contractual obligations expire or liabilities are transferred outside the Group.

Foreign currency and commodity derivatives relating to operating activities, which does not fulfil the hedge accounting requirements of IAS 39, are classified as financial liabilities measured at fair value through profit or loss. When the Group becomes contractual party, derivative liabilities are recognised at the inception at their fair values. After the initial recognition derivatives are also measured at fair value.

Financial liabilities recognised at amortised cost are initially measured at fair value. Transaction costs incurred at subscription of a loan are included in the initial carrying amount. Subsequent measurement is made at amortised cost using the effective interest rate method.

Derivatives and hedge accounting

Derivatives are accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* – standard. The Group has classified all derivatives as held for trading, since it does not apply IAS 39 hedge accounting. Held-for-trading derivatives are foreign currency and commodities derivatives measured at fair value. The fair value of derivatives is recognised as other non-current and current assets and liabilities. Changes in the fair values and unrealised and realised gains and losses are recognised in financial items during the financial period in which they incur.

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 the note 7. Other operating income.

NEW IFRS STANDARDS

IASB has published the following new or amended standards and interpretations, which the Group has not yet adopted:

IFRS 15 Revenue from contracts with customers

In May 2014 IASB issued the standard IFRS 15 Revenue from contracts with customers. New standard will replace current revenue related standards, IAS 18 Revenue and IAS 11 Construction contracts. IFRS 15 includes five-step revenue recognition model. The revenue is recognised when the customer obtains control of a good or service. The customer obtains control when it has the ability to direct the use of the good or services and receive the remaining benefits from it. The core principle is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity is expects to be entitled in exchange for those goods or services. The revenue recognition model includes significantly more detailed instructions than current standards IAS 11 and IAS 18. Also extensive disclosures are required. The standard will apply to financial periods beginning on or after 1 January 2018. The Group is assessing the impact of IFRS 15 on the consolidated financial statements.

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 standard is effective for financial periods beginning on or after 1 January 2018. The Group is assessing the impact of IFRS 9 on the consolidated financial statements.

IFRS 16 Leases

In January 2016 IASB issued new leasing standard, IFRS 16 Leases. 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 lease payments are divided into depreciation and interest expense. Accounting requirements for a lessor do not contain significant changes. Also additional disclosures are required. IFRS 16 is effective for financial periods beginning on or after 1 January 2019 and early adaptation is permitted. The EU has not yet endorsed the standard. The Group is assessing the impact of IFRS 16.

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.

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:

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 22. 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.

Notes to the consolidated financial statements

3. Segment information

The Group is organised into three 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 three reportable segments:

- Consumer Boards: Consumer Boards will provide renewable and fiber-based packaging materials for consumer boards. Conversion of the board machine that will produce these products has started and production is planned to begin in June 2016.
- Industrial Products: Industrial Products produces laminates and converted forms of laminating paper as well as wood products for construction and transportation industry.
- Magazine Paper: Magazine Paper delivers printing paper with a matt finish to publishers, printing houses and wholesalers. According to the plan the production of printing paper will be discontinued at the beginning of 2016 and the paper machine product will be converted from magazine paper to packaging boards.

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

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.

2015	**Consumer Boards**	**Industrial Products**	**Magazine Papers**	**Adjust-ments**	**Total**
	€000	**€000**	**€000**	**€000**	**€000**
Revenue					
External customers	0	142 359	61 995	0	204 354
Inter-segment	0	3 789	223	-4 012	0
Total revenue	**0**	**146 148**	**62 219**	**-4 012**	**204 354**
Depreciation and amortisation	-2	-1 315	-636	0	-1 953
Segment operating profit	**-1 039**	**16 670**	**-2 448**	**0**	**13 183**

Reconciliation of revenue

	2015
Revenue	**€000**
Total segment revenue	204 354
Items not allocated to segments	
Sales of energy	1 739
Exchange differences	-745
Total unallocated items	994
IFRS adjustments	3 247
Group's total operating profit	**208 594**

Reconciliation of profit

	2015
Operating profit	**€000**
Segment operating profit	13 183
Items not allocated to segments	
Unallocated administrative expenses	-452
Unallocated non-recurring items related to the business combination	-2 574
Total unallocated items	-3026
Gain from bargain purchase	30 514
Other IFRS adjustments	-2 243
Group's total operating profit	**38 428**

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.

2015	**Revenue**
	€000
Finland	18 795
Germany	25 057
France	12 223
The UK	12 136
Italy	11 428
Japan	10 319
Other countries	118 636
Total	**208 594**

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 covenants. 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 loan and divided by total assets. The Group's policy is to keep the adjusted equity ratio above 30%.

