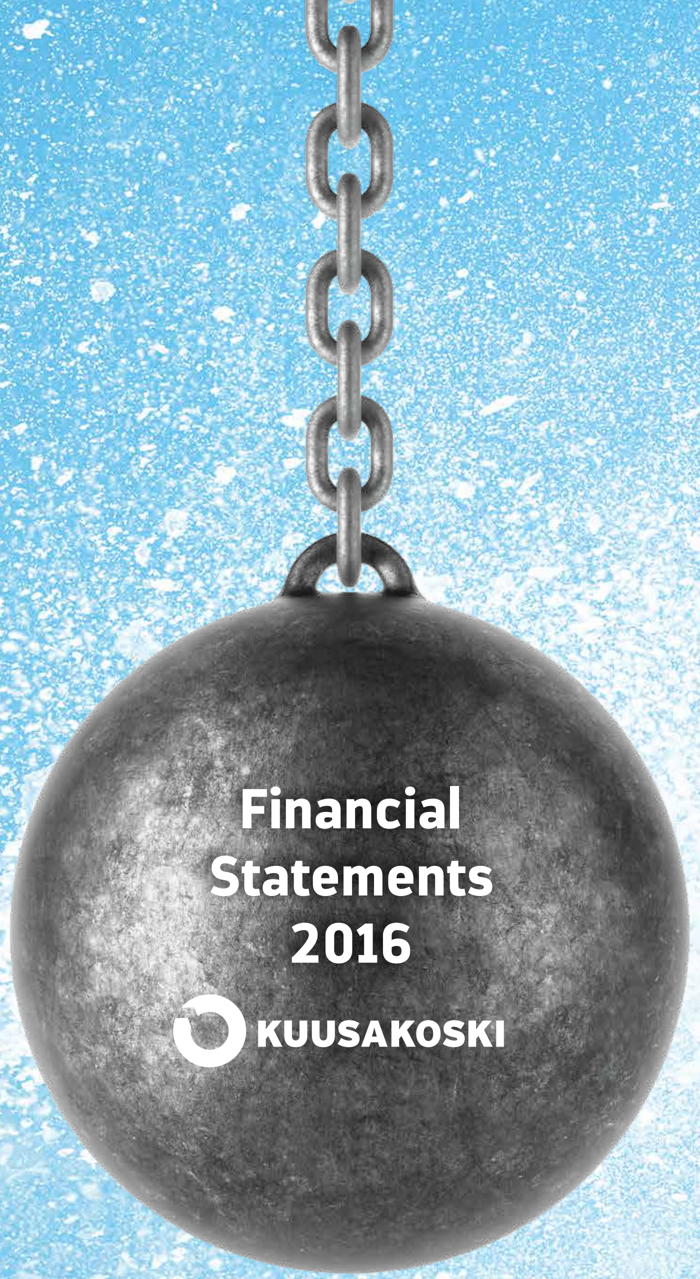
Financial Statements 2016

KUUSAKOSKI



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KUUSAKOSKI

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KUUSAKOSKI RECYCLING

Alteams Group

Atte Kekkonen
CEO, Kuusakoski Oy

Kuusakoski Recycling focuses on core business with confidence in the future

Demand for recycled materials strengthened in 2016. This could be seen particularly in the amount of materials Kuusakoski Recycling delivered to its key clients in the Nordic region, Europe and Japan. The importance of other Asian markets continued to diminish. The positive outlook among our key clients together with the beginnings of an economic recovery and our own streamlined activities provide a solid foundation for our business operations.

A high degree of processing, the measures we have taken to improve our operational efficiency and the positive price trend towards the end of the year helped Kuusakoski Recycling improve its result in 2016. Our operating margin improved by more than EUR 20 million compared to the previous year. Profitability improved in all our market areas, but especially in our core business region in Finland and Sweden. Improvements to operational efficiency accounted for approximately EUR 8 million of our operating margin, while the positive trend in the degree of processing and market prices accounted for approximately EUR 13 million.

Although average prices for key raw materials remained at a lower level than in the previous year, a positive turnaround in global market prices occurred in the second half of 2016. Despite the subsequent price changes at the start of 2017, we expect the raw material markets on the whole to develop favourably also this year. For the first time in years the markets are anticipating that average prices will increase in 2017 compared to recent years.

In 2016 we continued to consolidate our operations and focus resources on our core business areas. In accordance with our strategy we concluded the discontinuation of operations in Poland, Lithuania and Denmark. The non-recurring costs of divestments related to non-core business units amounted to approximately EUR 3 million during the year under review, while the cash flow impact was positive by approximately EUR 1 million.

The focus of our operations in 2017 will continue to be on improving customer service, local processing and operational efficiency. Our daily activities are supported by an investment programme that was introduced in 2016. The first phase of investments, the modernisation of aluminium production in Heinola, will be completed by the end of 2017.

In addition to improving our profitability, we are focusing heavily on improving occupational and fire safety. The "Homma hanskassa" internal occupational safety campaign that we launched in Finland in 2016 will be extended also to Sweden in 2017. With this campaign we have set clear targets: we intend to lead the way in our industry in terms of both occupational and fire safety. Our occupational safety targets are also part of Kuusakoski Recycling's incentive system.

We are confident about the future. Despite the unpredictability of the global economy, we have demonstrated – particularly in 2016 – that we are capable of strengthening our competitiveness even in a challenging market environment and amidst intensifying competition. We shall continue this work also in 2017. •

The focus of our operations in 2017 will continue to be on improving customer service, local processing and operational efficiency.

Asko Nevala
CEO, Alteams Oy

Alteams strengthens competitiveness in a year of changes

Demand for our products remained at a reasonable level in 2016. Strong monthly fluctuations in demand nevertheless created significant fluctuations also in our result. Revenues for 2016 decreased by 3% compared to the previous year. By adjusting production costs our result improved significantly but remained negative. As the construction of telecommunications networks levelled off, revenues in this segment decreased, while sales in the industrial applications segment continued to grow in line with our strategy.

The expansion project at our plant in China was completed, enabling all manufacturing processes to be transferred back to our own facilities. This is expected to have a positive impact on the plant's competitiveness by eliminating additional subcontracting and logistics costs. Other investments in China continued to focus on basic repairs and modernisations of machinery and equipment, as well as on improving operational efficiency.

A significant number of new products were introduced by our plant in Poland. However, as the product portfolio continued to be relatively small and demand for telecommunications networks remained mostly in Asia, the company's revenues and profitability remained clearly below target. Efforts were made to improve profitability by improving cost structures and further streamlining the company's operations. Most of the group's European logistics operations were centralised in Poland during the year under review.

From the start of 2016, all operations of foundries in Finland were incorporated into a new company, Alteams Finland Oy, a subsidiary of Alteams Oy. Accordingly, separate plant organisations were replaced by shared functions to support growth. The company's sales and profitability developed positively during the year under review despite the challenging business environment.

Both the revenues and profitability of our joint venture in India improved following efforts in recent years to increase sales and improve operational efficiency. The company's key client in the telecommunications network sector is increasing production in India, and the first orders related to this were received at the end of the year. This is expected to have a positive impact on the company's revenues in the coming years.

In accordance with our new strategy we focused more on product development and reorganised our R&D activities at the turn of the year. Heat transfer improvements remained one of the key focus areas of our research activities. Testing was carried out on special alloys, heat sink solutions and liquid cooling for castings, for example by using various welding methods. Growing our expertise enabled us to win our first volume product project, which was ordered by one of our key clients. We also continued testing 3D-printed pressure die casting mold components and the use of 3D-printed cores in sand casting.

