Nurminen Logistics

FINANCIAL STATEMENTS AND THE BOARD'S REPORT ON OPERATIONS

2018

Nurminen Logistics

Head Office
Satamakaari 24, FI-00980 Helsinki, Finland
Tel. +358 10 545 00
www.nurminenlogistics.com

Contents

The Board's Report on Operations

The year 2018 was dualistic in nature for the company. Our turnover increased to 78.9 million euros, in which there was 4.1 % of growth from 2017, but the overall result was a disappointment for as the adjusted operating profit remained at 0.9 million euros.

The unanticipated challenges in the implementation of our new ERP-system and the launch of the new regular Helsinki-Hefei-Helsinki railway line connection required time intense participation from the company leadership that had negative effect on the company financial result.

The railway transit connection to China launched by the company is the only regular rail connection to the Nordic countries, and its creation required intense amount of groundwork. This service creates very fast connection between Finland in China with considerably smaller carbon footprint compared to other modes of transport. This opens remarkable competitive edge for Finnish industries and trade. The route from China via Vuosaari harbor to Europe and east coast of United States is also interesting for international operators.

The volumes of forest industry in terminal services decreased from 2017 which resulted in decrease in operating result. Simultaneously good results were achieved in gaining variation on the customer base, which lays promising basis for 2019. Forwarding business developed well, even if notable legislation changes in custom's VAT collection for imported goods transferred to Tax Administration, which had negative impact on operating profit of forwarding business. The business operation in the Baltics developed well.

The company researched actively on possible acquisitions that would have supported company's strategy but decided not to pursue them due to high valuation levels. The research on possibilities of acquisitions will continue in 2019.

Nurminen Logistics sold its subsidiary in Russia in October 2018 with all the railway fleet and company will continue to operate with leased railway wagons in Russia. The transaction was executed in beneficial market situation which further enhanced company's financial position. This allows for further investments in continuing digitalization of business functions, traffic to China and possible acquisitions.

Our priority goal in 2019 is to improve business' profitability and to increase value-added of our services. Our strong financial position, new management, implemented ERP-system investment and opening of new businesses provide us with good standing for reaching our goals. In addition to this we will further improve our financial situation by releasing funds from non-business connected holdings.

The market situation in the review period and the future outlook

The economic growth of Finnish economy was slowing down towards the end of the review period. This manifested in fluctuation of import and export of goods on monthly level. The overall market situation was beneficial for the company's business operations.

The markets that are most relevant for the company's services are expected to develop positively in 2019, even if there is uncertainty considering the demand of forest industry products. Correspondingly the demand on fast railway connection to China is expected to be in high demand. This is indorsed by increasingly shortening order times of industry and growth of online commerce, which further encourages traditional businesses into faster customer service and decision-making. We anticipate our customers to grow increasingly environmentally aware, which supports the competitive merits of low emission railway connection to and from China and in neighboring regions supply chains compared to other modes of transportation. The companies in commerce and industrial business are calculating their carbon footprint for consumers which will support our business when different companies are embracing their environmental undertakings.

Nurminen Logistics announced March 5, 2019 on launching a process to increase efficiency. The aim of this program is to improve company's profitability by estimation of one million euros from 2020 onwards. The program will streamline processes and overall actions by utilizing digitalization and improving on procurement. Simultaneously company announced the start of co-determination negotiations in order to improve efficiency.

Net sales increased. Operating result was negative due to non-cash nor balance effective translation difference recorded on sale of Russian subsidiary. Adjusted operating result was positive.

The Net sales for 2018 was 78.9 MEUR (2017: 75.8 MEUR), increasing 4.1 % from 2017. Operating result decreased to EUR –6046 thousand (2017: 1691). Adjusted operating result was positive EUR 921 thousand.