		Financial covenants
	Equity ratio	**Equity ratio, adjusted**
	2015	**2015**
	€ 000	**€ 000**
Equity	37 866	37 866
Added: shareholder loan		89 970
Total	**37 866**	**127 836**
Total assets	**288 863**	**288 863**
Equity ratio	**13,1 %**	**44,3 %**

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 covenants. The equity ratio defines the capital structure requirements. Breaches in meeting the financial covenants would enable the creditor to immediately call loans and borrowings. There have been no breaches of the financial covenants of 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 % 31.12.2015	Parent company
Kotkamills Oy	Production of laminating paper and impregnated products, printing papers and wood products	Finland	100 %	Kotkamills Group Oy
L.P. Pasific Films Sdn. Bhd.	Production of impregnated products	Maleysia	100 %	Kotkamills Oy

Kotkamills Group Oy owns 100 % of Kotkamills Oy's shares. Kotkamills Oy owns 100 % of the shares of subsidiary L.P. Pasific Films Sdn. Bhd. located in Maleysia.

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

Entities which have significant influence over the Group

Entity MB Equity Fund IV Ky owns 51,80 % of the shares of Kotkamills Group Oy.

Notes to the consolidated financial statements

6. Business combinations

Acquisitions 2015

Kotkamills Group Oy (former Eagle Industries Oy) was established 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 from the minority shareholders. Kotkamills Oy manufactures laminating base papers and converted forms of laminating paper, magazine papers as well as wood products.

The consideration EUR 37 079 thousand was paid in cash. The agreement includes a contingent consideration, which arises from the Seller's and former owner's dispute regarding the terms and conditions of the former acquistion in relation to certain voluntary pension obligations. Kotkamills Oy is a counterparty to the dispute. Because the contingent consideration cannot be reliably measured and on the possible consideration paid to Kotkamills Oy gives the seller a right to an additional purchase price equal to the amount of consideration paid to Kotkamills Oy, the contingent consideration or asset has not been recognised as acquired assets nor liabilities at the acquisition date.

Acquired assets and liabilities

The fair values of acquired assets and liabilities at the acquisition date:

	Fair value
Assets	**€000**
Tangible assets (Note 13)	31 270
Cash	4 264
Accounts receivables	29 999
Inventories	38 686
Other intangible assets	18 511
Other current receivables	13 047
Total assets	**135 777**
Liabilities	
Accounts payables	26 154
Provisions	840
Other current liabilities	39 521
Deferred taxes (Note 12)	1 670
Liabilities total	**68 184**
Gain from bargain purchase	-30 514
Consideration transferred	**37 079**

The fair value of the trade receivables amounts to EUR 29 999 thousand. The gross amount of trade receivables is EUR 30 161 thousand of which EUR 162 thousand is not expected to be collected.

The deferred tax liability mainly comprises of the tax effect of the fair value measurements of tangible assets, other intangible assets and inventories.

The acquisition resulted in a gain, negative goodwill, amounting to EUR 30 514 thousand as Kotkamills Oy's net assets of EUR 67 594 thousand exceeded the consideration paid of EUR 37 079 thousand. The gain has been recognised in other operating income.

The consideration paid by Kotkamills Group Oy was lower than the net assets acquired measured at fair value due to moderate historical profit performance before the acquisition, risks related to industry - especially magazine paper - and risks related to the planned conversion for paper machine.

Acquisition-related costs EUR 2 574 thousand were recognised as expenses and included in other operating expenses.

Notes to the consolidated financial statements

7. Other operating income

	2015
	€000
Rental income	85
Government grants	135
Insurance claims	88
Sale of services	19
Negative goodwill	30 514
Other income items	78
Total	**30 919**

Government grants

The Group has received grants associated with occupational health care costs from the Social Insurance Institution. There are no unfulfilled conditions or contingencies attached to these grants. The total amount of government grants during the period is EUR 110 thousand.

Notes to the consolidated financial statements

8. Other operating expenses

	2015
	€000
Rental expenses	655
Shipping expenses of the products	23 287
Sales comissions	2 390
Administration and office services	3 260
Insurance payments	596
Other expenses	5 003
Total other operating expenses	**35 191**

Fees to the auditors

	2015
	€000
Audit	40
Tax consultation	4
Other services	462
Total	**506**

Notes to the consolidated financial statements

9. Employee benefit expenses

	2015
	€000
Wages and salaries	23 419
Pension expenses, defined contribution plans	4 201
Pension expenses, defined benefit plans	19
Other social security costs	1 319
Total	**28 958**

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

	2015
Consumer Boards	17
Industrial Products	330
Magazine Papers	109
Common operations	120
Total	**576**

The defined benefit pension plan is described more in detail in the note 22. 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 370 thousand of service retention reserve has been recognised in the balance sheet.

