



Q3

07/2015 70M BOND ISSUE

Q3.2018 BONDHOLDER REPORT, 30.11.2018

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 – Q3.2018 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

	Q3/2018	2018 YTD
REVENUE	28 840	91 586
Other operating income	2	7
Materials and services	-22 095	-69 613
Personnel expenses	-855	-2 927
Depreciation, amortisation and impairment losses	-1 161	-3 462
Other operating expenses	-565	-1 871
OPERATING PROFIT (- LOSS)	4 167	13 719
Financial income	39	155
Financial expenses	-825	-2 580
PROFIT (LOSS) BEFORE TAX	3 380	11 294
Income taxes	-663	-2 252
PROFIT (LOSS) FOR THE FINANCIAL YEAR	2 717	9 042
PROFIT ATTRIBUTABLE TO		
Owners of the company	2 717	9 042

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 000 EUR

PROFIT (LOSS) FOR THE FINANCIAL YEAR	2 717	9 042
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	2 717	9 042

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BONDHOLDER REPORT

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

1 000 EUR

ASSETS	30.9.2018	31.12.2017
NON-CURRENT ASSETS		
Property, plant and equipment	44 317	42 318
Goodwill	48 522	48 522
Other intangible assets	731	669
Deferred tax assets	502	479
TOTAL NON-CURRENT ASSETS	94 071	91 987
CURRENT ASSETS		
Inventories	15 849	11 325
Trade and other receivables	41 866	34 046
Cash and cash equivalents	7 440	26 938
TOTAL CURRENT ASSETS	65 155	72 309
TOTAL ASSETS	159 226	164 296

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BONDHOLDER REPORT

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

1 000 EUR

EQUITY AND LIABILITIES	30.9.2018	31.12.2017
EQUITY		
Share capital	80	80
Reserve for invested unrestricted equity	25 949	30 853
Translation differences	1	0
Retained earnings	49 969	40 925
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	75 998	71 858
TOTAL EQUITY	75 998	71 858
LIABILITIES		
NON-CURRENT LIABILITIES		
Bond	49 272	53 949
Pension liability	522	522
Finance lease liability	1 290	2 061
Other non-current liabilities	28	28
Provisions	1 307	1 307
Deferred tax liabilities	5 303	5 289
TOTAL NON-CURRENT LIABILITIES	57 722	63 156
CURRENT LIABILITIES		
Bond	5 000	5 000
Finance lease liability	1 122	1 385
Trade and other payables	18 996	22 734
Current tax liabilities	388	164
TOTAL NON-CURRENT LIABILITIES	25 506	29 283
TOTAL LIABILITIES	83 228	92 438
TOTAL EQUITY AND LIABILITIES	159 226	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	Q3/2018	2018 YTD
Profit (loss) for the financial year	2 717	9 042
ADJUSTMENTS FOR		
Non-cash transactions		
Depreciations	1 161	3 462
Employee benefits	0	0
Change in provisions	0	0
Other	0	0
Interests and other financial expenses	825	2 580
Interest income	-39	-155
Dividend income	0	0
Tax expense	663	2 252
	2 610	8 140
Change in working capital		
Increase (-) / decrease (+) of trade and other receivables	1 938	-6 560
Increase (-) / decrease (-) of inventories	-1 880	-4 525
Increase (+) / decrease (-) of trade and other payables	-2 395	-1 423
Interest paid	-1 508	-3 049
Interest received	0	95
Income tax paid	-745	-2 037
NET CASH FROM OPERATING ACTIVITIES	737	-317
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-1 663	-5 299
Acquisition of intangible assets	-209	-224
Prepayment of loan receivables	0	0
Loans granted	0	-1 200
NET CASH USED IN INVESTING ACTIVITIES	-1 873	-6 723
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of bond	-4 999	-4 999
Repayments of current loans	-425	-1 521
Return from the reserve of invested unrestricted equity	0	-4 904
Repayments of finance lease liabilities	-348	-1 034
NET CASH FROM (USED IN) FINANCING ACTIVITIES	-5 772	-12 458
NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS	-6 908	-19 498
Cash and cash equivalents at the beginning of the period	14 348	26 938
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7 440	7 440

