



Q4

07/2015 70M BOND ISSUE

Q4.2018 BONDHOLDER REPORT, 28.2.2019

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 – Q4.2018 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

	Q4/2018	2018	2017
REVENUE	34 713	126 298	126 582
Other operating income	2	10	49
Materials and services	-28 554	-98 167	-93 867
Personnel expenses	-1 704	-4 632	-4 723
Depreciation, amortisation and impairment losses	-1 176	-4 639	-5 237
Other operating expenses	-773	-2 644	-3 092
OPERATING PROFIT (- LOSS)	2 508	16 227	19 713
Financial income	37	192	73
Financial expenses	-819	-3 399	-3 715
PROFIT (LOSS) BEFORE TAX	1 726	13 020	16 070
Income taxes	-335	-2 587	-3 220
PROFIT (LOSS) FOR THE FINANCIAL YEAR	1 391	10 433	12 850
PROFIT ATTRIBUTABLE TO			
Owners of the company	1 391	10 433	12 850
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 000 EUR			
PROFIT (LOSS) FOR THE FINANCIAL YEAR	1 391	10 433	12 850
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE CLASSIFIED SUBSEQUENTLY TO PROFIT			
Remeasurements of defined benefit liability	-65	-65	-95
Related tax	13	13	19
ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT			
Translation differences	0	1	0
Related tax	0	0	0
OTHER COMPREHENSIVE INCOME AFTER TAX	-52	-51	-76
TOTAL COMPREHENSIVE INCOME	1 339	10 381	12 774

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BONDHOLDER REPORT

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

1 000 EUR

ASSETS	31.12.2018	31.12.2017
NON-CURRENT ASSETS		
Property, plant and equipment	44 114	42 318
Goodwill	48 522	48 522
Other intangible assets	753	669
Deferred tax assets	545	479
TOTAL NON-CURRENT ASSETS	93 933	91 987
CURRENT ASSETS		
Inventories	18 276	11 325
Trade and other receivables	38 858	34 046
Cash and cash equivalents	15 073	26 938
TOTAL CURRENT ASSETS	72 207	72 309
TOTAL ASSETS	166 140	164 296

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BONDHOLDER REPORT

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

1 000 EUR

EQUITY AND LIABILITIES	31.12.2018	31.12.2017
EQUITY		
Share capital	80	80
Reserve for invested unrestricted equity	25 949	30 853
Translation differences	1	0
Retained earnings	51 308	40 925
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	77 337	71 858
TOTAL EQUITY	77 337	71 858
LIABILITIES		
NON-CURRENT LIABILITIES		
Bond	49 381	53 949
Pension liability	631	522
Finance lease liability	1 058	2 061
Other non-current liabilities	20	28
Provisions	1 320	1 307
Deferred tax liabilities	5 207	5 289
TOTAL NON-CURRENT LIABILITIES	57 617	63 156
CURRENT LIABILITIES		
Bond	5 000	5 000
Finance lease liability	1 003	1 385
Trade and other payables	25 079	22 734
Current tax liabilities	104	164
TOTAL NON-CURRENT LIABILITIES	31 186	29 283
TOTAL LIABILITIES	88 803	92 438
TOTAL EQUITY AND LIABILITIES	166 140	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	Q4/2018	2018	2017
Profit (loss) for the financial year	1 391	10 433	12 850
ADJUSTMENTS FOR			
Non-cash transactions			
Depreciations	1 176	4 639	5 237
Employee benefits	37	37	118
Change in provisions	13	13	13
Other	-7	-7	-7
Interests and other financial expenses	819	3 399	3 715
Interest income	-37	-192	-73
Dividend income	0	0	0
Tax expense	335	2 587	3 220
	2 336	10 476	12 223
Change in working capital			
Increase (-) / decrease (+) of trade and other receivables	3 045	-3 515	1 197
Increase (-) / decrease (-) of inventories	-2 427	-6 951	7 312
Increase (+) / decrease (-) of trade and other payables	5 400	3 977	7 373
Interest paid	-20	-3 070	-3 763
Interest received	0	95	32
Income tax paid	-744	-2 781	-1 638
NET CASH FROM OPERATING ACTIVITIES	8 981	8 663	35 586
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	-930	-6 229	-1 493
Acquisition of intangible assets	-66	-291	-10
Prepayment of loan receivables	10 000	10 000	5 000
Loans granted	-10 000	-11 200	-11 400
NET CASH USED IN INVESTING ACTIVITIES	-996	-7 719	-7 903
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of bond	0	-4 999	-4 999
Repayments of current loans	0	-1 521	-5 015
Return from the reserve of invested unrestricted equity	0	-4 904	0
Repayments of finance lease liabilities	-352	-1 385	-1 395
NET CASH FROM (USED IN) FINANCING ACTIVITIES	-352	-12 809	-11 409
NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS	7 633	-11 865	16 274
Cash and cash equivalents at the beginning of the period	7 440	26 938	10 664
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	15 073	15 073	26 938