Notes to the consolidated financial statements

10. Financial income and expenses

Financial income	**2015**
	€000
Changes in fair values of financial items recognised through profit and loss	
Foreign currency derivatives	3557
Commodity derivatives	1577
Other financial income	11
Total financial income	**5 145**

Financial expenses	
Interest expenses from financial liabilities measured at fair value through profit and loss	8 002
Changes in fair values of financial items recognised through profit and loss	
Foreign currency derivatives	3 344
Commodity derivatives	1 999
Other financial expenses	2 218
Total	**15 563**
Capitalised borrowing costs of qualifying asset	1 457
Total financial expenses	**17 020**

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 2015 reporting period. The information regarding the derivatives is presented in the note 15. Financial assets and liabilities.

The foreign currency exchange rate differences are recognised in income statement's other operating income and expenses. The exchange rate differences recognised through profit and loss total to EUR 179 thousand in 2015.

Other financial income and expenses consists of indirect taxation's tax-free interest income and other income of total EUR 11 thousand, interest on arrears EUR 80 thousand and financing expenses relating to bond EUR 1 829 thousand.

Notes to the consolidated financial statements

11. 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:

	2015
	Recognised to other comprehensive income items
	€000
Actuarial gains (+) / losses (-) on defined benefit plans	75
Translation differences	-863
Total	**-788**

The taxes related to other comprehensive income items are presented in the note 12. Income taxes.

Notes to the consolidated financial statements

12. Income taxes

Consolidated statement of profit or loss	**2015**
	€000
Current income tax charge	-273
Deferred taxes	937
Total	**664**

Consolidated statement of other comprehensive income

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

	2015
	€000
Actuarial gains (+) / losses (-) on defined benefit plans	-19
Total	**-19**

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

	2015
	€000
Profit before taxes	28010
Tax calculated at parent's tax rate 20%	5602
Effect of different tax rate in the foreign subsidiary	-125
Tax-exempt income	-43
Non-deductible expenses for tax purposes	8
Utilisation of previously unrecognised tax losses	-83
Other temporary differences	-5632
Income tax expense reported in the statement of profit or loss	-273

Deferred taxes

	Consolidated statement of financial position	Consolidated statement of profit or loss
Deferred tax assets	**2015**	**2015**
	€000	**€000**
Excess of depreciation made in taxation	2283	-16
Defined benefit plans	216	13
Provisions	37	37
Unused tax losses	1760	0
Other temporary differences	1034	111
Deferred tax expense (/benefit)		**145**
Total deferred tax assets	**5331**	

Deferred tax liabilities	**2015**	**2015**
	€000	**€000**
Capitalised borrowing costs	291	291
Purchase price allocation	5 698	-1 373
Other temporary differences	187	0
Deferred tax expense (/benefit)		**-1 082**
Total deferred tax liabilities	**6 176**	

Net deferred tax liabilities /(assets)	845
Reflected in the statement of financial position as follows:	6 176
Deferred tax assets	5 331
Deferred tax liabilities	-6 176
Total	**-845**

Reconciliation of deferred tax liabilities, net	**2015**
	€000
Deferred tax liabilities (/assets) at the beginning of the financial period	**0**
Tax income/(expense) recognised in profit or loss	937
Deferred taxes acquired in business combinations	-1670
Exchange rate differences	-112
Deferred tax liabilities at the end of the financial period	**-845**

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 unsed tax losses of EUR 3 651 thousand available until 2019 and EUR 5 149 thousand available until 2021 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.

Notes to the consolidated financial statements

13. 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						
13.2.2015	0	0	0	0	0	0
Additions	0	106	1 570	55 881	0	57 557
Business combinations	759	2 423	27 800	182	384	31 548
Transfers	0	0	2 360	-2 360	0	0
31.12.2015	**759**	**2 529**	**31 730**	**53 703**	**384**	**89 105**
Depreciation and impairment						
13.2.2015	0	0	0	0	0	0
Depreciation charge for the year	0	117	2 677	0	65	2 859
Exchange rate differences	0	186	145	0	0	331
31.12.2015	**0**	**303**	**2 822**	**0**	**65**	**3 190**
Carrying amount						
31.12.2015	**759**	**2 227**	**28 908**	**53 703**	**319**	**85 915**

The financing expenses relating to the paper machine investment started during 2015 are capitalised as a part of the acquisition cost and depreciated during the useful life. The loan has been raised to finance the investment and the realised borrowing costs have been capitalised. The capitalised borrowing costs totals to EUR 1 457 thousand during the year 2015 and are included in the balance sheet’s line item Advance payments and construction in progress. The capitalisation rate of 7,53 is used in determining the capitalised borrowing costs. Construction of the production line is expected to be completed in 2016.

