

Ekokem Corporation's  
Interim Report  
January–March 2015

# Ekokem Corporation – Interim Report

## 1 January – 31 March 2015

On 29 January 2015, Ekokem acquired the Danish environmental management company NORD. It has net sales of some EUR 50 million and a payroll of about 200. NORD has six locations in Denmark. The companies included in the acquisition have been consolidated into the Group's figures as of 31 January 2015. Integration of the acquired business has progressed according to plan.

The low price level of electricity, district heating, and for-sale materials has had a clear impact on profitability during the beginning of the year. The Group's result was also impacted by non-recurring expenses associated with the NORD acquisition and integration and change projects. However, the Group's profitability has remained at a good level in spite of these issues.

First quarter in brief:

(Figures for the first quarter of 2014 are shown in parentheses)

- The Group's net sales rose to EUR 55.0 (46.1) million as a result of the acquisition
- The Group's EBITDA was EUR 17.4 (17.7) million, and is burdened by EUR 1.1 million in non-recurring items
- Equity ratio was 38.9% (55.5%) at period-end
- Net debt was EUR 112.8 (46.9) million at period-end

Ekokem has decided to build a circular economy village in its industrial zone in Riihimäki. Materials contained in municipal waste will be recycled via an eco refinery, plastic refinery and biorefinery. Ekokem's investments in the eco and plastic refineries will total about EUR 25 million. The biorefinery of the circular economy village will be constructed by Biotehdas Oy. When completed in 2016, the three refineries will form the Circular Economy Village.

“Our growth as a circular economy company in the Nordic countries will generate added value for our customers by boosting material and energy efficiency and seeking new recycling opportunities. NORD will strengthen the Ekokem Group's position in the Danish market and water treatment technology and expertise, among other things. Together Ekokem, Sakab and NORD form a trio, each with its own home market and specialist expertise. Future growth will be based on harnessing this potential throughout the market area,” says CEO Timo Piekkari.

Ekokem won a tender to refurbish the Häpesuo landfill site in Nokia. The contract for refurbishing the landfill site is worth about EUR 5 million. It forms part of an approximately EUR 10 million package that also includes an approximately EUR 5 million project to remediate contaminated soil and receive deliveries of waste. The refurbishment was begun in March and is scheduled for completion at the end of November 2016.

### Events after the period

After the end of the period, the Ekokem Group appointed a new CFO, Markus Melkko, who will start in his new position on 1 June 2015.

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS (IFRS)

000 euros	Note	1–3/2015	1–3/2014	2014
Revenue		54,962	46,144	200,798
Other operating income		960	394	1,011
Materials and services		-20,376	-16,137	-87,636
Personnel expenses		-10,973	-8,588	-34,110
Depreciation and amortisation	1 and 2	-6,813	-5,747	-23,419
Other operating expenses		-7,215	-4,135	-21,450
<b>Operating profit</b>		<b>10,546</b>	<b>11,931</b>	<b>35,194</b>
Finance income		18	229	1,251
Finance expenses		-1,198	-815	-2,507
Finance costs (net)		-1,180	-586	-1,256
<b>Profit before income tax</b>		<b>9,366</b>	<b>11,345</b>	<b>33,938</b>
Income tax expense		-1,981	-2,428	-7,257
<b>PROFIT FOR THE PERIOD</b>		<b>7,385</b>	<b>8,917</b>	<b>26,681</b>
Attributable to:				
Owners of the Company		7,387	8,906	26,465
Non-controlling interests		-2	11	215

## CONSOLIDATED STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME (IFRS)

000 euros	Note	1–3/2015	1–3/2014	2014
<b>Profit for the year</b>		<b>7,385</b>	<b>8,917</b>	<b>26,681</b>
<b>Earnings per share attributable to the equity owners of the parent company (EUR per share)</b>				
Basic and diluted		2.10	2.53	7.52
<b>Other comprehensive income, net of income tax</b>				
<b>Other comprehensive income, net of income tax</b>				
Change in available-for-sale financial assets	4	1	12	-175
Currency translation differences		232	-971	-3,148
Net loss/profit from cash flow hedging	4	-481	0	0
Other comprehensive income for the period, net of tax		-248	-960	-3,323
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>7,137</b>	<b>7,957</b>	<b>23,358</b>
Attributable to:				
Owners of the company		7,139	7,947	23,142
Non-controlling interests		-2	11	215