An employee survey was carried out within the Alteams Group during the year under review. Compared to the previous survey, positive development has happened in all areas.

The following targets for development were specifically identified: linking our corporate values to our daily operations and improving management by objectives development. In addition, further attention is being paid to improving leadership skills, working conditions and the work environment at our plants.

We expect overall demand in 2017 to increase slightly compared to 2016.

Sales promotion work will focus particularly on the industrial applications segment, where we expect continued growth in 2017. During the year under review we established a new sales company in Japan, Alteams Japan K.K., which will support our sales growth strategy. In addition, we will focus in 2017 on sales and technical support for clients in North America.

A comprehensive strategic review was undertaken during the year under review. The company's key strategic targets were identified, and they will receive significant resources in the future. In particular, operational excellence including efficiency, speed and quality, needs to be lifted into a new level to ensure our competitiveness. The organisation was strengthened and reorganised to assist the company in achieving its strategic targets. •

We believe that our revised strategy and employees who are strongly committed to implementing it will help ensure the success of Alteams also in the future.

Information is power

Hard drives, servers, archive material, uniforms – anything goes. Kuusakoski eliminates sensitive material safely and irreversibly. We reduce information to such small fractions that it can no longer be accessed. All that remains is crushed or shredded waste that can be given new life as recycled materials.

Kuusakoski Group

Kuusakoski Group comprises the recycling operations of Kuusakoski Oy, the foundry operations of Alteams Oy and property companies, which are Jokirantakiinteistöt Oy and Kiinteistö Oy Lahden Norokatu 5. The parent company of Kuusakoski Group is Kuusakoski Group Oy, which is owned in its entirety by the Kuusakoski family. Kuusakoski Oy and its subsidiaries form the recycling group and Alteams Oy and its subsidiaries the foundry group.

Group's operating environment and financial result

No major changes occurred in the Group's operating environment compared to the previous year. The uncertainty in the global economy continued, and competition for recycled metals intensified. During the year under review, price fluctuations affecting the most important metals for the Group were exceptionally strong.

Kuusakoski Group posted revenues in 2016 of EUR 494.4 million, which is 13% less than in 2015 (568.1 million in 2015, 655.5 million in 2014). The consolidated operating result was EUR -4.1 million (-37.9 million in 2015, 6.9 million in 2014), which represents -1% of revenues (-7% in 2015, 1% in 2014). The return on investment (ROI) was -1.0% (-12.6% in 2015, 2.0% in 2014). The net result for the financial period after taxes was EUR -10.8 million (-38.0 million in 2015, 2.8 million in 2014), which represents -2.2% of revenues (-6.7% in 2015, 0.4% in 2014).

Revenues from recycling operations accounted for approximately 80% of the Group's revenues.

Financing and capital expenditure

Kuusakoski Group's cash flow from operating activities before investments totalled EUR 32.2 million (27.0 million in 2015, 15.1 million in 2014) and after investments EUR 27.5 million (3.1 million in 2015, -5.5 million in 2014). The amount of working capital tied to Group activities decreased by EUR 6.5 million, which supported cash flow. Working capital was released due to the decrease in revenues and decline in metal prices in the recycling business.

The Group's investments totalled EUR 4.8 million (23.9 million in 2015, 20.5 million in 2014), which represents 1.0% of revenues (4.2% in 2015, 3.1% in 2014). Kuusakoski recycling group´s investments focused on developing existing processes and recovery efficiency. Geographically these investments focused on Finland and Sweden in accordance with the business strategy.

Alongside the expansion of the Chinese plant, investments within the foundry business continued to focus on basic repairs and modernisations of machinery and equipment, as well as on improving operational efficiency.

The Group's liquidity remained good. At the end of the year under review the Group had a total of EUR 55 million of unused revolving credit facilities issued by banks to cover long-term financing. The maturity of the Group's loans was extended by replacing short-term financing with long-term financing. Short-term financing was managed primarily with commercial papers.

The Group's equity ratio at the end of the year under review was 39.2% (41.4% in 2015, 48.0% in 2014). The net gearing ratio was 70.4% at the end of the year (83.8% in 2015, 53.0% in 2014). The amount of net liabilities decreased during the year under review by approximately EUR 25 million.

The Finance Department of the Group's Parent Company manages centrally the Group's assets and fund raising.

Personnel

The number of personnel employed by the Group decreased by 316 during the year under review. At the end of the year under review, the Group had 2,354 employees.

The number of personnel in the recycling group decreased due to divestments and structural changes. The number of personnel in the foundry group increased slightly.

The total sum of salaries, wages and rewards paid to personnel during the year under review in Kuusakoski Group was EUR 67.4 million (76.7 million in 2015, 74.3 million in 2014).

Number of personnel employed by Kuusakoski Group at the end of the year

	2016	2015	2014
In Finland	583	606	725
Outside Finland	1,771	2,064	2,550
Total	2,354	2,670	3,275

Risks and risk management

The purpose of the Group's risk management is to identify any significant risk factors considering the special characteristics of its business operations and business environment and to optimally manage them in such a way that the Group's strategic and financial goals are achieved.

The main risks within the recycling business in the current market situation are risks connected to metal prices, foreign exchange risks, credit risks, changes in demand among customers and in production capacity, and structural changes in the operating environment.

The risks within the foundry business are the strong fluctuations in demand in the product markets, price fluctuations among raw materials, unpredictability in the number of orders and our dependency on a few large customers. The development of new manufacturing technologies and materials is actively monitored.

The Group regularly monitors its insurance cover as part of its risk management. Insurance is used to cover all the risks that are appropriate to manage for financial or other reasons through insurance policies.

A risk management policy has been defined for the Group and approved by the Board of Directors that is used to manage risks connected with the Group's business operations, personnel and financing. Currency and metal derivatives that are used to hedge against risks are measured at their fair value, and the fair value is recorded as a gain or loss. •

Recycling operations

Kuusakoski Oy and its subsidiaries form the recycling group.

Market situation and business performance

The year under review remained challenging for the recycling business. The fall in the prices of commodities and basic metals levelled off in the first half of the year, and in the last quarter the prices of all key metals recovered to a higher level than at the start of the year. The price of ferrous scrap by the end of 2016 was more than 50% higher and the price of copper, nickel and aluminium more than 20% higher than at the start of the year under review. However, average price levels in 2016 remained at a lower level than in 2015. The average price of ferrous scrap and nickel was 10% lower and the average price of copper 15% lower than the average prices in the previous year.

Demand among key customers using Kuusakoski's recycled metals as a raw material remained healthy throughout the year. In accordance with its key customer strategy, Kuusakoski focused its deliveries to key customers in the Nordic and Asian markets.

The revenues of the recycling business amounted to EUR 395.1 million, which is 15% less than in the previous year (466.3 million in 2015, 548.6 million in 2014). Centralising accounted for 7.5% of the change in revenues, while lower volumes and market prices compared to the previous year accounted for 92.5%. The decrease in revenues was caused by lower volumes and prices for recycled metals compared to the previous years, as well as by the group's increased focus on its core business in accordance with its strategy.

The profitability of the recycling business improved by EUR 28.9 million compared to the previous year, but due to structural changes and ongoing challenges in the USA the operating result remained negative. The operating result in 2016 amounted to EUR -1.5 million (-30.4 million in 2015, 4.5 million in 2014), which represents 0.4% of revenues (6.5% in 2015, 0.8% in 2014). The return on investment (ROI) was -3.1% (-16.4% in 2015, 1.1% in 2014). The net result was EUR -12.1 million (-34.0 million in 2015, 1.8 million in 2014), which represents 3.1% of revenues (7.3% in 2015, 0.3% in 2014). The net result includes of EUR 2.5 million in tax provisions related to operations in the USA and EUR 5.7 million in group contributions to other group companies.