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:

	Buildings and constructions	**Machinery and equipment**	**Total**
31.12.2015	**€000**	**€000**	**€000**
Acquisition cost	0	1 211	1 211
Accumulated depreciation	0	292	292
Carrying amount	**0**	**919**	**919**

Additions to acquisition cost of property, plant and equipment through financial leases totals to EUR 243 thousand during 2015.

Notes to the consolidated financial statements

14. Intangible assets

	Customer relationships	Trademarks	Emission allowances	Other intangible assets	Total
	€000	**€000**	**€000**	**€000**	**€000**
Acquisition cost					
13.2.2015	0	0	0	0	**0**
Additions	0	0	667	130	**797**
Business combinations	12 403	3 956	651	1 209	**18 219**
31.12.2015	**12 403**	**3 956**	**1 319**	**1 339**	**19 017**
Amortisation and impairment					
13.2.2015	**0**	**0**	**0**	**0**	**0**
Depreciation charge for the year	1 240	396	756	193	**2 584**
31.12.2015	**1 240**	**396**	**756**	**193**	**2 584**
Carrying amount					
31.12.2015	**11 162**	**3 561**	**563**	**1 146**	**16 432**

Other intangible assets includes software and licences.

Notes to the consolidated financial statements

15. Financial assets and liabilities

Financial assets	**2015** **Carrying amount**	**Fair value**
	€000	**€000**
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Foreign currency derivatives	556	556
Commodity derivatives	1 142	1 142
Total	**1 698**	**1 698**
Total financial assets at fair value through profit or loss	**1 698**	**1 698**
Loans and other receivables		
Trade receivables	26 190	26 190
Cash	103 157	103 157
Total	**129 347**	**129 347**
Total financial assets	**132 744**	**132 744**
Total non-current		
Non-current financial assets	**526**	

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, heavy fuel oil (FO 1%) and electricity year and quarter 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	2015	
	Carrying amount	Fair value
	€000	€000
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Foreign currency derivatives	425	425
Commodity derivatives	1 619	1 619
Total	**2 045**	**2 045**
Financial liabilities measured at amortised cost		
Bond	103 067	103 067
Shareholder loan	89 970	89 970
Trade payables	36 329	36 329
Total	**229 366**	**229 366**
Total financial liabilities	**231 411**	**231 411**
Financial liabilities held for trading	63	63
Bond	96 014	96 014
Shareholder loan	89 970	89 970
Total non-current	**186 048**	**186 048**
Financial liabilities held for trading	1 982	1 982
Bond	7 052	7 052
Trade payables	36 329	36 329
Total current	**45 363**	**45 363**

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, heavy fuel oil (FO 1%) and electricity year and quarter 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	2015 Loan principal
	%		€000
Non-current interest bearing loans and borrowings			
Finance lease liabilities	2,89 %	2017-2020	607
Bond	8,81 %	2 020	97 500
Shareholder loan	6,00 %	2 025	86 000
Total non-current interest bearing loans and borrowings			184 107
Current interest bearing loans and borrowings			
Bond	8,81 %	13.9.2016	7 500
Total current interest bearing loans and borrowings			7 500
Total interest bearing loans and borrowings			191 607

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 Oy. 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.

Shareholder loan

Total of shareholder loan EUR 86 million has been borrowed from Kotkamills Group Oy's shareholders. Interest of 6 per cent per annum is paid on principal of the loan. Maturity of the bond is until 2025.

Junior bond

Junior bond amounting to EUR 20 million is loan from Kotkamills Group Oy's shareholders and other investors. The loan has not been disbursed at the financial statement date.

Fair value measurement

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.

31.12.2015	Hierachy 1	Hierachy 2	Hierarchy 3	Total
	€000	€000	€000	€000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Foreign currency derivatives	0	556	0	**556**
Commodity derivatives	0	1 142	0	**1 142**
Total financial assets measured at fair value	**0**	**1 698**	**0**	**1 698**
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Foreign currency derivatives	0	425	0	**425**
Commodity derivatives	0	1 619	0	**1 619**
Total financial liabilities measured at fair value	**0**	**2 045**	**0**	**2 045**

There were no significant transfers between Level 1 and Level 2 during 2015.

Finance lease liabilities

Finance lease liabilities mature as follows:

	2015
	€000
Within one year	386
Between one and five years	607
Total minimum lease payments	993
Future finance charges	-37
Present value of minimum lease payments	**956**

Present value of minimum lease payments:

	2015
	€000
Within one year	367
Between one and five years	590
Total present value of minimum lease payments	**956**

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

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 flucutate 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 flucutate 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.

At 31 December 2015 100% of the Group's loans were fixed rate.