The company sold its Russian subsidiary on 30 October 2018. Transaction has been recorded to affect EBIT. Net cash flow from sale was EUR 6.9 million. Group recorded EUR 4.4 million profit. In addition to the gain, translation difference from equity was assigned to the sale by EUR 7.6 million as well as group goodwill amounting EUR 3.0 million. This resulted to calculative loss of EUR 6.2 million on sale. Since translation differences have been recorded in earlier periods to equity, transaction has EUR 1.4 million positive effect on Group equity.

Translation difference has been recorded earlier periods due to devaluation of Russian RUB when subsidiary's equity has been translated into group currency. Translation differences recorded into group equity must be booked through income statement back to equity when subsidiary is sold.

THE GROUP ADJUSTED OPERATIVE PROFIT

EUR 1,000	1.1.–31.12. 2018	1.1.–31.12. 2017
OPERATIVE PROFIT	**–6,046**	**1,691**
(–) Net gain from the sale of Russian subsidiary	–4,413	0
(+) Translation difference from the sale of Russian subsidiary	7,638	0
(+) Goodwill assigned to the sale of Russian subsidiary	3,000	0
(+) Other restructuring costs	329	0
(+) Development and ramp up costs of new China train product	413	0
ADJUSTED OPERATIVE PROFIT	**921**	**1,691**

Turnover from forwarding services decreased during the review period due to legislation and regulation changes in customs duties. Business profitability weakened but strong demand on importing, exporting and added value services and increased demand on extended service offers reduceds the impact of turnover decrease.

In contrast to comparison season the terminal services' turnover and profitability weakened. The developments in forest industry customer portfolio decreased utilization degree and profitability of the terminal at Vuosaari. The increase in low flow goods did not cover the volume changes in the goods flow from forest and metal industries. The development in low flow merchandise supported the train and terminal services for China that commenced on the second half of the year.

The terminal services on other locations had positive development in demand and profitability due to e.g. growth in chemical logistics and project services.

Turnover from railway logistics increased during the review period. Turnover gained from pulp train deliveries to China, export project deliveries and direct container train deliveries to Hefei in China. Major investments in research and development for new product, the container train deliveries from Vuosaari to China, pressed profitability down. Chemical deliveries had steady volume throughout the year.

Nurminen Logistics sold its subsidiary in Russia on October 30, 2018. The company has established a new subsidiary for continuing business operations in Russia. The business commenced at the beginning of 2019. The new concept is based on leasing railway wagons. Nurminen continues operating railway wagons for forest and chemical industry and project business customers.

Turnover of Baltic businesses grew, and profitability increased compared to previous review period. There was high demand for the services provided by the Baltic affiliated companies in 2018.

The development of the key financial, personnel and share indicators for 2016–2018 are included in the Financial Statements separately.

Financial position and balance sheet

The company's cash flow from operations was EUR -830 thousand. Cash flow from investments was EUR 6,024 thousand, increased by sale of OOO Nurminen Logistics net amount EUR of 6.9 million. Cash flow from financing was EUR –1,512 thousand.

At the end of the review period, cash and cash equivalents amounted to EUR 11,514 thousand. The company have leasing liabilities from Ilmarinen with a buy-back liability of EUR 3.6 million. The liability is due in October 2019.The company's management estimates that the operating cash flow generated by the company covers the current business needs and current liabilities for the next 12 months.

The company has no bank loans at the present time. The company's current interest-bearing liabilities (EUR 5.3 million) comprise financial leasing debt of EUR 4.2 million and factoring debt of EUR 1.0 million. The company's non-current interest-bearing liabilities decreased to EUR 13.6 million. Long term loans to Ilmarinen amounting EUR 13.5 million are due in June 2023.

The Group's interest-bearing debt totaled EUR 18.9 million and net interest-bearing debt amounted to EUR 7.3 million. The company has an equity based hybrid loan from Ilmarinen, amounting EUR 1.5 million.

The balance sheet total was EUR 41.5 million, and the equity ratio was 31.7 %.