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

000 euros	Note	31.3.2015	31.3.2014	31.12.2014
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		41,359	14,678	14,001
Intangible rights	1	14,325	51	44
Other intangible assets	1	9,104	1,768	1,699
Tangible assets	2	290,349	213,736	214,355
Available-for-sale financial assets	4	693	944	679
Deferred tax asset		3,200	3,112	3,365
<b>Total non-current assets</b>		<b>359,030</b>	<b>234,290</b>	<b>234,142</b>
<b>Current assets</b>				
Inventories		8,518	5,458	5,859
Trade receivables		38,299	26,020	32,870
Tax assets based on taxable income for the period		192	549	7
Other receivables		4,112	1,066	618
Prepayments and accrued income		8,410	8,691	6,120
Cash and cash equivalents		40,475	26,270	30,926
<b>Total current assets</b>		<b>100,005</b>	<b>68,054</b>	<b>76,400</b>
<b>TOTAL ASSETS</b>		<b>459,035</b>	<b>302,344</b>	<b>310,542</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital		5,985	5,985	5,985
Other reserves		2,565	2,565	2,565
Grant reserve		349	342	349
Translation differences		-2,413	-468	-2,645
Fair value reserve		-479	188	1
Retained earnings		155,666	139,358	129,200
Net income		7,387	8,906	26,465
<b>Equity attributable to owners of the parent</b>		<b>169,060</b>	<b>156,877</b>	<b>161,921</b>
Non-controlling interests		637	434	639
<b>Total equity</b>		<b>169,697</b>	<b>157,311</b>	<b>162,560</b>
<b>Non-current liabilities</b>				
Borrowings		129,978	53,792	35,545
Other non-current liabilities		9,941	10,801	10,142
Deferred tax liability		31,041	15,833	16,267
Provisions	3	38,529	12,941	19,070
<b>Total non-current liabilities</b>		<b>209,488</b>	<b>93,367</b>	<b>81,024</b>
<b>Current liabilities</b>				
Borrowings		12,806	7,532	17,763
Advance payments		23,347	18,931	19,968
Trade payables		10,929	7,051	13,023
Tax liabilities based on taxable income for the period		3,813	1,354	574
Other current liabilities		13,666	6,070	5,031
Accrued liabilities		15,288	10,728	10,599
<b>Total current liabilities</b>		<b>79,849</b>	<b>51,666</b>	<b>66,959</b>
<b>Total liabilities</b>		<b>289,338</b>	<b>145,033</b>	<b>147,982</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>459,035</b>	<b>302,344</b>	<b>310,542</b>

## STATEMENT OF CHANGES IN EQUITY

000 euros	Note	Share capital	Other reserves	Grant reserve	Translation differences	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
<b>Balance at 1.1.2014</b>		<b>5,985</b>	<b>2,565</b>	<b>342</b>	<b>503</b>	<b>176</b>	<b>139,358</b>	<b>148,930</b>	<b>424</b>	<b>149,354</b>
<b>Comprehensive income</b>										
Profit for the year							8,906	8,906	11	8,917
Other comprehensive income for the year, net of income tax										
Available-for-sale financial assets	4					12		12		12
Currency translation difference					-971			-971		-971
<b>Total comprehensive income for the year</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-971</b>	<b>12</b>	<b>8,906</b>	<b>7,947</b>	<b>11</b>	<b>7,957</b>
<b>Transactions with owners</b>										
Dividends paid								0		0
Scholarships transferred and granted (net)								0		0
<b>Transactions with owners, total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance at 31.3.2014</b>		<b>5,985</b>	<b>2,565</b>	<b>342</b>	<b>-468</b>	<b>188</b>	<b>148,264</b>	<b>156,877</b>	<b>435</b>	<b>157,311</b>
<b>Balance at 1.1.2015</b>		<b>5,985</b>	<b>2,565</b>	<b>349</b>	<b>-2,645</b>	<b>1</b>	<b>155,665</b>	<b>161,921</b>	<b>639</b>	<b>162,560</b>
<b>Comprehensive income</b>										
Profit for the year							7,387	7,387	-2	7,385
Other comprehensive income for the year, net of income tax										
Available-for-sale financial assets	4					1		1		1
Currency translation difference					232			232		232
Cash flow hedging	4					-481		-481		-481
<b>Total comprehensive income for the year</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>232</b>	<b>-480</b>	<b>7,387</b>	<b>7,139</b>	<b>-2</b>	<b>7,137</b>
<b>Transactions with owners</b>										
Dividends paid								0		0
Scholarships transferred and granted (net)								0		0
<b>Transactions with owners, total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance at 31.3.2015</b>		<b>5,985</b>	<b>2,565</b>	<b>349</b>	<b>-2,413</b>	<b>-479</b>	<b>163,052</b>	<b>169,060</b>	<b>637</b>	<b>169,697</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