Foreign currency risk

The foreign currency risk is the risk that the fair value of future cash flows of an exposure will flucutate 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.

32 % of the Group companies' sales and 3% 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 foregin curreny rates is not material.

	Change in EUR/USD currency rates	Effect on profit before tax	Effect on pre-tax equity
	%	€000	€000
31.12.2015	10 %	1 043	1 043
	-10 %	-1 002	-1 002

	Change in EUR/GBP currency rates	Effect on profit before tax	Effect on before tax equity
	%	€000	€000
31.12.2015	10 %	-133	-133
	-10 %	62	62

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 34 % of the electricity consumptions in the following 12 months and 27 % of the electricity production in the following 12 months and 15 % of pulp purchases. 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 oil risk is hedged with a price hedge instrument of natural gas distribution in addition to commodity derivatives.

The below table presents the impact to the before tax profit 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
	2015
	€000
Electricity commodity derivative	823
Pulp commodity derivative	401
Oil commodity derivative	25
Total	**1 249**

Credit risk

Credit risk is a risk 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 20,8%. The proportion of insured trade receivables at the reporting date is 68,3% after considering the own liability. Trade receivables with payment terms limiting the customer risk at the reporting date is 10,9%.

The impairment of outstanding trade receivables is assessed at each reporting period. During the reporting period, eur 163 108 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 18. 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 A credit rating.

The Group’s maximum exposure to credit risk through balance sheet items at 31 December 2015 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 2015 approximately 4% 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:

	31.12.2015
	€000
Undisbursed loans	20 000
Cash at bank	103 157
Total	**123 157**

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).

31.12.2015	**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	4 331	11 831	22734	96 422	0	135 319
Shareholder loan	0	0	0	0	0	137 642	137 642
Finance leases	0	100	267	291	299	0	957
Trade and other receivables	0	52 910	0	0	0	0	52 910
Derivative contracts	0	484	1 497	63	0	0	2 045
	0	**57 825**	**13 595**	**23 088**	**96 721**	**137 642**	**328 872**

Notes to the consolidated financial statements

17. Inventories

	2015
	€000
Materials and supplies	15 424
Work in progress	670
Finished goods	23 877
Total	**39 971**

During the reporting period, EUR 363 thousand of inventory impairment charge was recognised in profit or loss and presented in 'Impairment' in the income statement. Impairment loss is included in Magazine Paper segment. Impairment was recognised due to paper machine clothing which cannot be utilised.

Notes to the consolidated financial statements

18. Trade and other receivables

	2015
	€000
Trade receivables	26 190
Accrued income	7 285
Other receivables	7 669
Total	**41 144**

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.

The Group has recognised total amount of EUR 163 108 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 68,3 % at year-end. Trade receivables with payment term limiting the customer risk amount to 10,9% at the reporting date. The Group does not obtain collaterals to other receivables.

The ageing analysis of trade receivables is as follows

	2015
	€000
Not due	23 351
Due	
< 30 days	2 313
30-60 days	208
61-90 days	291
> 90 days	26
Total	**26 190**

Note 16. 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

19. Cash

	2015
	€000
Cash at banks and on hand	103 157
Total	**103 157**

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:

	2015
	€000
Cash at banks and on hand	103 157
Cash	**103 157**

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

20. 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**
13.2.2015	3	0	3	3	0	**3**
Issuance of share capital	8 998	980	9 978	0	9 978	**9 978**
Purchase of own shares	0	0	0	0	0	**0**
31.12.2015	**9 000**	**980**	**9 980**	**0**	**9 978**	**9 980**

Kotkamills Group 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 10.000.000 shares. Shares do not have a nominal value. The shares have a redemption clause. Kotkamills Group Oy's fully paid and registered share capital is EUR 2 500.

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.

Share issues

On 23 February 2015, the Company decided on a directed share issue to issue a total of 8 997 500 class A shares. On 24 March 2015, the Company made a decision to issue 500.000 class B preference shares and on 8 July 2015 to issue 480.000 class B preference shares with a directed share issue. The subscription price of all shares was EUR 1,00 per share.

Dividend

During 2015, the Company has not distributed any dividends. 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 30 647.

Notes to the consolidated financial statements

21. Provisions

	Tax provision	Obligation to buy emission allowances	Unemployment insurance liability component	Total
	€000	**€000**	**€000**	**€000**
13.2.2015	0	0	0	**0**
Provisions in the business combination	0	471	369	**840**
Provisions arising during the year	15	0	0	**15**
Utilised provisions	0	0	-250	**-250**
Reversal of unused provisions	0	-471	0	**-471**
31.12.2015	**15**	**0**	**119**	**133**
Non-current provisions	0	0	119	**119**
Current provisions	15	0	0	**15**
Total	**15**	**0**	**119**	**133**

Obligation to buy emission allowances

The Group has not recognised a provision to cover the obligation to buy emission allowances as the received and purchased allowances exceeded the obligation to return emission allowances equivalent to the actual emissions. The actual amount of CO2 emissions in 2015 were 178 562 tons. The allocation of received emission allowances for the year amounted to 89 860 tons and the amount of purchased allowances in 2015 was 90 000 tons. Emission allowances are returned to the Union registry latest on April 30, 2016.

