



07/2015 70M BOND ISSUE

Q4.2016 BONDHOLDER REPORT, 28.2.2017

Consolidated statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and unconsolidated statements have been prepared in accordance with Finnish Accounting Standards (FAS)



FORCHEM OYJ – Q4.2016 BONDHOLDER REPORT

INDEX

| | |
|--|----|
| INTERIM UNAUDITED CONSOLIDATED REPORT OF THE GROUP (IFRS) – P&L | 3 |
| INTERIM UNAUDITED CONSOLIDATED REPORT OF THE GROUP (IFRS) – BALANCE SHEET, ASSETS | 4 |
| INTERIM UNAUDITED CONSOLIDATED REPORT OF THE GROUP (IFRS) – BALANCE SHEET, EQUITY AND LIABILITIES | 5 |
| INTERIM UNAUDITED CONSOLIDATED REPORT OF THE GROUP (IFRS) – CASH FLOW STATEMENT | 6 |
| INTERIM UNAUDITED CONSOLIDATED REPORT OF THE ISSUER (FAS) – P&L | 7 |
| INTERIM UNAUDITED CONSOLIDATED REPORT OF THE ISSUER (FAS) – BALANCE SHEET | 8 |
| INTERIM UNAUDITED CONSOLIDATED REPORT OF THE ISSUER (FAS) – CASH FLOW STATEMENT | 9 |
| REPORT FROM THE BOARD OF DIRECTORS | 10 |

FORCHEM OYJ – Q4.2016

BONDHOLDER REPORT

INTERIM UNAUDITED CONSOLIDATED REPORT OF THE GROUP (IFRS)
– P&L

CONSOLIDATED STATEMENT OF INCOME, IFRS 1 000 EUR

| | Q4/2016 | 2016 | 2015 |
|---|---------------|----------------|----------------|
| REVENUE | 24 597 | 109 395 | 132 669 |
| Other operating income | 2 | 117 | 10 |
| Materials and services | -17 745 | -78 742 | -97 063 |
| Personnel expenses | -1 626 | -4 641 | -4 338 |
| Depreciation, amortisation and impairment losses | -1 501 | -5 539 | -5 023 |
| Other operating expenses | -841 | -3 021 | -3 913 |
| OPERATING PROFIT (- LOSS) | 2 887 | 17 568 | 22 341 |
| Financial income | 4 | 122 | 152 |
| Financial expenses | -759 | -4 275 | -8 257 |
| PROFIT (LOSS) BEFORE TAX | 2 132 | 13 415 | 14 237 |
| Income taxes | -309 | -2 564 | -204 |
| PROFIT (LOSS) FOR THE FINANCIAL YEAR | 1 823 | 10 851 | 14 033 |
| PROFIT ATTRIBUTABLE TO | | | |
| Owners of the company | 1 823 | 10 851 | 14 033 |
| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 000 EUR | | | |
| PROFIT (LOSS) FOR THE FINANCIAL YEAR | 1 823 | 10 851 | 14 033 |
| OTHER COMPREHENSIVE INCOME | | | |
| ITEMS THAT WILL NOT BE CLASSIFIED SUBSEQUENTLY TO PROFIT | | | |
| Remeasurements of defined benefit liability | -97 | -97 | 35 |
| Related tax | 19 | 19 | -7 |
| ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT | | | |
| Translation differences | 0 | 0 | -2 |
| Related tax | 0 | 0 | 0 |
| OTHER COMPREHENSIVE INCOME AFTER TAX | -78 | -78 | 26 |
| TOTAL COMPREHENSIVE INCOME | 1 746 | 10 774 | 14 059 |

FORCHEM OYJ – Q4.2016

BONDHOLDER REPORT

INTERIM UNAUDITED CONSOLIDATED REPORT OF THE GROUP (IFRS) – BALANCE SHEET

1 000 EUR

| ASSETS | 31.12.2016 | 31.12.2015 |
|---------------------------------|-------------------|-------------------|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 45 476 | 47 696 |
| Goodwill | 48 522 | 48 522 |
| Other intangible assets | 856 | 604 |
| Deferred tax assets | 1 982 | 3 713 |
| TOTAL NON-CURRENT ASSETS | 96 836 | 100 534 |
| CURRENT ASSETS | | |
| Inventories | 18 577 | 19 519 |
| Trade and other receivables | 28 803 | 41 522 |
| Current tax assets | 0 | 0 |
| Cash and cash equivalents | 10 664 | 6 782 |
| TOTAL CURRENT ASSETS | 58 044 | 67 823 |
| TOTAL ASSETS | 154 880 | 168 358 |