In addition to the company's traditional metal recycling operations, the focus areas for investments continued to be WEEE recycling (Waste Electrical and Electronic Equipment), sales of recycling services and solutions, and the construction waste business in accordance with its strategy.

The profitability of the group's core business, i.e. recycling operations in Finland and Sweden, improved significantly compared to the previous year. Finland retained its central position in terms of generating results in the recycling business in 2016. The profitability of Swedish operations also improved compared to the previous year.

In Great Britain, Kuusakoski Ltd, which specialises in processing stainless steel in Sheffield, succeeded in significantly strengthening collaboration with customers in accordance with its strategy. As in the previous year, the company posted a positive result.

The operating result of the WEEE joint venture Sweeep Kuusakoski Ltd in Kent improved significantly in 2016. The positive result was due largely to improvements in operational efficiency and the recovery in the local price level of recycled electronics compared to the previous year.

In Russia, Kuusakoski focused on developing WEEE operations and recycling complex metals.

In the USA, Kuusakoski focused on WEEE recycling, where the business environment remained challenging. Work continued on improving operational efficiency and adjusting operations to the prevailing market situation during the year under review. As part of our efforts to streamline operations, the processing plant in Philadelphia was closed down and processing activities centralised entirely in Chicago. The operating result in the USA improved by EUR 2.0 million but remained negative in 2016.

In the Baltic markets, the recycling group's Estonian subsidiary posted a positive result despite the business environment, which remained challenging. The Lithuanian subsidiary was sold to Dorvina UAB, and the transaction was completed by the end of the year under review. The operations of the Polish subsidiary were discontinued in December 2015, and the dissolution of the company continued throughout the entire year under review. This work is expected to be concluded by the end of 2017.

In Denmark, the operations of Kuusakoski Recycling A/S were discontinued in 2016. The dissolution of the company is ongoing and is expected to be completed in 2017.

R&D, environmental protection, and occupational health and safety

Research and development activities focused on projects related to various kinds of material flows and processing chains. The primary aim of the research continued to be on maximising the efficiency of recovering materials and production of high-value end products. The main objective in 2016 was also a reduction in the amount of secondary flows and waste, as well as managing their quality. The main research areas included end-of-life vehicles, recycled fuel from construction and energy waste, WEEE materials, tyre rubber, and the challenging secondary flows created by recycling operations.

The research results from R&D activities were utilised to help improve processes, sourcing and sales, for example in the development of processing for end-of-life vehicles and in the quality inspection of recycled fuels.

Occupational safety management was carried out in accordance with an occupational health and safety system that complies with the OHSAS 18001 standard. The commitment to continuous improvement was reflected in a clear increase in the number of safety observations and corrective measures. At the same time the number of safety rounds increased significantly. The total number of occupational accidents and absences due to sick leave decreased compared to the previous year, but the accident frequency increased slightly. Risk assessments, workplace surveys and occupational hygiene measurements were undertaken within workplaces.

Over 40 separate environmental programmes were implemented in Finland to further develop operations in accordance with our environmental targets. One of the most significant programmes involved improvements carried out at the battery processing facilities in Rauma. Fire safety and extinguishing readiness were also focused on in 2016. A new PRO24 system was introduced for managing environmental, quality and occupational safety documentation. Internal audits complying with environmental, occupational safety and quality systems were carried out according to plan. Finland's ISO 14001 environmental system and the ISO 9001 quality system for the aluminium smelter in Heinola were recertified during the autumn. Obligatory inspections of our operations as defined in the environmental permits were carried out according to the terms and regulations.

Changes in group structure

The decision was taken to discontinue the operations of the Polish subsidiary Kuusakoski Sp. z o.o in December 2015. The dissolution of the company continued throughout the entire year under review and is expected to be concluded in 2017.

The operations of the Swedish subsidiary Borrkompaniet Sverige Ab were sold to a new owner in May 2016. The recycling group retained ownership of the subsidiary under a new name, RivBorr Sverige Ab, which no longer carried out business operations by the end of the year under review.

The Lithuanian subsidiary was sold to Dorvina UAB, and the transaction was completed in October 2016. •

New life begins in the crusher

Electrical and electronic equipment contains a lot of parts and different materials. Substances that are harmful to people and the environment are removed during preprocessing. The production of recycled materials continues in the crusher, after which all metals, plastics and other materials are sorted into their own channels.

Highlights

Kivikolmio grows and invests

Kivikolmio Oy, a fully owned subsidiary of Kuusakoski, extended its agreement with NCC Roads covering the processing of waste asphalt in Southern Finland for another four years. As a result, the amount of material crushed by Kivikolmio each year will increase by 140,000 tonnes, and the company invested in a new impact crusher.

Divestments sharpen focus on core business

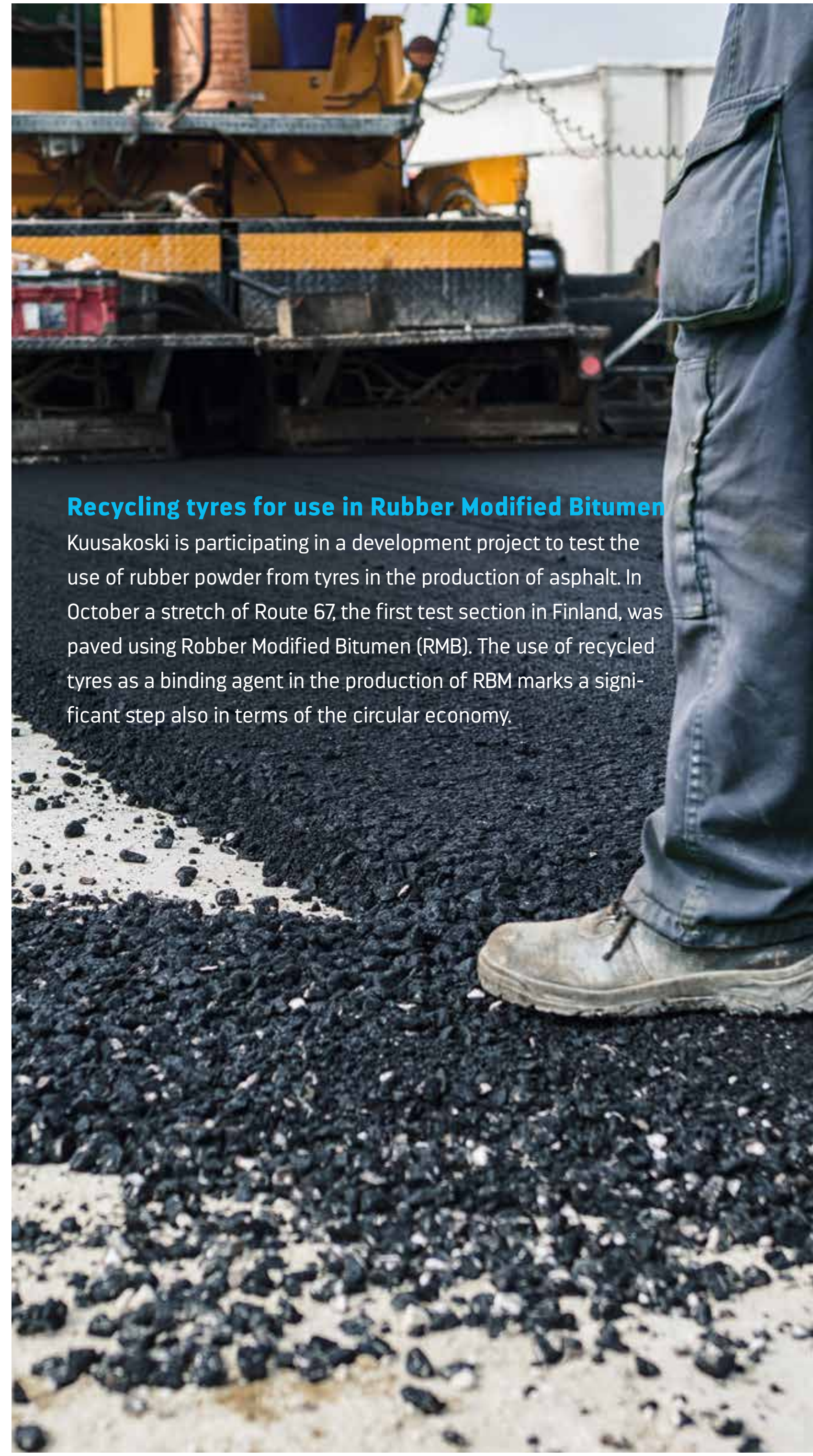
Kuusakoski continued to sharpen the focus on its core business in April by selling its Lithuanian subsidiary UAB Kuusakoski and its Swedish subsidiary Borrkompaniet Sverige AB, which specialised in demolitions, repairs and environmental impact assessments.