Unemployment insurance liability component

The Group is obliged to pay the employer's liability component for employees redunded based on financial and production related reasons in 2013 and who have been unemployed for a long time. Liability component payments are used to finance unemployment benefit expenses. Unemployment insurance liability component amounting to EUR 119 thousand as of December 31, 2016 were recognised as provision in the consolidated balance sheet. The provision is assessed to be payable within the next two years.

Notes to the consolidated financial statements

22. 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 99 active employees, 8 employees that have free-form pension and 47 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

	2015
	€000
Present value of funded obligations	4 498
Fair value of plan assets	-3 786
Net defined benefit liabilities	**712**
Pension expenses, defined contribution plans	-4 201
Pension expenses, defined benefit plans and other post-employment benefits	-262
Expenses included in income statement	**-4 463**
Actuarial gains (+) / losses (-) on defined benefit plans and other post-employment benefits	93
Remeasurements in other comprehensive income	**93**

Changes in the defined benefit obligations:

	Present value of defined benefit obligation	Fair value of plan assets	Total
	€000	€000	€000
13.2.2015	0	0	0
Current service cost	281	0	281
Interest cost (+) / income (-)	65	-56	9
The return on plan assets, excluding amounts included in net interest	0	27	27
Actuarial gain (-) / loss (+) arising from changes in demographic assumptions	14	0	14
Actuarial gain (-) / loss (+) arising from changes in financial assumptions	-491	0	-491
Experience adjustment, gain (+) / loss (-)	358	0	358
Contributions by employer	0	-262	-262
Benefits paid	-273	273	0
Acquisitions and disposals	4 545	-3 767	778
31.12.2015	4 498	-3 786	712

Defined benefit obligation by persons

	31.12.2015
	€000
Active employees	1 470
Inactive employees, paid up policies	78
Inactive employees, pensions	2 950
	4 498

Significant actuarial assumptions December 31, 2015:

	2015
Discount rate	2,04 %
Future salary increases	1,50 %
Future pension cost increase	1,67 %
Inflation	1,43 %

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, 2015:

Assumption	**Change in assumption**	**Impact on increase in assumption**	**Impact on decrease in assumption**
Discount rate	0,50 %	Obligation decreases 5,02%	Obligation increases 5,52%
Future salary increases	0,50 %	Obligation increases 3,70%	Obligation decreases 3,68%
Future pension cost increase	0,50 %	Obligation increases 32,01%	Obligation decreases 30,46%
		Increase by one year	**Decrease by one year**
Life expectancy		Obligation increases 2,70%	Obligation decreases 2,63%

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 2015, expected benefits to be paid during 2016 is EUR 250 thousand.

Maturity profile of defined benefit plans

31.12.2015	**Within one year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**
	€000	**€000**	**€000**	**€000**
Defined benefit plans	275	467	1 235	3 544

Notes to the consolidated financial statements

23. Trade and other payables

	2015
	€000
Trade payables	36 329
Accrued expenses	15 646
Other payables	935
Total	**52 910**

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 16. 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 16. Financial risk management.

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. Lease term for half of the agreements will end during 2016. 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:

	2015
	€000
Within one year	188
Between 1 and 5 years	174
More than 5 years	18
Total	**379**

The Group has in 2015 recognised as expense total lease payments EUR 655 thousand of operating leases including contingent rents of EUR 68 975.

Operating lease commitments – Group as lessor

The Group has entered into operating leases on two properties. The lease terms are for an indefinite period with three months notice period. The lessees have no right or obligation to redeem the leased assets.

Guarantees

	2015
	€000
Securities given on own behalf	
Mortgages	750 000
Shares of Kotkamills Oy	39 653
Intercompany loan	155 000
Total	**944 653**

Mortgages include Kotkamills Oy's real estate mortgages amounting to EUR 600 million and enterprise mortgages totalling EUR 150 million.

Mortgages, shares of Kotkmaills Oy owned by the company and internal loan to Kotkamills Oy are collateral for the bond totalling to EUR 105 million and the junior bond 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.

Commitments

The Group has capital expenditure commitments related to the production machine amounting to EUR 126 341 thousand as at December 31, 2016.