FORCHEM OYJ – Q4.2016

BONDHOLDER REPORT

INTERIM UNAUDITED CONSOLIDATED REPORT OF THE GROUP (IFRS) – BALANCE SHEET

1 000 EUR

| EQUITY AND LIABILITIES | 31.12.2016 | 31.12.2015 |
|---|-------------------|-------------------|
| EQUITY | | |
| Share capital | 80 | 3 |
| Reserve for invested unrestricted equity | 30 853 | 50 930 |
| Translation differences | 2 | -1 |
| Retained earnings | 28 150 | 17 379 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | 59 084 | 68 311 |
| TOTAL EQUITY | 59 084 | 68 311 |
| LIABILITIES | | |
| NON-CURRENT LIABILITIES | | |
| Bond loan | 58 501 | 63 027 |
| Loans from financial institutions | 0 | 0 |
| Pension liability | 305 | 210 |
| Finance lease liability | 2 986 | 3 409 |
| Other non-current liabilities | 4 061 | 42 |
| Provisions | 1 295 | 1 282 |
| Deferred tax liabilities | 5 393 | 5 339 |
| TOTAL NON-CURRENT LIABILITIES | 72 541 | 73 309 |
| CURRENT LIABILITIES | | |
| Bond loan | 5 000 | 5 000 |
| Finance lease liability | 1 406 | 1 400 |
| Trade and other payables | 16 849 | 19 429 |
| Current tax liabilities | 0 | 910 |
| TOTAL NON-CURRENT LIABILITIES | 23 255 | 26 738 |
| TOTAL LIABILITIES | 95 796 | 168 358 |
| TOTAL EQUITY AND LIABILITIES | 154 880 | 168 358 |

FORCHEM OYJ – Q4.2016

BONDHOLDER REPORT

INTERIM UNAUDITED CONSOLIDATED REPORT OF THE GROUP (IFRS) – CASH FLOW STATEMENT

| CASH FLOWS FROM OPERATING ACTIVITIES, 1 000 EUR | Q4/2016 | 2016 | 2015 |
|---|---------------|----------------|----------------|
| Profit (loss) for the financial year | 1 823 | 10 851 | 14 033 |
| ADJUSTMENTS FOR | | | |
| Non-cash transactions | | | |
| Depreciations | 1 501 | 5 539 | 5 023 |
| Employee benefits | -5 | -5 | 18 |
| Change in provisions | 12 | 12 | 12 |
| Other | -4 | -4 | 122 |
| Interests and other financial expenses | 759 | 4 275 | 8 257 |
| Interest income | -4 | -122 | -152 |
| Dividend income | 0 | 0 | 0 |
| Tax expense | 309 | 2 564 | 204 |
| | 2 568 | 12 259 | 13 484 |
| Change in working capital | | | |
| Increase (-) / decrease (+) of trade and other receivables | 11 724 | -3 230 | 2 431 |
| Increase (-) / decrease (-) of inventories | -2 138 | 941 | -2 434 |
| Increase (+) / decrease (-) of trade and other payables | 1 288 | -2 951 | -5 080 |
| Interest paid | 0 | -3 430 | -8 240 |
| Interest received | 0 | 98 | 4 |
| Income tax paid | -1 | -1 670 | -1 707 |
| NET CASH FROM OPERATING ACTIVITIES | 15 264 | 12 868 | 12 493 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | -67 | -2 162 | -1 432 |
| Acquisition of intangible assets | -99 | -346 | -522 |
| Prepayment of loan receivables | 0 | 8 000 | 0 |
| Loans granted | 0 | -1 000 | -14 250 |
| NET CASH USED IN INVESTING ACTIVITIES | -166 | 4 492 | -16 204 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayments of bond loan | 0 | -4 999 | |
| Proceeds from issue of a bond loan | 0 | 0 | 70 000 |
| Transaction costs from issue of a bond loan | 0 | 0 | -2 213 |
| Repayments of loans from financial institutions | 0 | 0 | -65 000 |
| Upside sharing payment from loans from financial institutions | 0 | 0 | -10 386 |
| Repayments of non-current loans | -7 000 | -7 000 | -2 000 |
| Repayments of finance lease liabilities | -391 | -1 479 | -1 135 |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | -7 391 | -13 478 | -10 734 |
| NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS | 7 708 | 3 882 | -14 445 |
| Cash and cash equivalents at the beginning of the period | 2 956 | 6 782 | 21 227 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 10 664 | 10 664 | 6 782 |

FORCHEM OYJ – Q4.2016

BONDHOLDER REPORT

INTERIM UNAUDITED CONSOLIDATED REPORT OF THE ISSUER (FAS)

– P&L

1 000 EUR

| | Q4/2016 | YTD |
|---|---------------|---------------|
| NET SALES | 24 597 | 69 297 |
| Other operating income | 0 | 3 |
| Materials and services | -18 180 | -50 463 |
| Personnel expenses | -1 363 | -2 535 |
| Depreciation, amortisation and impairment losses | -2 637 | -6 942 |
| Other operating expenses | -1 136 | -2 842 |
| OPERATING PROFIT (- LOSS) | 1 281 | 6 518 |
| Finance income and expenses (-) | -721 | -3 284 |
| PROFIT (-LOSS) BEFORE EXTRAORDINARY ITEMS | 560 | 3 234 |
| PROFIT (LOSS) BEFORE APPROPRIATIONS AND INCOME TAXES | 560 | 3 234 |
| Change in depreciation difference | 2 358 | 2 029 |
| Income taxes | 1 | 1 |
| PROFIT (LOSS) FOR THE FINANCIAL YEAR | 2 919 | 5 263 |