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BONDHOLDER REPORT

INTERIM UNAUDITED UNCONSOLIDATED REPORT OF THE ISSUER (FAS)

– P&L

1 000 EUR

	Q4/2018	2018	2017
NET SALES	34 713	126 298	126 582
Other operating income	0	0	40
Materials and services	-28 532	-99 593	-95 355
Personnel expenses	-1 438	-3 760	-3 798
Depreciation, amortisation and impairment losses	-2 366	-9 501	-10 053
Other operating expenses	-995	-3 476	-4 032
OPERATING PROFIT (- LOSS)	1 382	9 969	13 383
Finance income and expenses (-)	-670	-2 769	-2 840
PROFIT (LOSS) BEFORE APPROPRIATIONS AND INCOME TAXES	712	7 200	10 543
Change in depreciation difference	-29	-56	-147
Income taxes	-461	-2 717	-1 793
PROFIT (LOSS) FOR THE FINANCIAL YEAR	222	4 427	8 602

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BONDHOLDER REPORT

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

1 000 EUR

31.12.2018 31.12.2017

ASSETS**NON-CURRENT ASSETS**

Intangible assets	15 484	22 093
Property, plant and equipment	41 469	37 968
Investments	316	316
TOTAL NON-CURRENT ASSETS	57 269	60 377

CURRENT ASSETS

Inventories	19 116	12 092
Current receivables	38 882	34 015
Cash at hand and in banks	14 822	26 714
TOTAL CURRENT ASSETS	72 820	72 820

TOTAL ASSETS**130 089 133 198****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	4427	8 602
TOTAL EQUITY	32 030	32 508
APPROPRIATIONS	17 902	17 846

LIABILITIES

Non-current liabilities	50 002	55 001
Current liabilities	30 154	27 843
TOTAL LIABILITIES	80 156	82 844

TOTAL EQUITY AND LIABILITIES**130 089 133 198**

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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	Q4/2018	2018	2017
Operating result	1 382	9 969	13 383
Depreciation and amortisation according to plan	2 366	9 501	10 053
Finance income and expenses	-36	-2 986	-3 393
Direct taxes paid	-744	-2 779	-1 630
CASH FLOW BEFORE CHANGE IN WORKING CAPITAL	2 967	13 704	18 414
Change in working capital			
Current non-interest-bearing operating receivables, increase (-) / decrease (+)	3 049	-3 571	1 213
Inventories, increase (-) / decrease (+)	-2 790	-7 024	7 091
Current non-interest-bearing liabilities, increase (+) / decrease (-)	5 399	4 015	7 494
NET CASH FROM OPERATING ACTIVITIES	8 625	7 125	34 212
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets	-991	-6 393	-1 503
Loans granted	-10 000	-11 200	-11 400
Prepayment of loan receivables	10 000	10 000	5 000
NET CASH USED IN INVESTING ACTIVITIES	-991	-7 593	-7 903
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of bond	0	-4 999	-4 999
Repayments of current loans	0	-1 521	-5 015
Return from the reserve of invested unrestricted equity	0	-4 904	0
NET CASH FROM (USED IN) FINANCING ACTIVITIES	0	-11 424	-10 014
NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS	7 634	-11 892	16 295
Cash and cash equivalents at the beginning of the period	7 188	26 714	10 419
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	14 822	14 822	26 714

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BONDHOLDER REPORT

REPORT FROM THE BOARD OF DIRECTORS

Q4 has been operatively very similar to the previous quarters and there has been no major changes compared to our expectations. Group's revenue for Q4 is € 34,7 million and operating profit € 2,5 million. Group's year-to-date revenue is € 126,3 million (€ 126,6 million in 2017) and operating profit € 16,2 million (€ 19,7 million in 2017).

Forchem's profitability at EBITDA-level is 17 % for whole year 2018 (20 % in 2017) and 11 % for Q4 (18 % in Q4/2017). Group's operating profit and especially profitability at EBITDA-level for Q4 has clearly decreased compared to the previous quarters and Q4/2017. The main reasons for the decline are cyclical in sales mix, production break in December and significant unplanned additional logistic costs. Furthermore, also margins have kept slightly shrinking due to the increase in CTO prices.

Demand on CTO has generally increased. The major reason to the increased demand is the current CTO classification and taxation that directs CTO to the production of biodiesel. Increased demand together with relatively high crude oil and especially CO2 emission prices (compared to previous years) will increase group's raw material prices. Hence according to our estimates, Forchem's CTO cost will increase in 2019 compared to 2018 which will put more pressure on our end product prices. The demand for Forchem's products is expected to continue to be robust.

Furthermore, Forchem continues to develop the business by new innovations and value-added products. One example of this work is Progres® animal feed innovation which is an outcome of the years of research made by Forchem together with the animal feed supplier Hankkija Ltd. Several clinical animal trials have showed that the patented product can improve animal well-being and it has a potential to replace antibiotics in animal feed. Commercialization phase of the product is ongoing.

Streamlining operations within group are still ongoing.

The complete Financial Statements will be published on 30 April 2019.