Fire safety improvements

An emergency fire extinguishing team was set up at the Kuusakoski plant in Heinola, Finland. The team is trained to respond to rapid fire extinguishing emergencies. A firefighting vehicle was purchased for use by the team. To help prevent the spread of fires, new thermal imaging cameras were installed in the electrical and electronic waste warehouse to ensure a rapid response and the best possible supervision around the clock.

Focus on occupational safety

Kuusakoski set the reduction or complete elimination of occupational accidents as one of its key targets for the coming years. Accordingly, an internal occupational safety campaign was launched in October. In 2016–2017 special attention will be paid to the prevention of accidents, in part by encouraging employees to report dangerous situations and near misses.



Recycling tyres for use in Rubber Modified Bitumen

Kuusakoski is participating in a development project to test the use of rubber powder from tyres in the production of asphalt. In October a stretch of Route 67, the first test section in Finland, was paved using Robber Modified Bitumen (RMB). The use of recycled tyres as a binding agent in the production of RBM marks a significant step also in terms of the circular economy.

Closer Finnish-Swedish cooperation

Kuusakoski continued to increase co-operation between its core business regions, Finland and Sweden, in terms of process, production and occupational safety issues. To support this cooperation, the management of Kuusakoski's core operations was confirmed by appointing Mikko Kuusilehto as COO of both the Finnish and Swedish regional organisation, as well as Vice President responsible for QEHS and R&D.

New ARROW Novi maintenance system tested in Heinola

Kuusakoski tested the fault indication properties of its new ARROW Novi maintenance system in Heinola during the autumn. The online maintenance system will eventually include a complete equipment register. The system will make it easier to manage maintenance work and improving the efficiency of maintenance operations at the Heinola plant and the company's recycling yards. The aim is to introduce ARROW Novi at all Kuusakoski yards in Finland and Sweden during the course of 2017.

Number of eService users tops 2000

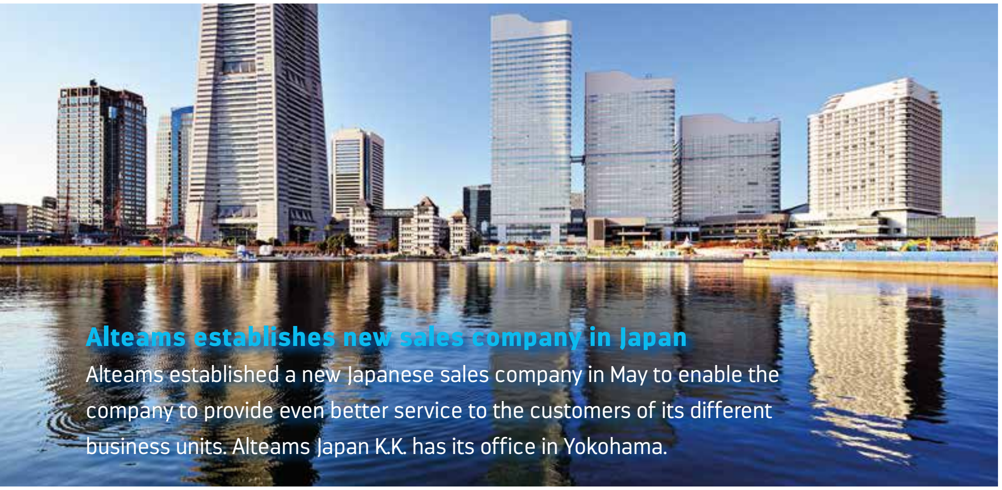
An increasing number of corporate customers used Kuusakoski's electronic eService channel in 2016. The electronic service can be accessed by customers anytime, anywhere, and already accounts for over a thousand orders a month. The channel is used by Kuusakoski to manage the entire order-delivery process, including reporting.

Major investment in a new aluminium furnace in Heinola

Kuusakoski is investing EUR 3.4 million in a new furnace at the Heinola plant in response to intensifying competition for raw materials in the Baltic Sea region. The new furnace will feature the latest technology, allowing low-quality and mixed materials to be processed more efficiently. The investment will also generate significant savings in waste handling and energy costs. At the same time, Kuusakoski's Board of Directors has set clear growth targets for aluminium output.

Data protection services ramped up

The EU's new General Data Protection Regulation enters into force in spring 2018, creating stricter requirements for processing personal data and secure data destruction. In anticipation of the new regulation, Kuusakoski introduced a secure data destruction service in Finland. The process covers the secure data destruction of all materials, and the service can be integrated with the customer's own data security processes.



Alteams establishes new sales company in Japan

Alteams established a new Japanese sales company in May to enable the company to provide even better service to the customers of its different business units. Alteams Japan K.K. has its office in Yokohama.

Success for thermal conductivity activities

Managing thermal conductivity was one of the focus areas of Alteams's R&D activities in 2016. The development of the company's expertise in this area enabled Alteams to win its first volume product order from one of its major customers.

Expansion of Chinese plant completed

The expansion project at the Alteams plant in Suzhou, China, was completed at the end of the year, and all manufacturing processes were transferred back to the company's own facilities.

Alteams reviews its strategy

Alteams undertook a comprehensive review of its strategy in 2016. The company's key strategic targets were identified, and they will receive significant resources in the future. The Alteams organisation was also strengthened and reorganised to help the company achieve its strategic targets.

Foundry operations

Alteams Oy and its subsidiaries form the foundry group.

Market situation and business performance

In 2016 the foundry group's revenues decreased by 3% compared to the previous year due to lower volumes in telecommunications network components and amounted to EUR 100.9 million (103.6 million in 2015, 108.4 million in 2014), whereas sales in the industrial applications segment continued to develop positively. By adjusting production costs, the operating result improved significantly but remained negative at EUR -2.5 million (-7.6 million in 2015, 2.8 million in 2014). Earnings before appropriations and taxes amounted to EUR 1.4 million (-3.9 million in 2015, 2.0 million in 2014). The net result was EUR 1.3 million (-4.1 million in 2015, 0.9 million in 2014). The net result and earnings before appropriations and taxes include a Group contribution of EUR 5.5 million (5.0 million in 2015, 1.9 million in 2014).

A comprehensive strategic review was undertaken within the foundry group during the year under review. The group's key strategic targets were identified, and they will receive significant resources in the future.

