



Q2

07/2015 70M BOND ISSUE

Q2.2018 BONDHOLDER REPORT, 31.8.2018

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**

FORCHEM OYJ – Q2.2018 BONDHOLDER REPORT

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BONDHOLDER REPORT

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

CONSOLIDATED STATEMENT OF INCOME, IFRS 1 000 EUR

	Q2/2018	2018 YTD
REVENUE	31 866	62 746
Other operating income	2	5
Materials and services	-24 566	-47 518
Personnel expenses	-1 027	-2 072
Depreciation, amortisation and impairment losses	-1 151	-2 302
Other operating expenses	-615	-1 306
OPERATING PROFIT (- LOSS)	4 510	9 552
Financial income	74	116
Financial expenses	-838	-1 755
PROFIT (LOSS) BEFORE TAX	3 746	7 913
Income taxes	-747	-1 589
PROFIT (LOSS) FOR THE FINANCIAL YEAR	2 998	6 324
PROFIT ATTRIBUTABLE TO		
Owners of the company	2 998	6 324
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 000 EUR		
PROFIT (LOSS) FOR THE FINANCIAL YEAR	2 998	6 324
OTHER COMPREHENSIVE INCOME		
ITEMS THAT WILL NOT BE CLASSIFIED SUBSEQUENTLY TO PROFIT		
Remeasurements of defined benefit liability	0	0
Related tax	0	0
ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT		
Translation differences	0	1
Related tax	0	0
OTHER COMPREHENSIVE INCOME AFTER TAX	0	1
TOTAL COMPREHENSIVE INCOME	2 998	6 325

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BONDHOLDER REPORT

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

1 000 EUR

ASSETS	30.6.2018	31.12.2017
NON-CURRENT ASSETS		
Property, plant and equipment	43 742	42 318
Goodwill	48 522	48 522
Other intangible assets	594	669
Deferred tax assets	493	479
TOTAL NON-CURRENT ASSETS	93 349	91 987
CURRENT ASSETS		
Inventories	13 969	11 325
Trade and other receivables	43 766	34 046
Cash and cash equivalents	14 348	26 938
TOTAL CURRENT ASSETS	72 082	72 309
TOTAL ASSETS	165 432	164 296

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BONDHOLDER REPORT

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

1 000 EUR

EQUITY AND LIABILITIES	30.6.2018	31.12.2017
EQUITY		
Share capital	80	80
Reserve for invested unrestricted equity	25 949	30 853
Translation differences	1	0
Retained earnings	47 252	40 925
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	73 281	71 858
TOTAL EQUITY	73 281	71 858
LIABILITIES		
NON-CURRENT LIABILITIES		
Bond	54 163	53 949
Pension liability	522	522
Finance lease liability	1 520	2 061
Other non-current liabilities	28	28
Provisions	1 307	1 307
Deferred tax liabilities	5 298	5 289
TOTAL NON-CURRENT LIABILITIES	62 839	63 156
CURRENT LIABILITIES		
Bond	5 000	5 000
Finance lease liability	1 240	1 385
Trade and other payables	22 607	22 734
Current tax liabilities	465	164
TOTAL NON-CURRENT LIABILITIES	29 312	29 283
TOTAL LIABILITIES	92 151	92 438
TOTAL EQUITY AND LIABILITIES	165 432	164 296

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BONDHOLDER REPORT

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

CASH FLOWS FROM OPERATING ACTIVITIES, 1 000 EUR	Q2/2018	2018 YTD
Profit (loss) for the financial year	2 998	6 324
ADJUSTMENTS FOR		
Non-cash transactions		
Depreciations	1 151	2 302
Employee benefits	0	0
Change in provisions	0	0
Other	0	0
Interests and other financial expenses	838	1 755
Interest income	-74	-116
Dividend income	0	0
Tax expense	747	1 589
	2 661	5 530
Change in working capital		
Increase (-) / decrease (+) of trade and other receivables	-2 702	-8 498
Increase (-) / decrease (-) of inventories	-1 113	-2 644
Increase (+) / decrease (-) of trade and other payables	-2 306	972
Interest paid	-123	-1 542
Interest received	85	95
Income tax paid	-821	-1 292
NET CASH FROM OPERATING ACTIVITIES	-1 320	-1 054
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-2 432	-3 635
Acquisition of intangible assets	0	-15
Prepayment of loan receivables	0	0
Loans granted	0	-1 200
NET CASH USED IN INVESTING ACTIVITIES	-2 432	-4 850
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of bond	0	0
Repayments of current loans	-1 096	-1 096
Return from the reserve of invested unrestricted equity	-4 904	-4 904
Repayments of finance lease liabilities	-345	-686
NET CASH FROM (USED IN) FINANCING ACTIVITIES	-6 345	-6 686
NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS	-10 097	-12 590
Cash and cash equivalents at the beginning of the period	24 445	26 938
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	14 348	14 348