Capital expenditure

The Group's gross capital expenditure during the review period amounted to EUR 709 (1,624) thousand, accounting for 0.9 % of net sales. Depreciation totaled EUR 1.8 (1.8) million, or 2.3 % of net sales.

Group structure

nurminen Logistics Oyj sold its Russian subsidiary OOO Nurminen Logistics to Russian Transless LLC on 30 October 2018.

The Group comprises the parent company, Nurminen Logistics Plc, as well as the following subsidiaries and associated companies, owned directly or indirectly by the parent (ownership, %): RW Logistics Oy (100 %), Nurminen Logistics Services Oy (100 %), NR Rail Oy (51 %), Nurminen Maritime Latvia SIA (51 %), Pelkolan Terminaali Oy (20 %), ZAO Terminal Rubesh (100 %), UAB Nurminen Maritime (51 %), Nurminen Maritime Eesti AS (51 %) and Team Lines Latvia SIA (23 %).

Personnel and management

At the end of the review period, the Group had 172 employees, compared with 182 on 31 December 2017. The number of employees working abroad was 31.

Personnel expenses in 2018 totaled EUR 9.0 million (2017: EUR 8.9 million).

At year end Nurminen Logistics management group was Teppo Talvinko, interim CEO and CFO, Mike Karjagin, VP forwarding and railway logistics Finland, Risto Holopainen, VP terminal and valea added services.

Marko Tuunainen (former CEO) resigned 15 November 2018. Markku Puolanne (former CFO) resigned 31 August 2018.

Shares and shareholders

Nurminen Logistics Plc's share has been quoted on the main list of Nasdaq Helsinki Ltd under the current company name since 1 January 2008. The total number of Nurminen Logistics Plc's registered shares is 44,254,174 and the registered share capital is EUR 4,214,521. The company has one share class and all shares carry equal rights in the company. The company name was Kasola Oyj until 31 December 2007. The company was listed on the Helsinki Stock Exchange in 1987.

The trading volume of Nurminen Logistics Plc's shares was 3,634,035 during the period from 1 January to 31 December 2018. This represented 8.2 % of the total number of shares. The value of the turnover was EUR 1,812,124. The lowest price during the review period was EUR 0.24 per share and the highest EUR 0.60 per share. The closing price for the period was EUR 0.25 per share and the market value of the entire share capital was EUR 11,019,289 at the end of the period.

At the end of the 2018 financial year the company had 1,215 shareholders. At the end of 2017 the number of shareholders stood at 1,193.

At the end of 2018 the company held 2,760 of its own shares, corresponding to 0.01 % of votes.

According to register of shareholders at 31 December 2018 the Board of Directors and management of the company (including ownership of controlled entities) owned Nurminen Logistics shares as follows:

THE BOARD OF DIRECTORS	SHARES	%
Juha Nurminen	8,689,814	
Olli Pohjanvirta	3,124,052	
Jukka Nurminen	1,014,554	
Alexey Grom	135,044	
Irmeli Rytkönen	20,238	
Kari Savolainen	20,238	
	13,003,940	29.4 %
Management		
Mike Karjagin	74,945	
Risto Holopainen	71,835	
	146,780	0.3 %
The Board of Directors and management, Total	13,150,720	29.7 %

Dividend policy

The company's Board of Directors has on 14 May 2008 determined the companys dividend policy, according to which Nurminen Logistics Plc aims annually distribute as dividends approximately one third of its net profit, provided that the company's financial position allows it.

Shareholder agreements related to ownership and the exercise of voting rights

No shareholder agreements related to ownership in Nurminen Logistics Plc and the exercise of voting rights have been brought to the company's attention with the exception of the announcement that was published in stock exchange release on 28 December 2007. According to the announcement, the members of the Board of directors and Management Team have undertaken not to sell or otherwise transfer shares in John Nurminen Ltd owned by them

On this date and the company's shares received as demerger consideration in conjunction with the demerger of John Nurminen Ltd without the advance written consent of the Board of Directors of the company.