The expansion project at the Alteams plant in Suzhou, China, that began at the end of 2014 was completed in 2016, enabling all manufacturing processes to be transferred back to the company's own facilities. This is expected to have a positive impact on the plant's competitiveness by eliminating additional subcontracting and logistics costs.

The Polish subsidiary introduced a significant number of new products and gained new customers in 2016. However, as the product portfolio continued to be relatively small and demand for telecommunications networks remained mostly in Asia, the company's revenues and profitability remained below target. Most of the foundry group's European logistics operations were centralised in Poland during the year under review.

Both the revenues and profitability of the joint venture in India continued to improve following efforts in recent years to increase sales and improve operational efficiency.

Research and development

In accordance with the foundry group's new strategy, the focus has been more on product development. Accordingly, R&D activities were reorganised at the turn of the year. Heat transfer improvements remained one of the key focus areas of research activities. Testing was carried out in 2016 on special alloys, heat sink solutions and liquid cooling for castings, for example by using various welding methods. The group's expertise enabled it to win its first volume product project, which was ordered by one of its key clients. At the same time, testing continued on 3D-printed pressure die casting mold components and the use of 3D-printed cores in sand casting.

The group's management system is based on international quality standards (ISO 9001 and TS 16949), and its environmental management system is based on the ISO 14001 standard.

Changes in group structure

Foundry operations in Finland were transferred to a new company, Alteams Finland Oy, at the start of the year under review. According to plan, the separate plant organisations were replaced by shared functions to support growth.

During the year under review a new subsidiary, Alteams Japan K.K., was established in Japan. In addition, Alteams Dispensing AB merged with Alteams Stilexo AB. •

Kuusakoski Group Prospects for 2017

Regarding the recycling business, the market situation is expected to improve somewhat due to overall economic growth. Demand for recycled metals is expected to remain strong also in 2017. Although commodity prices increased at the end of 2016, the price level remains low compared to long-term prices.

The company shall continue to take measures to improve operational efficiency in all its markets and to focus on improving added value, as well as on risk management.

Revenues and the operating result of the recycling business are expected to increase somewhat compared to 2016.

Regarding the foundry business, demand is expected to increase slightly in 2017 compared to the previous year.

The Board expects Kuusakoski Group's revenues for 2017 to increase slightly from the level in 2016.

Dividend proposal

The Board proposes to the Annual General Meeting that a dividend of EUR 1.8 million be paid from the total distributable funds and that the remainder be retained in shareholders' equity.

We scrap even the biggest secrets

Security measures and advanced processes ensure reliable scrapping for everything from historical tanks to top secret prototypes. After crushing and sorting, scrap metal is recycled in the form of unrecognisable fractions that are ready for new uses.

CONSOLIDATED INCOME STATEMENT

EUR million	2016	2015
REVENUES 1)	**494.4**	**568.1**
Production for own use	0.0	0.2
Other operating income 2)	3.2	3.6
Materials and services 3)	328.9	403.1
Personnel expences 4)	78.8	90.5
Depreciation and writedowns 6)	33.0	37.2
Other operating expenses	61.1	79.2
	501.8	**609.9**
Operating profit	**-4.1**	**-37.9**
Financial income and expenses 7)	-3.0	-0.5
Profit before taxes	**-7.1**	**-38.4**
Income taxes 8)	-4.1	0.1
Minority interest	0.4	0.4
NET PROFIT FOR THE FINANCIAL YEAR	**-10.8**	**-38.0**

CONSOLIDATED BALANCE SHEET

EUR million	2016	2015
ASSETS		
NON-CURRENT ASSETS 9)		
Intangible assets	10.8	19.1
Tangible assets	132.9	155.6
Investments	3.2	2.6
	146.8	**177.3**
CURRENT ASSETS		
Inventories 10)	60.8	57.2
Long-term receivables 11)	0.6	0.2
Short-term receivables 11)	76.8	89.6
Cash and cash equivalents	28.0	7.0
	166.1	**154.0**
	313.0	**331.3**
SHAREHOLDERS´ EQUITY AND LIABILITIES		
EQUITY AND RESERVES 12)		
Share capital	0.1	0.1
Share premium fund	0.2	0.2
Retained earnings	132.4	173.6
Net profit for the financial year	-10.8	-38.0
	121.9	**135.9**
Minority interest	0.3	0.2
Obligatory provisions 13)	14.2	13.3
LIABILITIES 14)		
Non-current liabilities	77.0	54.0
Current liabilities	99.5	127.8
	176.6	**181.8**
	313.0	**331.3**

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

EUR million	2016	2015
CASH FLOW FROM OPERATIONS		
Profit (loss) before appropriations and taxes	-7.1	-38.4
Adjustments:		
Depreciation and write-downs	33.0	37.2
Gains (-) and losses (+) on fixed assets	1.3	0.8
Share of results of associated companies	-0.6	-0.5
Unrealised exchange rate profits and losses	-0.3	-1.9
Financial income and expenses	3.7	3.0
Cash flow before change in working capital	**30.1**	**0.0**
Change in working capital:		
Increase (-), decrease (+) in inventories	-3.9	24.2
Increase (+), decrease (-) in non-interest-bearing trade receivables	4.6	34.1
Increase (+), decrease (-) in non-interest-bearing liabilities	5.9	-26.1
Cash flow from operations before financial items and taxes	**36.6**	**32.2**
Interest paid and other financial expenses	-3.6	-3.0
Dividends received	0.3	0.3
Interest received	0.2	0.2
Taxes	-1.2	-2.8
Cash flow from operations	**32.2**	**27.0**

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

EUR million	2016	2015
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-6.7	-12.7
Subsidiaries acquired	0.0	-11.0
Subsidiaries sold	2.4	0.0
Associated companies acquired	-0.3	0.0
Increase (+), decrease (-) in other investments	-0.1	-0.2
Cash flow from investments	**-4.8**	**-23.9**
CASH FLOW FROM FINANCING		
Increase (+), decrease (-) in non-current liabilities	29.4	15.2
Increase (+), decrease (-) in current liabilities	-36.0	-10.2
Dividend distribution	0.0	-11.8
Cash flow from financing	**-6.7**	**-6.8**
Change in cash and cash equivalents	20.8	-3.7
Cash and cash equivalents 1 Jan	7.0	10.3
Effect of exchange rate changes	0.1	0.3
Cash and cash equivalents 31 Dec	**28.0**	**7.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EUR million	2016	2015
Income statement		
1. REVENUES BY BUSINESS SECTOR AND MARKET AREA		
Revenues by business sector:		
Recycling	393.5	464.5
Foundries	100.9	103.6
Total	**494.4**	**568.1**
Revenues by market area:		
Finland	100.0	126.7
Other Europe	224.9	233.6
Asia	148.9	175.7
Other areas	20.7	32.2
Total	**494.4**	**568.1**
2. OTHER OPERATING INCOME		
Gains on sale of fixed assets	0.5	1.4
Other operating income	2.7	2.3
Total	**3.2**	**3.6**
3. MATERIALS AND SERVICES		
Materials, goods and supplies		
Purchased during the financial year	244.1	278.5
Increase(-),decrease (+) in inventories	-5.1	23.8
	239.0	302.3
Outside services	89.9	100.8
Total	**328.9**	**403.1**
4. PERSONNEL EXPENCES		
Wages and salaries	67.4	76.7
Pension expenses	5.8	6.8
Other personnel expences	5.6	7.0
Total	**78.8**	**90.5**
Salaries and remuneration to senior management		
Managing Directors and Members of the Board of Directors	2.7	2.7
The Group has a supplementary pension insurance affecting one person. Group management had no loans from the parent company.		