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BONDHOLDER REPORT

INTERIM UNAUDITED UNCONSOLIDATED REPORT OF THE ISSUER (FAS)

– P&L

1 000 EUR

	Q2/2018	2018 YTD
NET SALES	31 866	62 746
Other operating income	0	0
Materials and services	-25 194	-48 535
Personnel expenses	-821	-1 668
Depreciation, amortisation and impairment losses	-2 381	-4 762
Other operating expenses	-827	-1 679
OPERATING PROFIT (- LOSS)	2 642	6 101
Finance income and expenses (-)	-684	-1 411
PROFIT (LOSS) BEFORE APPROPRIATIONS AND INCOME TAXES	1 958	4 690
Change in depreciation difference	28	57
Income taxes	-718	-1 592
PROFIT (LOSS) FOR THE FINANCIAL YEAR	1 269	3 156

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BONDHOLDER REPORT

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

1 000 EUR	30.6.2018	31.12.2017
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	18 787	22 093
Property, plant and equipment	40 162	37 968
Investments	316	316
TOTAL NON-CURRENT ASSETS	59 265	60 377
CURRENT ASSETS		
Inventories	14 418	12 092
Current receivables	43 824	34 015
Cash at hand and in banks	14 107	26 714
TOTAL CURRENT ASSETS	72 349	72 820
TOTAL ASSETS	131 614	133 198
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80	80
Reserve for invested unrestricted equity	25 949	30 853
Retained earnings	1 575	-7 027
Profit for the financial year	3 156	8 602
TOTAL EQUITY	30 759	32 508
APPROPRIATIONS		
	17 789	17 846
LIABILITIES		
Non-current liabilities	55 001	55 001
Current liabilities	28 065	27 843
TOTAL LIABILITIES	83 066	82 844
TOTAL EQUITY AND LIABILITIES	131 614	133 198

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BONDHOLDER REPORT

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

CASH FLOWS FROM OPERATING ACTIVITIES, 1 000 EUR	Q2/2018	2018 YTD
Operating result	2 642	6 101
Depreciation and amortisation according to plan	2 381	4 762
Finance income and expenses	-10	-1 432
Direct taxes paid	-816	-1 286
CASH FLOW BEFORE CHANGE IN WORKING CAPITAL	4 196	8 146
Change in working capital		
Current non-interest-bearing operating receivables, increase (-) / decrease (+)	-2 759	-8 588
Inventories, increase (-) / decrease (+)	-801	-2 327
Current non-interest-bearing liabilities, increase (+) / decrease (-)	-2 371	1 012
NET CASH FROM OPERATING ACTIVITIES	-1 735	-1 757
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	-2 432	-3 650
Loans granted	0	-1 200
Prepayment of loan receivables	0	0
NET CASH USED IN INVESTING ACTIVITIES	-2 432	-4 850
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of bond	0	0
Repayments of current loans	-1 096	-1 096
Return from the reserve of invested unrestricted equity	-4 904	-4 904
NET CASH FROM (USED IN) FINANCING ACTIVITIES	-6 000	-6 000
NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS	-10 168	-12 607
Cash and cash equivalents at the beginning of the period	24 274	26 714
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	14 107	14 107

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BONDHOLDER REPORT

REPORT FROM THE BOARD OF DIRECTORS

Operationally Q2 has been largely in line to the previous quarters and in accordance with our expectations. Group's revenue for Q2 is € 31,9 million and operating profit € 4,5 million. Group's year-to-date revenue is € 62,7 million and operating profit € 9,6 million.

The profitability of Q2 at EBITDA-level is 18 % which is 2 percentage points less than in Q1. The main reason for the decreased EBITDA-level is normal cyclicalities in sales mix but margins have also shrunk mainly due to increased scarcity in CTO market and the increase in crude oil price.

The dynamics of crude oil price affects both raw material prices and also a relevant portion of end products price, providing a base for a steady margin. Historically Forchem has been able to manage these cycles with a satisfactory stability and the increase in crude oil price has not significantly depressed the refining margin. The increased crude oil price and tightened CTO market put more pressure on Forchem's product prices and margin.

Streamlining operations within group are still ongoing. Working capital has increased due to sales receivables.