000 euros	1–3/2015	1–3/2014	2014
<b>Cash flows from operating activities</b>			
Operating profit (EBIT) for the period	10,546	11,931	35,194
Adjustments for:			
Depreciation according to plan	6,813	5,747	23,418
Change in provisions	34	99	-265
Operating profit before change in net working capital	17,393	17,777	58,347
Changes in net working capital:			
Increase (-) / decrease (+) in inventories	-129	-101	-502
Increase (-) / decrease (+) in trade and other receivables	7,465	-9,175	4,925
Increase (+) / decrease (-) in trade payables and other liabilities	-8,448	8,878	-2,591
Change in working capital	-1,112	-398	1,832
Interest paid	-775	-515	-2,131
Dividends received	0	0	13
Interest received	8	57	192
Income taxes paid	-1,014	-447	-5,853
	-1,781	-905	-7,779
<b>Net cash generated by operating activities</b>	<b>14,500</b>	<b>16,474</b>	<b>52,400</b>
<b>Cash flows from investing activities</b>			
Purchases of tangible and intangible assets	-2,559	-3,253	-16,611
Investments in subsidiaries less cash and cash equivalents	-86,829	0	0
Proceeds from sale of tangible and intangible assets	0	0	81
Proceeds from sale of available-for-sale financial assets	0	0	264
<b>Net cash used in investing activities</b>	<b>-89,388</b>	<b>-3,253</b>	<b>-16,266</b>
<b>Cash flows from financing activities</b>			
Withdrawal of non-current interest-bearing liabilities	89,775	1,213	1,213
Repayment of non-current interest-bearing liabilities	-5,169	-800	-8,234
Repayments of finance lease obligations	-235	-258	-992
Dividends paid	0	0	-9,761
Scholarships paid	0	0	-147
<b>Net cash used in financing activities</b>	<b>84,371</b>	<b>155</b>	<b>-17,921</b>
<b>Net increase in cash and cash equivalents</b>	<b>9,483</b>	<b>13,375</b>	<b>18,213</b>
Cash and cash equivalents at the end of the period	40,475	26,270	30,926
Exchange gains (+) / losses (-) on cash and cash equivalents	65	-23	-205
Cash and cash equivalents at the beginning of the period	30,926	12,918	12,918
<b>Net increase in cash and cash equivalents</b>	<b>9,483</b>	<b>13,375</b>	<b>18,213</b>

## **Accounting principles**

This (unaudited) interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the accounting principles presented in the Group's 2014 Financial Statements. Income taxes are based on an estimated average tax rate that is expected for the financial year.

## **Notes to the Interim Report**

1. Intangible assets
2. Tangible assets
3. Provisions
4. Financial instruments – carrying amounts and fair values
5. Contingent liabilities, contingent assets and commitments
6. Business combinations
7. Events after the reporting period

## 1. Intangible assets

1–3/2015

000 euros	Intangible rights	Other intangible assets	Total
Acquisition cost at 1.1.2015	123	5,227	5,350
Business combinations	14,603	7,644	22,247
Additions		12	12
Effect of foreign currency exchange differences	-50		-50
<b>Acquisition cost at 31.3.2015</b>	<b>14,676</b>	<b>12,883</b>	<b>27,559</b>
Accumulated amortisation and impairment			
1.1.2015	-79	-3,528	-3,607
Amortisation	-272	-224	-496
Effect of foreign currency exchange differences		-26	-26
<b>Accumulated amortisation and impairment at 31.3.2015</b>	<b>-351</b>	<b>-3,778</b>	<b>-4,129</b>
<b>Balance at 31.3.2015</b>	<b>14,325</b>	<b>9,104</b>	<b>23,429</b>
Balance at 1.1.2015	44	1,699	1,743