EUR million	2016	2015
Average number of personnel		
Wage earners	1,887	2,206
Salaried employees	625	708
Total	**2,512**	**2,914**
5. AUDITOR'S FEES		
Auditing	0.4	0.3
Other services	0.0	0.1
Total	**0.4**	**0.5**
6. DEPRECIATION AND WRITEDOWNS		
Planned depreciation, intangible	1.5	1.6
Planned depreciation, goodwill	5.8	7.4
Planned depreciation, tangible	22.7	25.8
Writedowns	3.0	2.5
Total	**33.0**	**37.2**
7. FINANCIAL INCOME AND EXPENCES		
Income from associated companies	0.6	0.5
Other interest and financial income, from others	0.6	0.7
Total financial income	**0.6**	**0.7**
Other interest and financial expenses, to others	4.3	1.7
Total financial expenses and expenses	**-3.0**	**-0.5**
Foreign currency exchange differences included in total financial income and expenses	-0.4	2.0
8. INCOME TAXES		
Income taxes payable from current and previous tax years	1.6	2.5
Change in deferred tax liability	2.5	-2.5
	4.1	**-0.1**

EUR million	Acquistion cost 1.1.2016	Translation difference	Increases	Decreases	Reclassifications	Accumulated depreciation 1.1.2016	Translation adjustment	Accumulated depreciation on decreases	Depreciation for the financial year	Writedowns	Total 31.12.2016
BALANCE SHEET, ASSETS											
9. Non-current assets											
Intangible assets											
Intangible rights	3.4	0.0	0.0	-1.3	0.0	-1.8	0.0	1.0	-0.2	0.0	**1.1**
Goodwill	69.9	-1.3	0.0	-6.3	0.0	-57.7	0.4	6.3	-5.8	0.0	**5.6**
Other long-term expenditure	14.7	0.0	0.2	-0.1	0.0	-9.4	0.0	0.0	-1.3	0.0	**4.0**
Capital work in progress	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Total intangible assets	**88.0**	**-1.3**	**0.2**	**-7.7**	**0.0**	**-68.9**	**0.4**	**7.4**	**-7.3**	**0.0**	**10.8**
Tangible assets											
Land	8.6	-0.1	0.1	0.0	0.0	0.5	0.0	0.0	0.0	-0.2	**9.0**
Buildings and structures	107.5	-0.4	3.5	-4.4	0.8	-48.4	0.5	3.5	-5.1	0.0	**57.5**
Machinery and equipment	259.6	-6.2	5.6	-27.9	1.9	-181.2	4.4	24.3	-17.1	-2.9	**60.7**
Other tangible assets	7.5	-0.1	0.1	-0.3	0.0	-4.4	0.1	0.3	-0.6	0.0	**2.4**
Capital work in progress	5.8	-0.1	2.3	-2.0	-2.8	0.0	0.0	0.0	0.0	0.0	**3.3**
Total tangible assets	**389.0**	**-6.9**	**11.6**	**-34.7**	**0.0**	**-233.4**	**5.1**	**28.0**	**-22.7**	**-3.0**	**132.9**
Investments											
Shares in associated companies	2.4	-0.1	0.8	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	**3.0**
Other shares and shareholdings	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.2**
Total investments	**2.6**	**-0.1**	**0.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.2**	**3.2**
Total non-current assets	**479.6**	**-8.3**	**12.6**	**-42.5**	**0.0**	**-302.3**	**5.5**	**35.4**	**-30.0**	**-3.2**	**146.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EUR million	2016	2015
10. INVENTORIES		
Materials and supplies	36.0	34.8
Finished goods	24.6	22.0
Advance payments	0.3	0.4
	60.8	**57.2**
11. CURRENT RECEIVABLES		
Long-term receivables		
Deferred tax liabilities	0.3	0.2
Other receivables	0.2	0.0
Total long-term receivables	0.6	0.2
Short-term receivables		
Deferred tax liabilities	3.4	8.5
Trade receivables	65.8	68.4
Other receivables	1.7	2.9
Accured income	5.9	9.8
Total short-term receivables	**76.8**	**89.6**
BALANCE SHEET, ASSETS		
12. SHAREHOLDERS´ EQUITY		
Share capital	0.1	0.1
Share premium fund	0.2	0.2
	0.3	**0.3**
Retained earnings 1 Jan	135.6	185.8
Dividends paid	0.0	-11.8
Translation adjustment	-3.3	-0.5
Retained earnings 31 Dec	**132.4**	**173.6**
Net profit for the financial year	-10.8	-38.0
Total retained earnings	121.6	135.6
Total	**121.9**	**135.9**
13. PROVISIONS		
Environmental provisions	6.0	4.8
Other provisions	8.3	8.5
Total	**14.2**	**13.3**

EUR million	2016	2015
14. LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	3.9	5.9
Loans from financial institutions	71.9	46.1
Other non-current liabilities	1.2	2.0
Total non-current liabilities	**77.0**	**54.0**
Current liabilities		
Loans from financial institutions	35.0	63.4
Advances received	1.5	2.0
Trade payables	39.4	35.2
Other current liabilities	7.4	11.4
Accrued expenses	16.1	15.8
Total current liabilities	**99.5**	**127.8**
Main items in accrued expenses		
Accrued personnel expenses	7.0	7.4
Taxes	0.5	2.2
Accrued financial expenses	0.1	0.4
Other	8.5	5.9
	16.1	**15.8**
OTHER NOTES		
15. COLLATERAL GIVEN		
Liabilities for which collateral given		
Loans from financial intitutions	1.4	7.5
Mortgages given as collateral		
Business mortgages	28.1	25.6

EUR million	2016	2015
16. CONTINGENT LIABILITIES		
Leasing and rental liabilities		
Payable within one year	6.1	6.1
Payable after one year	30.7	30.9
Total leasing and rental liabilities	36.9	37.1
Other guarantees	9.1	9.1
Total contingent liabilities	**45.9**	**46.2**
17. DERIVATIVE INSTRUMENTS		
Open derivative intruments 31 Dec 2016		
Forward foreign exchange contracts		
Fair value	-0.4	-0.2
Contract amounts	17.2	13.1
Change in value marked to the Income Statement	-0.2	0.0
Currency options		
Written options		
Fair value	0.0	-0.2
Contract amounts	0.3	27.5
Change in value marked to the Income Statement	0.2	0.0
Purchased options		
Fair value	0,0	0,2
Contract amounts	0,1	21,4
Change in value marked to the Income Statement	-0,2	0,0
Metal options		
Fair value	-0.3	0.1
Contract amounts	5.3	2.8
Change in value marked to the Income Statement	-0.4	-0.1
Electricity derivatives		
Fair value	-0.2	-0.8
Contract amounts	1.8	2.2