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BONDHOLDER REPORT

INTERIM UNAUDITED UNCONSOLIDATED REPORT OF THE ISSUER (FAS)

– P&L

1 000 EUR

	Q3/2018	2018 YTD
NET SALES	28 840	91 586
Other operating income	0	0
Materials and services	-22 526	-71 061
Personnel expenses	-654	-2 322
Depreciation, amortisation and impairment losses	-2 373	-7 135
Other operating expenses	-802	-2 481
OPERATING PROFIT (- LOSS)	2 486	8 587
Finance income and expenses (-)	-689	-2 099
PROFIT (LOSS) BEFORE APPROPRIATIONS AND INCOME TAXES	1 797	6 487
Change in depreciation difference	-84	-27
Income taxes	-664	-2 256
PROFIT (LOSS) FOR THE FINANCIAL YEAR	1 049	4 205

FORCHEM OYJ – Q3.2018

BONDHOLDER REPORT

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

1 000 EUR	30.9.2018	31.12.2017
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	17 135	22 093
Property, plant and equipment	41 192	37 968
Investments	316	316
TOTAL NON-CURRENT ASSETS	58 644	60 377
CURRENT ASSETS		
Inventories	16 326	12 092
Current receivables	41 894	34 015
Cash at hand and in banks	7 188	26 714
TOTAL CURRENT ASSETS	65 408	72 820
TOTAL ASSETS	124 052	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	4205	8 602
TOTAL EQUITY	31 808	32 508
APPROPRIATIONS	17 873	17 846
LIABILITIES		
Non-current liabilities	50 002	55 001
Current liabilities	24 369	27 843
TOTAL LIABILITIES	74 371	82 844
TOTAL EQUITY AND LIABILITIES	124 052	133 198

FORCHEM OYJ – Q3.2018

BONDHOLDER REPORT

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

CASH FLOWS FROM OPERATING ACTIVITIES, 1 000 EUR	Q3/2018	2018 YTD
Operating result	2 486	8 587
Depreciation and amortisation according to plan	2 373	7 135
Finance income and expenses	-1 518	-2 950
Direct taxes paid	-749	-2 035
CASH FLOW BEFORE CHANGE IN WORKING CAPITAL	2 592	10 737
Change in working capital		
Current non-interest-bearing operating receivables, increase (-) / decrease (+)	1 968	-6 620
Inventories, increase (-) / decrease (+)	-1 908	-4 234
Current non-interest-bearing liabilities, increase (+) / decrease (-)	-2 395	-1 383
NET CASH FROM OPERATING ACTIVITIES	257	-1 500
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	-1 752	-5 402
Loans granted	0	-1 200
Prepayment of loan receivables	0	0
NET CASH USED IN INVESTING ACTIVITIES	-1 752	-6 602
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of bond	-4 999	-4 999
Repayments of current loans	-425	-1 521
Return from the reserve of invested unrestricted equity	0	-4 904
NET CASH FROM (USED IN) FINANCING ACTIVITIES	-5 424	-11 424
NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS	-6 919	-19 526
Cash and cash equivalents at the beginning of the period	14 107	26 714
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7 188	7 188

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BONDHOLDER REPORT

REPORT FROM THE BOARD OF DIRECTORS

Q3 has been operatively largely in accordance with our expectations. Group's revenue for Q3 is € 28,8 million and operating profit € 4,2 million. Group's year-to-date revenue is € 91,6 million and operating profit € 13,7 million.

Group's revenue and operating profit have slightly decreased in Q3 compared to previous quarters mainly due to regular maintenance break and normal cyclicity in sales mix. Furthermore, the increase in CTO prices has slightly lower the margin. However, the profitability of Q3 at EBITDA-level is still same than in Q2 (18 %) because fixed costs are below average and Q2. On annual level the fixed costs are in line to the previous year and our expectations.

There is now a very high degree of uncertainty around crude oil price. At the beginning of Q4 crude oil price has clearly declined and if the current price level remains or even declines, it will decrease Forchem's raw material costs for energy related contracts. Regardless crude oil price, tightened CTO market put anyway more pressure on Forchem's product prices and margin.

Streamlining operations within group are still ongoing. Working capital is onward quite high mainly due to sales receivables.