Decisions made by the annual general meeting of shareholders

Nurminen Logistics Plc's Annual General Meeting of Shareholders held on 11 April 2018 made the following decisions:

Adoption of the financial statements and resolution on the discharge from liability

The Annual General Meeting of Shareholders confirmed the company's financial statements and the Group's financial statements for the financial period 1 January 2017–31 December 2017 and released the Board of Directors and the President and CEO from liability.

Payment of dividend

The Annual General Meeting of Shareholders approved the Board's proposal that no dividend shall be paid for the financial year 1 January 2017–31 December 2017.

Composition and remuneration of the Board of Directors

The Annual General Meeting of Shareholders resolved that the Board of Directors shall consist of six (6) ordinary members. The Annual General Meeting of Shareholders re-elected the following ordinary members to the Board of Directors: Olli Pohjanvirta, Juha Nurminen, Jukka Nurminen ja Alexey Grom, and as new members Irmeli Rytkönen and Kari Savolainen.

The Annual General Meeting of Shareholders resolved that for the members of the Board elected at the Annual General Meeting for the term ending at the close of the Annual General Meeting in 2019 remuneration level will be as follows: annual remuneration of EUR 40,000 for the Chairman and EUR 20,000 for the other members.

In addition, a meeting fee of EUR 1,000 per meeting for the Board and Board Committee meetings shall be paid for each member of the Board living in Finland and EUR 1,500 per meeting for a member of the Board living outside Finland. 50 per cent of the annual remuneration will be paid in the form of Nurminen Logistics Plc's shares and the remainder in money. A member of the Board of Directors may not transfer shares received as annual remuneration before a period of three years has elapsed from receiving shares. The Chairman of the Board will get, in addition, the remuneration of EUR 7,500 per month plus car benefit with the maximum value of EUR 1,600 per month and telephone benefit.

Authorizing the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares

Annual General Meeting authorized the Board to decide on issuance of shares and/or special rights entitling to shares pursuant to chapter 10 section 1 of the Finnish Companies Act.

Based on the aforesaid authorization the Board of Directors is entitled to release or assign, either by one or several resolutions, shares and/or special rights up to a maximum equivalent of 20,000,000 new shares so that aforesaid shares and/or special rights can be used, e.g., for the financing of company and business acquisitions corporate and business trading or for other business arrangements and investments, for the expansion of owner structure, paying of remuneration of the Board members and/ or for the creating incentives for, or encouraging commitment in, personnel.

The authorization gives the Board the right to decide on share issue with or without payment. The authorization for deciding on a share issue without payment also includes the right to decide on the issue for the company itself, so that the authorization may be used in such a way that in total no more than one tenth (1/10) of all shares in the company may from time to time be in the possession of the company and its subsidiaries.

The authorization includes the right whereby the Board of Directors is entitled to decide of all other issues of shares and special rights. Furthermore, the Board of Directors is entitled to decide on share issues, option rights and other special rights, in every way, as the same as General Meeting could decide. The authorization also includes right to decide on directed issues of shares and/or special rights. In case of issuances of shares and/or special rights entitling to shares in deviation of the pre-emptive rights of shareholders and in issuance of shares without payment, the subscription price per share shall not be lower than the volume weighted average price of the company's share during the three months' period preceding the decision of the Board of Directors. However, this restriction regarding the subscription price is not applied in case the Board of Directors decides on the directed share issue or share issue without payment or directed issuance of special rights entitling to shares relating to paying of remuneration of the Board members and/or creating incentives for, or encouraging commitment in, personnel.

The authorisation is valid until 30 April 2019 and the authorisation does not revoke the authorisation granted to the Board of Directors by the Extraordinary General Meeting on 17 July 2017 on the issuance of shares as well as the issuance of options and other special rights entitling to shares.

Auditor

Auditing firm Ernst & Young Oy was elected as auditor for the company for the term ending at the close of the Annual General Meeting 2019. Antti Suominen, Authorized Public Accountant, acts as the principal auditor. Auditor's fee will be paid in accordance with the auditor's invoice accepted by the company.