Forward foreign exchange contracts have been made for hedging purposes, and they have been booked in the financial statements at their fair value. Exercised and terminated electricity derivatives have been booked in the income statement upon their termination. The values of open agreements are not booked in the balance sheet but are instead listed here. At the end of the financial year the Group had open currency options, forward foreign exchange contracts and electricity derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Country	Group Share-holding %	Parent Company Shareholding %
18. Group holdings in other companies			
GROUP COMPANIES			
Alteams Oy	Finland	100	100
Alteams Finland Oy	Finland	100	
Jokirantakiinteistöt Oy	Finland	100	100
Kivikolmio Oy	Finland	100	
Kuusakoski Oy	Finland	100	100
Koy Lahden Norokatu 5	Finland	100	100
Alteams Eesti Oü	Estonia	100	
Alteams Japan K.K.	Japan	100	
Alteams Poland Sp. Z o.o	Poland	100	
Alteams Stilexo AB	Sweden	100	
Alteams Suzhou Co. Ltd.	China	100	
RivBorr Sverige AB	Sweden	100	
Crown Works Ltd	Great Britain	100	
KS Recycling AB	Sweden	50	
Kuusakoski AS	Estonia	100	
Kuusakoski Glass Recycling LLC	USA	100	
Kuusakoski Inc	USA	100	
Kuusakoski Ltd	Great Britain	100	
Kuusakoski Philadelphia LLC	USA	100	
Kuusakoski Recycling A/S	Denmark	100	
Kuusakoski SIA	Latvia	100	
Kuusakoski Spolka Z o.o	Poland	100	
Kuusakoski Sverige AB	Sweden	100	
Kuusakoski US LLC	USA	100	
Petromax AO	Russia	100	
SWEEEP Kuusakoski Ltd	Great Britain	61	
Vintage Tech LLC	USA	100	
ASSOCIATED COMPANIES			
Suomen Erityisjäte Oy	Finland	49	
Sähkö-Saarnikannas Oy	Finland	20	
Ashley Alteams India Private Limited	India	50	

PARENT COMPANY INCOME STATEMENT

EUR million	2016	2015
Revenues	1.2	1.5
Other operating income	0.7	0.8
Personnel expenses	0.6	1.0
Depreciation and write-downs	0.1	0.1
Other operating expenses	1.6	1.6
Operating profit	-0.4	-0.3
Financial income and expenses	0.2	14.2
Profit (loss) before appropriations and taxes	**-0.2**	**14.0**
Group contributions	0.2	0.0
Income taxes	0.0	0.0
Net profit for the financial year	**0.0**	**13.9**

NOTE TO PARENT COMPANY FINANCIAL STATEMENT

EUR million	2016	2015
Specification of shareholders´ equity		
Share capital	0.1	0.1
Share premium fund	0.2	0.2
Retained earnings on 1 Jan	93.6	90.2
Dividends paid	0.0	-10.5
Retained earnings on 31 Dec	93.6	79.7
Net profit for the financial year	0.0	13.9
Total retained earnings on 31 Dec	93.6	93.6
Total	**93.9**	**93.9**
Parent company´s distributable funds	**93.6**	**93.6**

PARENT COMPANY BALANCE SHEET

EUR million	2016	2015
ASSETS		
Fixed assets and other long-term investments		
Non-current assets	0.1	0.2
Tangible assets	1.2	1.2
Investments	100.9	100.9
	102.2	102.3
Current assets		
Long-term receivables	8.8	8.8
Short-term receivables	5.0	6.5
Cash and cash equivalents	16.1	0.0
	30.0	15.4
SHAREHOLDERS´EQUITY AND LIABILITIES	**132.2**	**117.7**
Shareholders´equity		
Share capital	0.1	0.1
Share premium fund	0.2	0.2
Retained earnings	93.6	79.7
Netprofit for the year	0.0	13.9
	93.9	**93.9**
Liabilities		
Non-Current liabilities	0.0	5.4
Current liabilities	38.3	18.4
	38.3	**23.8**
	132.2	**117.7**

KEY FIGURES

EUR million	2016	2015	2014	2013	2012
Revenues, MEUR	494.4	568.1	655.5	712.0	842.2
Exports and sales outside Finland, MEUR	394.4	441.5	501.8	542.5	672.8
% of revenues	79.8	77.7	76.6	76.2	79.9
Operating profit, MEUR	-4.1	-37.9	6.9	-12.3	19.1
% of revenues	-0.8	-6.7	1.0	-1.7	2.3
Net financing expences (excluding exhange rate differences), MEUR	2.6	2.5	3.0	3.7	5.4
% of revenues	0.5	0.5	0.5	0.5	0.6
Profit berore taxes, MEUR	-7.1	-38.4	5.2	-18.8	9.6
% of revenues	-1.4	-6.8	0.8	-2.6	1.1
Return on equity (ROE), %	-8.4	-23.6	1.3	-9.3	2.5
Return on investment (ROI), %	-1.0	-12.6	2.0	-4.3	5.4
Equity ratio, %	39.2	41.4	48.0	53.4	55.7
Interest-bearing debt, MEUR	113.9	121.2	110.7	92.7	100.6
Net Gearing, %	70.4	83.9	53.0	41.3	39.5
Investments, MEUR	4.8	23.9	20.5	33.0	35.1
% of revenues	1.0	4.3	3.1	4.6	4.2
Number of personnel (average)	2,512	2,914	2,889	2,675	2,996
Information per share					
Number of shares	60,000	60,000	60,000	60,000	60,000
Net profit per share, EUR	-180.4	-632.9	46.6	-334.1	69.7
Equity per share, EUR	2,031.0	2,265.6	3,102.1	3,263.6	3,799.3
Dividend per share, EUR	30.0	0.0	175.0	175.0	175.0
Dividend as % of net profit	-16.6	-	375.3	-52.4	251.0

The journey continues as fractions

Each year thousands of tonnes of tyres are crushed, milled and ground into recycled rubber that can be used in construction and energy production, as well as in advanced applications. These include binding materials for Rubber Modified Bitumen and recycled raw materials for composite planks.

Accounting Principles

Consolidated Financial Statements

The consolidated financial statements and those of the parent company Kuusakoski Group Oy have been prepared in accordance with the Finnish Accounting Act.

The consolidated financial statements include the parent company, as well as companies in which the parent company directly or indirectly held more than 50 percent of the voting rights at the end of the financial year or in which the parent company has the power to exercise control.

All inter-company receivables and liabilities, internal margins and the effects of other internal transactions have been eliminated. Share ownership has been eliminated using the acquisition cost method. The difference between the acquisition cost and the equity of subsidiary companies at the time of acquisition is presented as goodwill. Goodwill is depreciated on a straight-line basis over 5 years.

Minority interests are separated from the Group's result and shareholders' equity and presented as separate items in the consolidated income statement and balance sheet.

The financial information of associated companies is included in the consolidated financial statements using the equity method. The Group's share of the results in associated companies is presented in the financial items. Similarly, the Group's share of the shareholders' equity of associated companies is presented in the balance sheet as the value of the shares and any possible goodwill. Associated companies are companies in which the parent company held 20 to 50 percent of the voting rights at the end of the financial year.

Foreign Currency Items

Foreign currency receivables, liabilities and commitments are valued according to the European Central Bank's average exchange rates on the closing date. Currency derivatives are valued at market value on the closing date, and profits and losses are charged to the appropriate items in the income statement.

The balance sheets of non-Finnish subsidiaries are translated into euros at the average exchange rate on the closing date and their income statement at the average of the monthly average exchange rates for the financial year. Exchange rate differences arising from translating shareholders' equity are presented in retained earnings.

Research and Development Costs

Research and development costs are charged to the income statement as annual costs.

Inventories

Inventories are presented in the balance sheet at the lower of cost or net realisable value; they are calculated using the FIFO method as the amount of the variable costs arising from acquisition and manufacturing, or the probable sales price. In addition to variable costs, the value of inventories includes fixed costs arising from acquisition and manufacturing.

Fixed Assets and Depreciation

The balance sheet values of tangible and intangible fixed assets are based on their original acquisition costs, less accumulated depreciation. The acquisition cost of assets manufactured by the company includes variable manufacturing costs.

Straight-line depreciation is made according to the plan for depreciation, which is based on the estimated useful economic life of the assets.

Estimated useful economic life of fixed assets:

Intangible assets	3 – 5 years
Goodwill	5 – 10 years
Other long-term expenditure	5 years
Buildings and structures	10 – 30 years
Machinery and equipment	5 – 12 years
Other tangible assets	5 – 20 years

The reducing balance method according to the Finnish Business Income Tax Act is applied to the straight-line depreciation of Kivikolmio Oy.