Litigations and disputes

Litigations

In a pending litigation a claimant claims Kotkamills Oy for compensation of EUR 190 thousand for termination of an agent contract. The legal action has been taken in Turkey and the claimant has based its claim on Turkish law. Kotkamills Oy has disputed the claim as well as the jurisdiction and the applicable law. It has been agreed in the contract that any disputes will be settled in arbitration and that the applicable law shall be Finnish law. Kotkamills Oy has not recognised any provision because of the claim.

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

Disputes

At the closing date Kotkamills Oy has two unsettled contractual disputes.

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

The other dispute relates to a potential compensation claim by a supplier if Kotkamills Oy decreases its purchase volumes from the supplier in 2016 compared to the purchase volumes in 2015. Kotkamills Oy has disputed the claim, because the frame contract with the supplier does not oblige the Company to any purchase quantities. The supplier has not presented a specified claim. Kotkamills Oy has negotiated with the counterparty and agreed on the purchase volumes for the first quarter of 2016. The supplier has not, however, agreed with the Company's interpretation of the obligations under the frame agreement. No provision has been made in the consolidated statement of financial position due to the dispute.

Notes to the consolidated financial statements

25. Related party transactions

The management of the Group including the Board members of Kotkamills Group Oy 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:

	2015			
	Sales	**Purchases**	**Receivables**	**Liabilities**
	€000	**€000**	**€000**	**€000**
Personnel belonging to the management of the Group	0	541	0	0
Entities with significant influence over the Group	0	66	0	52 134

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 in 2015. The managing director and the finance director transferred from Kotkamills Oy to the parent company during the reporting period.

	Managing director	**Other members**	**Senior Management Group, total**
	€000	**€000**	**€000**
Wages and salaries	205	1 007	**1 212**
Company-paid cars and mobilephones	12	5	**16**
Total	**216**	**1 012**	**1228**

The transactions relating to management's employee benefits presented in the table are expensedduring 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 15 561 in 2015.

Remuneration of the Board of Directors

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

	2015
	€000
The Board members of Kotkamills Oy	
Remuneration	69
Total	**69**

Notes to the consolidated financial statements

26. Events after the reporting period

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

The revenue and the profit for the first half-year will decrease due the production stop of the magazine paper production in January and the investment shutdown until June 2016. The production of folding boxboard and barrier board is expected to start in June 2016.

Parent company's financial statements

KOTKAMILLS GROUP OY

Parent company's statement of profit or loss

For the period 13.2.-31.12.2015

	Note	€000
Net Sales	1	**45**
Materials and services	2	0
Personnel expenses	3	-194
Depreciation, amortisation and impairments	4	-5
Other operating expenses	5	-467
		-667
Operating profit (loss)		**-622**
Financial income and expenses	6	2 031
Profit (loss) before extraordinary items		**1 409**
Profit (loss) before appropriations and taxes		**1 409**
Profit (loss) for the period		**1 409**

KOTKAMILLS GROUP OY

Parent company's balance sheet

31.12.2015

ASSETS	Note	€000
Non-current assets		
Tangible assets	7	26
Investments	8	39 653
Non-current assets total		**39 679**
Current assets		
Non-current receivables	9	147 500
Current receivables	10	12 916
Cash and bank		9 049
Current assets total		**169 465**
		209 144

EQUITY AND LIABILITIES		
Equity	11	
Share capital		3
Reserve for invested non-restricted equity		9 978
Profit (loss) for the period		1 409
Equity total		**11 389**
Liabilities		
Non-current liabilities	12	187 470
Current liabilities	13	10 285
Liabilities total		**197 755**
		209 144

Parent company's cash flow statement

For the period 13.2.-31.12.2015

	€000
Cash flow from operating activities	
Profit (loss) before extraordinary items	**1 409**
Adjustments for	
Depreciation, amortisation and impairment	5
Financial income and expenses	-2 031
Changes in working capital:	
Change in current assets, non-interest bearing gain(-)/loss(+)	-206
Change in current liabilities, non-interest bearing gain(+)/loss(-)	210
Cash flow from operating activities before financial items and taxes	**-613**
Interest received from operating activities	9 634
Interest paid and financial expenses paid for operating activities	-6 268
Cash flow from operating activities (A)	**2 753**
Cash flow from investing activities	
Investments in intangible and tangible assets	-31
Acquisition of subsidiaries	-39 653
Change in non-current receivables	-155 000
Cash flow from investing activities (B)	**-194 684**
Cash flow from financing activities	
Proceeds of issuance of share capital	3
Proceeds from long-term loans	191 000
Proceeds from investments in invested non-restricted equity	9 978
Cash flow from financing activities (C)	**200 980**
Change in cash and cash equivalents (A+B+C)	**9 049**
Cash and cash equivalents at beginning of period	**0**
Cash and cash equivalents at end of period	**9 049**