FORCHEM OYJ – Q4.2016

BONDHOLDER REPORT

INTERIM UNAUDITED CONSOLIDATED REPORT OF THE ISSUER (FAS)
– BALANCE SHEET

| 1 000 EUR | 31.12.2016 | 31.12.2015 |
|--|----------------|---------------|
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Intangible assets | 28 712 | 0 |
| Property, plant and equipment | 39 900 | 0 |
| Investments | 316 | 81 071 |
| TOTAL NON-CURRENT ASSETS | 68 928 | 81 071 |
| CURRENT ASSETS | | |
| Inventories | 19 183 | 0 |
| Current receivables | 28 788 | 8 931 |
| Cash at hand and in banks | 10 419 | 15 |
| TOTAL CURRENT ASSETS | 58 389 | 8 947 |
| TOTAL ASSETS | 127 317 | 90 018 |
| EQUITY AND LIABILITIES | | |
| EQUITY | | |
| Share capital | 80 | 3 |
| Reserve for invested unrestricted equity | 30 853 | 50 930 |
| Retained earnings | -12 291 | -13 943 |
| Profit for the financial year | 5263 | 1 652 |
| TOTAL EQUITY | 23 905 | 38 642 |
| APPROPRIATIONS | 17 699 | 0 |
| LIABILITIES | | |
| Non-current liabilities | 69 027 | 0 |
| Current liabilities | 16 686 | 51 376 |
| TOTAL LIABILITIES | 85 713 | 51 376 |
| TOTAL EQUITY AND LIABILITIES | 127 317 | 90 018 |

FORCHEM OYJ – Q4.2016

BONDHOLDER REPORT

INTERIM UNAUDITED CONSOLIDATED REPORT OF THE ISSUER (FAS) – CASH FLOW STATEMENT

| CASH FLOWS FROM OPERATING ACTIVITIES, 1 000 EUR | Q4/2016 | YTD |
|---|----------------|---------------|
| Operating result | 1 281 | 6 518 |
| Depreciation and amortisation according to plan | 2 637 | 6 942 |
| Finance income and expenses | 0 | -1 618 |
| Direct taxes paid | 0 | -95 |
| CASH FLOW BEFORE CHANGE IN WORKING CAPITAL | 3 918 | 11 747 |
| Change in working capital | | |
| Current non-interest-bearing operating receivables, increase (-) / decrease (+) | 11 726 | 7 623 |
| Inventories, increase (-) / decrease (+) | -1 994 | -2 981 |
| Current non-interest-bearing liabilities, increase (+) / decrease (-) | 1 229 | -2 970 |
| NET CASH FROM OPERATING ACTIVITIES | 14 878 | 13 419 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment and intangible assets | -165 | -1 950 |
| Loans granted | 0 | -1 000 |
| Prepayment of loan receivables | 0 | 8 000 |
| NET CASH USED IN INVESTING ACTIVITIES | -165 | 5 050 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of bond loan | 0 | -4 999 |
| Repayments of current loans | -7 000 | -7 000 |
| Cash from Forchem Oy in the merger (30.4.2016) | 0 | 3 933 |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | -7 000 | -8 066 |
| NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS | 7 714 | 10 403 |
| Cash and cash equivalents at the beginning of the period | 2 705 | 15 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 10 419 | 10 419 |

FORCHEM OYJ – Q4.2016

BONDHOLDER REPORT

REPORT FROM THE BOARD OF DIRECTORS

Q4 has been operatively very similar to the previous quarters of 2016. Demand for main products has been in accordance with our expectations, there has been some normal seasonality in the demand for TOR and TOFA.

Margin levels have been also as expected: in percentage terms there have not been big changes compared to previous quarters or last year but there has been slight decline of margins in euro per ton due to general price erosion. The general price erosion is also the major reason for the drop in our yearly turnover.

However, in Q4 increase in Crude Oil price has increased our CTO cost for energy related contracts which has had a negative effect on our margins. That may put some pressure on our refining margin also in the future, if product prices stay soft.

Slow-down of oil field operations in the US have dropped the demand for CTO based products in that segment, which has caused the market to be long in both CTO and TOFA for the moment. For this reason, and normal seasonal variation, CTO availability is good at the moment. This might change due to increase in Crude Oil price.

Streamlining operations within group is ongoing. Working capital is still high due to sales receivables and CTO inventory build-up.

The complete Financial Statements will be published on 28 April 2017.