Financial Assets

Financial assets are valued according to their acquisition cost or the probable sales price.

Recognition of Projects

The revenues of long-term projects are entered according to the percentage of completion, which in turn is calculated according to costs incurred and total estimated costs. The anticipated loss from unprofitable projects is entered in total as a cost.

Pension Arrangements

Pension costs for Group companies outside Finland are calculated in accordance with local legislation and practice and recorded in the consolidated financial statements. Pension obligations for Group personnel in Finland are covered through payments to pension insurance institutions.

Deferred Taxes

Deferred tax liabilities and assets in the consolidated financial statements are calculated for temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes using the official tax rate confirmed on the balance sheet date for the following financial periods.

Taxation requirements in Finland and certain other countries allow companies to reduce or increase their taxable income through appropriations. Any increase or reduction in these is recorded in the income statement as a change in appropriations, with the counter-entry in the balance sheet appropriations. In the consolidated financial statements, appropriations are divided between the result for the year, accumulated reserves and deferred tax liability.

Recognition and Measurement of Derivative Instruments

Derivative instruments include currency options, forward foreign exchange contracts, interest rate swaps and commodity derivatives as part of an overall risk management policy. Currency options and forward foreign exchange contracts are used to reduce anticipated foreign currency risks related to sales and purchases. Derivatives are valued at market value on the closing date, and their changes in value are recorded in the income statement. The change in value of electricity derivatives is recorded only in the notes to the consolidated financial statements.

Environmental Provisions

When acquiring new areas of land, an environmental provision is recorded with mandatory provisions about any possible contaminated soil of which the company is aware.

Kuusakoski Oy's location-specific environmental permit regulations are complied with closely and monitored continuously throughout the financial year. Upcoming environmental investments and any possible soil cleaning provisions for land on which operations are to be discontinued are recorded in the financial statements as mandatory provisions.

Auditors Report

To the Annual General Meeting of Kuusakoski Group Oy

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Kuusakoski Group Oy (business identity code 0200662-5) for the year ended 31 December, 2016. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company. In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 4 April 2017
KPMG OY AB
JUKKA RAJALA, Authorised Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Proposal of the Board

The distributable funds of the Kuusakoski Group Oy amount to **EUR 93.6 million**, of which the net profit for the financial year accounts for **EUR 9,621.59**.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows:

For payment of a divided of EUR 30.00 per share	EUR 1.8 million
To be retained in shareholders' equity	EUR 91.8 million
Total	**EUR 93.6 million**

In addition, it is proposed that the Board be authorised to decide on an additional dividend of up to EUR 30.00 if the company's liquidity, business development and financial covenants permit. The Board does not have an obligation to decide on an additional dividend. The authorisation will expire on 31 December 2017.

No significant changes have occurred in the company's financial position after the end of the financial year. The company's liquidity is good, and in the view of the Board of the proposed distribution of funds does not risk the company's financial standing.

Espoo, 30 March 2017

Olli Vaartimo, Chairman of the Board
Veikko Kuusakoski
Mariella Kuusakoski-Toivola
Arno Pelkonen
Petteri Walldén

Board of Directors, Management and Auditor

Board of Directors of Kuusakoski Group Oy

Olli Vaartimo, Chairman of the Board
Veikko Kuusakoski
Mariella Kuusakoski-Toivola
Arno Pelkonen
Petteri Walldén

Debuty members:
Timo Kuusakoski
Mikko Kuusakoski
Tiina Orasaari
Marianne Kuusakoski
Lauri Peltonen
Risto Kuusakoski

President of Kuusakoski Group Oy

Veikko Kuusakoski, MSc (Law)

Board of Directors of Kuusakoski Oy

Veikko Kuusakoski, Chairman of the Board
Olli Vaartimo, Vice Chairman
Mariella Kuusakoski-Toivola
Arno Pelkonen
Mikko Kuusakoski

Debuty members:
Tapio Kuusakoski
Lauri Peltonen

President and CEO of Kuusakoski Oy

Atte Kekkonen, M.Sc. (Econ.)

Management Team of Recycling operations

Atte Kekkonen........... *President and CEO*
Ville Pasanen............. *Chief Financial Officer*
Mikko Kuusilehto...... *Chief Operating Officer*
Timo Kuusakoski...... *Vice President, Business Development and Precious Metals*
Krister Heinonen...... *Vice President, Logistics*
Timo Kämppi.............. *Director, Energy & Waste*
Risto Grönlund........... *Director, Service Sales and Sourcing, Finland*
Mats Englund............. *Director, Service Sales and Sourcing, Sweden*

Board of Directors of Alteams Oy

Arno Pelkonen, Chairman of the Board
Mariella Kuusakoski-Toivola
Petteri Walldén
Tapio Kuusakoski
Marianne Kuusakoski
Timo Kuusakoski

Debuty member:
Risto Kuusakoski

President and CEO of Alteams Oy

Asko Nevala, MSc (Eng)

Management Team of Foundry Operations

Asko Nevala................. *President and CEO (Chairman of the Board)*
Petteri Kiili..................... *Chief Financial Officer*
Timo Puska.................. *Executive Vice President, Industrial Applications CBU*
Kimmo Pesonen........ *Executive Vice President, Global Accounts, NET CBU*
Asko Nevala................. *President, Alteams Poland Sp. z.o.o.*
Daniel Eklund............. *Executive Vice President, Global Accounts, NET CBU*
Dave Twomey............. *President, Alteams (Suzhou) Ltd., Co. (until 31 December 2016) Executive Vice President, Group R&D and Region North America (as of 1 January 2017)*
Juha Vatanen.............. *President and CEO, Alteams (Suzhou) Ltd., Co. (as of 1 January 2017)*
Stephan Krieg............ *Executive Vice President, Quality and Management Processes (until November 2016)*
Mika Haapala.............. *Executive Vice President, Operational Excellence Development (as of November 15, 2016)*

Auditor

KPMG OY AB
Jukka Rajala, APA

Board of Directors of Kuusakoski Group Oy

Olli Vaartimo

MSc (Econ),
Chairman of the Board

Vice Chairman of the Board of
Outokumpu Oyj
BMH Technology Oy

Member of the Board of
Valmet Automotive Inc.
Sampo-Rosenlew Oy
Black Bruin Oy

Arno Pelkonen

MSc (Econ)

Member of the Board of
Valucast Oy

Mariella Kuusakoski-Toivola

Commercial College Graduate

Veikko Kuusakoski

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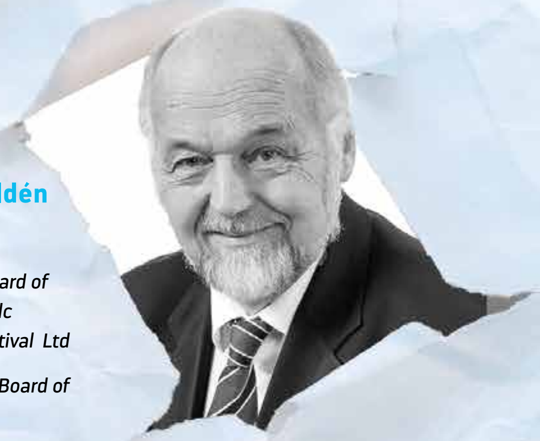

Petteri Walldén

MSc (Eng)

Chairman of the Board of
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Savonlinna Opera Festival Ltd

Vice President of the Board of
Tikkurila Oy

Member of the Board of
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RESTORING VALUE

KUUSAKOSKI