KOTKAMILLS GROUP OY

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 OY

Notes to the parent company's financial statements

Notes to the statement of profit and loss

€000

1 Sales by segment

EU	45
Sales, total	**45**

2 Materials and services

Raw materials and consumables	
Purchases during the financial year	0
Materials and services, total	**0**

3 Personnel expenses and number of employees

Personnel expenses in the income statement	
Wages and salaries	153
Pension costs	30
Other personnel expenses	11
Personnel expenses, total	**194**

Wages and salaries paid by the Group to managing director during the reporting period.	**216**

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 (Employees were transferred from Kotkamills Oy during the financial period)	
Number of employees	**2**
At the end of period	**2**

4 Depreciation, amortisation, and impairments

Depreciation and amortisation according to plan	5
Depreciation and amortisation, total	**5**

5 Other operating expenses

Consulting services	357
Administrative services and facility services	17
Audit services	72
Insurance fees	14
Other operating expenses	6
Other operating expenses, total	**467**

5.1. Auditors' fees

Ernst & Young Oy	
Audit fees	10
Other services	63

Notes to the statement of profit and loss

	€000
Audit fees, total	**73**

6 Financial infcome and expenses

Distribution from reserve for invested non-restricted equity	
From Group companies	5 000
Reserve for invested non-restricted equity, total	**5 000**
Other interest income	
From Group companies	9 667
From others	178
Interest income, total	**9 845**
Interest expenses and other financial expenses	
To others	-12 813
Interest expenses and other financial expenses, total	**-12 813**
Financial income and expenses, total	**2 031**
Net exchange gains (+) / losses (-) included in the financial items	**0**

KOTKAMILLS GROUP OY

Notes to parent company's financial statements

Notes to parent company's balance sheet

		€000
	Non-current assets	
7	**Machinery and equipment**	
	Acquisition cost, beginning of period	0
	Additions	31
	Acquisition cost, end of period	31
	Depreciation	-5
	Book value 31.12.	**26**
	Tangible assets, total	**26**
8	**Investments**	
	Shares in group companies	
	Acquisition cost, beginning / end of period	0
	Increase	39 653
	Book value 31.12.	**39 653**
	Investments, total	**39 653**
	Current assets	
9	**Non-current receivables**	
	Receivables from Group companies	147 500
	Total	**147 500**
	Non-current receivables, total	**147 500**
10	**Current receivables**	
	Receivables from Group companies	
	Accounts receivable	206
	Prepayments and accrued income	5 210
	Loan receivables	7 500
	Total	**12 916**
	Current receivables, total	**12 916**
	Significant items included in prepaid and accrued income	
	Reserve for invested non-restricted equity, Group	5 000
	Prepaid and accrued interest, Group	210
	Total	**5 210**

KOTKAMILLS GROUP OY

Notes to parent company's financial statements

Notes to parent company's balance sheet

	€000
11 Equity	
Restricted equity	
Share capital 13.2.	3
Share capital 31.12.	**3**
Restricted equity, total	**3**
Non-restricted equity	
Reserve for invested non-restricted equity 13.2.	0
Increase	9 978
Reserve for invested non-restricted equity 31.12.	**9 978**
Profit (loss) for the financial year	**1 409**
Non-restricted equity, total	**11 387**
Equity, total	**11 389**
Calculation of Distributable equity 31.12.	
Reserve for invested non-restricted equity	9 978
Profit (loss) for the financial year	1 409
Total	**11 387**
Non-restricted equity, total	**11 387**
12 Non-current liabilities	
From others	
Bond	
Bond	97 500
Other liabilities	
Other non-current liabilities	89 970
Total	187 470
Non-current liabilities, total	**187 470**

13 Current liabilities

Liabilities to other parties	
Bond	7 500
Accounts payable	13
Other liabilities	37
Accruals	2 734
Total	10 285
Current liabilities, total	**10 285**

Significant items included in accruals	
Interest expenses	2 575
Accrued personnel expenses	148
Insurance fees related to personnel expenses	11
Total	2 734

Notes

€000

Guarantees and contingent liabilities

Liabilities guaranteed with a pledge

Bond	105 000
Junior bond	20 000

Pledged assets (book value)

Shares of Kotkamills Oy	39 653
Intercompany loan	155 000

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

Helsinki, February , 2016

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, February , 2016

Ernst & Young Oy
Authorised Public Accountants

Kristina Sandin
Authorised Public Accountant

List of ledgers:

Balance book	Book in paper
Subledger specifications	In paper
Accounts payable	In paper
Accounts receivable	In paper
Journals	In paper
Fixed asset ledger	In paper
Salary entries	In paper

Calculation of key ratios:

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

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