1–3/2014

000 euros	Intangible rights	Other intangible assets	Total
Acquisition cost at 1.1.2014	123	4,866	4,989
Additions			0
Disposals			0
Effect of foreign currency exchange differences		-10	-10
<b>Acquisition cost at 31.3.2014</b>	<b>123</b>	<b>4,856</b>	<b>4,979</b>
Accumulated amortisation and impairment			
1.1.2014	-69	-2,952	-3,021
Amortisation	-3	-136	-139
<b>Accumulated amortisation and impairment at 31.3.2014</b>	<b>-72</b>	<b>-3,088</b>	<b>-3,160</b>
<b>Balance at 31.3.2014</b>	<b>51</b>	<b>1,768</b>	<b>1,820</b>
Balance at 1.1.2014	54	1,914	1,968



2014

000 euros	Intangible rights	Other intangible assets	Total
Acquisition cost at 1.1.2014	123	4,866	4,989
Additions		361	361
<b>Acquisition cost at 31.12.2014</b>	<b>123</b>	<b>5,227</b>	<b>5,350</b>
Accumulated amortisation and impairment			
1.1.2014	-69	-2,952	-3,021
Amortisation	-10	-576	-586
<b>Accumulated amortisation and impairment at 31.12.2014</b>	<b>-79</b>	<b>-3,528</b>	<b>-3,607</b>
<b>Balance at 31.12.2014</b>	<b>44</b>	<b>1,699</b>	<b>1,743</b>
Balance at 1.1.2014	54	1,914	1,968

## 2. Tangible assets

1–3/2015

000 euros	Land	Buildings	Machinery and equipment	Other tangible assets	Prepayments and assets under construction	Total
Acquisition cost at 1.1.2015	3,042	69,750	194,160	37,309	6,719	310,980
Business combinations		6,618	74,234		404	81,256
Additions		341	571	276	1,992	3,180
Disposals		-144		-174	-766	-1,084
Effect of discounting to present value				-1,019		-1,019
Effect of foreign currency exchange differences	5	4	321	16	16	362
<b>Acquisition cost 31.3.2015</b>	<b>3,047</b>	<b>76,569</b>	<b>269,286</b>	<b>36,408</b>	<b>8,366</b>	<b>393,675</b>
Accumulated depreciations and impairment 1.1.2015	0	-25,046	-58,436	-13,143	0	-96,625
Depreciations		-734	-4,706	-867		-6,307
Effect of foreign currency exchange differences			-383	-11		-394
<b>Accumulated depreciations and impairment at 31.3.2015</b>	<b>0</b>	<b>-25,780</b>	<b>-63,525</b>	<b>-14,021</b>	<b>0</b>	<b>-103,326</b>
<b>Balance at 31.3.2015</b>	<b>3,047</b>	<b>50,789</b>	<b>205,761</b>	<b>22,387</b>	<b>8,366</b>	<b>290,349</b>
Balance at 1.1.2015	3,042	44,704	135,724	24,166	6,719	214,355

1–3/2014

000 euros	Land	Buildings	Machinery and equipment	Other tangible assets	Prepayments and assets under constructions	Total
Acquisition cost at 1.1.2014	2,907	70,958	192,661	28,679	4,190	299,395
Additions			57		2,436	2,493
Disposals						0
Effect of discounting to present value				-205		-205
Effect of foreign currency exchange differences	-2	-170	-985	-5	-6	-1,168
<b>Acquisition cost at 31.3.2014</b>	<b>2,905</b>	<b>70,788</b>	<b>191,733</b>	<b>28,469</b>	<b>6,620</b>	<b>300,515</b>
Accumulated depreciations and impairment 1.1.2014	0	-22,656	-49,034	-10,605	0	-82,295
Depreciations	0	-887	-4,095	-530		-5,512
Effect of foreign currency exchange differences		148	880			1,028
<b>Accumulated depreciations and impairment at 31.3.2014</b>	<b>0</b>	<b>-23,395</b>	<b>-52,249</b>	<b>-11,135</b>	<b>0</b>	<b>-86,779</b>
<b>Balance at 31.12.2014</b>	<b>2,905</b>	<b>47,393</b>	<b>139,484</b>	<b>17,334</b>	<b>6,620</b>	<b>213,736</b>
Balance at 1.1.2014	2,907	48,302	143,627	18,074	4,190	217,100

2014

000 euros	Land	Buildings	Machinery and equipment	Other tangible assets	Prepayments and assets under construction	Total
Acquisition cost at 1.1.2014	2,907	70,958	192,661	28,679	4,190	299,395
Additions	166	467	9,555	4,371	14,706	29,265
Disposals		-517	-1,491	-82	-12,089	-14,179
Effect of discounting to present value				5,092		5,092
Effect of foreign currency exchange differences	-31	-1,158	-6,565	-751	-88	-8,593
<b>Acquisition cost at 31.12.2014</b>	<b>3,042</b>	<b>69,750</b>	<b>194,160</b>	<b>37,309</b>	<b>6,719</b>	<b>310,980</b>
Accumulated depreciations and impairment 1.1.2014	0	-22,656	-49,034	-10,605	0	-82,295
Depreciations		-3,256	-14,571	-3,050		-20,877
Effect of foreign currency exchange differences		866	5,169	512		6,547
<b>Accumulated depreciations and impairment at 31.12.2014</b>	<b>0</b>	<b>-25,046</b>	<b>-58,436</b>	<b>-13,143</b>	<b>0</b>	<b>-96,625</b>
<b>Balance at 31.12.2014</b>	<b>3,042</b>	<b>44,704</b>	<b>135,724</b>	<b>24,166</b>	<b>6,719</b>	<b>214,355</b>
Balance at 1.1.2014	2,907	48,302	143,627	18,074	4,190	217,100

The Group leases buildings and constructions, machinery and equipment and other property, plant and equipment under finance lease agreements. Tangible assets includes the following amounts where the Group is a lessee under a finance lease:

000 euros	1–3/2015	1–3/2014	2014
Buildings	1,700	1,700	1,654
Machinery and equipment	9,460	10,339	9,794
<b>Net book amount</b>	<b>11,159</b>	<b>12,039</b>	<b>11,448</b>

### 3. Provisions

1–3/2015

000 euros	Environmental provisions	Other provisions	Total
Balance at 1.1.2014	17,577	1,492	19,069
Additional provisions and increases in existing provisions	0	0	0
Additional provisions from business combinations	17,107	3,591	20,698
Used during the financial year	-979	-7	-986
Effect of discounting to present value	-170	0	-170
Effect of foreign currency exchange differences	-70	-12	-82
<b>Balance at 31.3.2015</b>	<b>33,465</b>	<b>5,064</b>	<b>38,529</b>

1–3/2014

000 euros	Environmental provisions	Other provisions	Total
Balance at 1.1.2014	11,601	1,479	13,080
Additional provisions and increases in existing provisions	0	0	0
Used during the financial year	-197	0	-197
Effect of discounting to present value	46	-7	39
Effect of foreign currency exchange differences	19	0	19
<b>Balance at 31.3.2014</b>	<b>11,469</b>	<b>1,472</b>	<b>12,941</b>

2014

000 euros	Environmental provisions	Other provisions	Total
Balance at 1.1.2014	11,601	1,479	13,080
Additional provisions and increases in existing provisions	1,446	13	1,459
Used during the financial year	-607	0	-607
Effect of discounting to present value	5,080	0	5,080
Effect of foreign currency exchange differences	57	0	57
<b>Balance at 31.12.2014</b>	<b>17,577</b>	<b>1,492</b>	<b>19,069</b>

The Group's provisions are classified as non-current as most of the provisions require a considerable amount of judgement and use of estimates. In most cases, determining an accurate amount of the provided liabilities to be settled within twelve months after the reporting period would not meet the qualitative characteristics of useful financial information under IFRS.

Environmental provisions consist of the decommissioning and aftercare activities to be performed in the Group's various landfill sites. The majority of the environmental provisions will be used significantly later (up to 50 years) compared to the point of initial recognition of the provision.

Other provisions include liabilities regarding expected losses of construction projects, guarantee related expenses and other liabilities that are not expected to be settled in the Group's normal operating cycle.

#### 4. Financial Instruments - Carrying amounts and fair values

31.3.2015

000 euros	FVTPL financial instruments	Available-for-sale financial investments	Loans and receivables	Total carrying amounts by balance sheet item	Total fair value	Fair value hierarchy level
Financial assets						
Derivatives				0	0	Level 2
Non-listed equity securities		690		690	690	Level 3
Listed equity securities		3		3	3	Level 1
Cash and cash equivalents				40,475	40,475	
<b>Total financial assets</b>	<b>0</b>	<b>693</b>	<b>0</b>	<b>41,168</b>	<b>41,168</b>	

Financial liabilities

000 euros	FVTPL financial instruments	Amortised cost	Cash flow hedge instruments	Total carrying amounts by balance sheet item	Total fair value	Fair value hierarchy level
Borrowings		153,671		153,671	153,671	Level 2
Derivatives	1,296		602	1,898	1,898	Level 2
<b>Total financial liabilities</b>	<b>1,296</b>	<b>153,671</b>	<b>602</b>	<b>155,569</b>	<b>155,569</b>	

31.3.2014

000 euros	FVTPL financial instruments	Available-for-sale financial investments	Loans and receivables	Total carrying amounts by balance sheet item	Total fair value	Fair value hierarchy level
Financial assets						
Derivatives				0	0	Level 2
Non-listed equity securities		677		677	677	Level 3
Listed equity securities		267		267	267	Level 1
Cash and cash equivalents				26,270	26,270	
<b>Total financial assets</b>	<b>0</b>	<b>944</b>	<b>0</b>	<b>27,214</b>	<b>27,214</b>	

Financial liabilities

000 euros	FVTPL financial instruments	Amortised cost	Cash flow hedge instruments	Total carrying amounts by balance sheet item	Total fair value	Fair value hierarchy level
Borrowings		73,152		73,152	73,152	Level 2
Derivatives	976			976	976	Level 2
<b>Total financial liabilities</b>	<b>976</b>	<b>73,152</b>	<b>0</b>	<b>976</b>	<b>976</b>	

31.12.2014

000 euros	FVTPL financial instruments	Available-for-sale financial investments	Loans and receivables	Total carrying amounts by balance sheet item	Total fair value	Fair value hierarchy level
<b>Financial assets</b>						
Derivatives				0	0	Level 2
Non-listed equity securities		677		677	677	Level 3
Listed equity securities		3		3	3	Level 1
Cash and cash equivalents				30,926	30,926	
<b>Total financial assets</b>	<b>0</b>	<b>680</b>	<b>0</b>	<b>31,606</b>	<b>31,606</b>	

000 euros	FVTPL financial instruments	Amortised cost	Cash flow hedge instruments	Total carrying amounts by balance sheet item	Total fair value	Fair value hierarchy level
<b>Financial liabilities</b>						
Borrowings		64,422		64,422	64,422	Level 2
Derivatives	1,208			1,208	1,208	Level 2
<b>Total financial liabilities</b>	<b>1,208</b>	<b>64,422</b>	<b>0</b>	<b>65,630</b>	<b>65,630</b>	

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

There were no transfers between Level 1 and 2 in the periods.

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

## 5. Contingent liabilities, contingent assets and commitments

### Leasing liabilities

The Group has leased land, buildings, office premises and vehicles, as well as office furniture and equipment with operating lease arrangements.

Minimum lease payments payable based on the non-cancellable operating lease agreements:

000 euros	31.3.2015	31.3.2014	31.12.2014
Not later than 1 year	2,922	2,153	2,756
Later than 1 year and not longer than 5 years	8,578	3,894	5,149
Later than 5 years	3,750	2,651	4,098
<b>Total</b>	<b>15,250</b>	<b>8,698</b>	<b>12,003</b>

### Pledged assets

000 euros	31.3.2015	31.3.2014	31.12.2014
On behalf of own commitments	27,627	21,287	22,360
Promissory notes	26	0	0
<b>Total</b>	<b>27,653</b>	<b>21,287</b>	<b>22,360</b>

### VAT liabilities

VAT liabilities of the Group relate to refund relating to buildings in accordance with Section 33 of the (Finnish) Value Added Tax Act.

000 euros	31.3.2015	31.3.2014	31.12.2014
2008-2017	225	300	225
2009-2018	21	26	21
2010-2019	60	70	60
2011-2020	95	111	95
2012-2021	2,040	2,331	2,040
2013-2022	567	624	567
2014-2023	95		95
<b>Total</b>	<b>3,103</b>	<b>3,462</b>	<b>3,103</b>

### Litigation

In a letter dated 24 February 2014, the bankruptcy estate of L&T Recoil Oy has presented a recovery claim against Ekokem Corporation and demanded a payment of 295 525,99 euros to be made to the estate. The estate deems that certain payments made by the bankruptcy debtor to Ekokem between 27 December 2013 and 27 March 2014 (so-called "critical period"), with a total amount of 295 525,99 euros, should be recovered to the estate in accordance with the Finnish Act on Recovery to Bankruptcy Estate.

Ekokem has contested the estate's claim in its entirety. The payments subject to the recovery claim are made under an agreement and the payments are ordinary and recurrent. The payments made in total do not amount to a considerable amount when compared to the gross assets of the bankruptcy estate. Further, the current understanding of Ekokem is that an individual payment of 40,000.00 euros, which may be included in the estate's claim, cannot be recovered under the premises set out in the estate's claim. Irrespective of the above mentioned, the total amount of the payments received by Ekokem during the critical period do not in any case constitute a considerable amount as set out in Section 10 of the Recovery Act. The payments are based on an agreement regarding delivery of rerefined oil, dated 3 December 2012, between Ekokem and the bankruptcy debtor, and such payments ordinary and recurrent payments, as set out in Section 10 of the Recovery Act, cannot be subject to recovery.

## 6. Business combinations

On 29 January 2015, Ekokem Group acquired all shares in Duke Infrastructure Holding APS ("Nordgroup") from Hertog Infrastructure B.V. whose controlling parent company was EQT Infrastructure Limited, domiciled in the Island of Guernsey. The acquisition was financed both with two separate bank loans and cash at hand and in banks.

Nordgroup is an environmental management company based in Denmark. Nordgroup's three areas of business are hazardous waste processing, treatment of oily waters and clean-up projects.

The acquisition will enable Ekokem Group's growth in the Nordic countries as a company focused on circular economy generating added value to its customers through better material and energy efficiency and new recycling opportunities. Nordgroup will strengthen Ekokem Group's water treatment technology and expertise, among other things. The acquisition is expected to have a positive effect on Ekokem Group's Operating profit from 2015 onwards.

The acquisition-related costs of €831 thousand have been charged to the consolidated income statement for the year ended 31 December 2014. These costs are included in line item other operating expenses of the consolidated income statement. The initial accounting for the acquisition is incomplete at the date of these financial statements.

The acquired businesses have been included in the consolidated financial statements as of 1 February 2015. The purchase price allocation has been based on the acquired company's balance sheet on 31 January 2015, which has been prepared in accordance with IFRS in all substantial respects. A preliminary, IFRS 3 compliant consideration is shown below.

### Consideration on 29.1.2015

Cash	95,141
Contingent consideration arrangements	5,408
<b>Total consideration transferred</b>	<b>100,549</b>

Preliminary amounts recognised for acquired assets and liabilities	Fair value
Tangible assets	81,281
Intangible assets	22,247
Available-for-sale financial assets	14
Inventories	2,584
Trade receivables	15,504
Accrued income and other receivables	1,993
Cash and cash equivalents	8,312
Deferred tax liabilities	-14,895
Loans	-4,670
Provisions	-20,698
Prepayments	-6,852
Trade payables	-2,166
Accruals, deferred income and other current liabilities	-6,422
Tax liabilities based on taxable income for the period	-2,985
<b>Total identifiable net assets</b>	<b>73,247</b>
<b>Goodwill</b>	<b>27,301</b>
<b>Total</b>	<b>100,549</b>



## **7. Events after the end of the reporting period**

After the end of the period, the Ekokem Group appointed a new CFO, Markus Melkko, who will start in his new position on 1 June 2015.