Environmental factors

Nurminen Logistics seeks environmentally friendly and efficient transport solutions as part of the development of its services. All services provided by the company in Finland are covered by a certified environmental management system meeting the requirements of the ISO 140001:2004 standard.

Long term financial target

The Board of Directors has set Nurminen Logistics' long-term financial objectives. The objectives of the company are to achieve a growth rate that is higher than that of the markets in general, a net operating profit level of 7 % and a return on equity of 12 %.

Short-term risks and uncertainties

The general deterioration of the world trade compared to the current situation would have a negative impact on the demand for the services of the company and, consequently, on the result. Launching and implementing new Chine train product may carry further ramp up costs and efforts that may have an impact on result.

More detailed information about risk management can be found on Investors page on Nurminen Logistics' website www.nurminenlogistics.com.

Events after the review period

The Group Finnish entities started co-operation negotiations 5 March 2019 to improve profitability and efficiency.

There have been changes in Baltic businesses after the end of the review period. Nurminen Maritime Estonia AS is to be disbanded. Latvian business and customer structure changes. This will decrease significantly net sales but is expected to have only minor impact on profitability.

Board of directors' proposal for profit distribution

Based on the financial statements as at 31 December 2018, the parent company's distributable equity is EUR 18,582 thousand. The Board of Directors proposes to the Annual General Meeting that no dividend shall be distributed for the financial year 2018

Corporate governance statement

The Corporate Governance Statement of Nurminen Logistics Plc will be published on 8 March 2019 on the company's website at www.nurminenlogistics.com.

Board and Audit Commitee meetings

The Board of Directors convened sixteen times during the year 2018. The Audit Committee had five meetings.

Consolidated Statement Of Comprehensive Income, IFRS

1,000 EUR	Note	1–12 / 2018	1–12 / 2017
NET SALES	2	**78,874**	**75,772**
Other operating income	3	109	118
Materials and services		–56,826	–52,516
Employee benefit expenses	5	–9,025	–8,921
Depreciation, amortisation and impairment losses	6	–1,817	–1,778
Loss on disposal of Russian subsidiary		–6,224	0
Other operating expenses	4	–11,135	–10,984
OPERATING RESULT		**–6,046**	**1,691**
Financial income	7	58	149
Financial expenses	7	–1,387	–1,554
Share of profit of equity-accounted investees		–21	–12
		–1,351	–1,417
RESULT BEFORE INCOME TAX		**–7,397**	**275**
Income tax expense	8	–414	–517
RESULT FOR THE YEAR		**–7,811**	**–243**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Translation differences		7,567	–314
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–243**	**–556**
Result attributable to			
Equity holders of the parent company		–8,804	–1,167
Non-controlling interest		993	925
Total comprehensive income attributable to			
Equity holders of the parent company		–1,237	–1,481
Non-controlling interest		993	925
Earnings per share calculated from result attributable to equity holders of the parent company			
Earnings per share, undiluted, euro		–0.20	–0.04
Earnings per share, diluted, euro		–0.20	–0.04

Consolidated Statement of Financial Position, IFRS

1,000 EUR	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Property, plant and equipment	11	8,757	13,042
Goodwill	12,14	5,970	8,970
Other intangible assets	12	1,390	58
Investments in equity-accounted investees	15	194	232
Receivables	16	2,639	4,093
Deferred tax assets	17	14	567
Non-current assets, total		**18,964**	**26,961**
Current assets			
Inventories		81	67
Trade and other receivables	18	10,952	12,727
Cash and cash equivalents	19	11,514	7,832
Current assets, total		**22,547**	**20,626**
TOTAL ASSETS		**41,511**	**47,587**
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent company	20		
Share capital		4,215	4,215
Share premium reserve		86	86
Other reserves		28,808	28,808
Translation differences		35	–7,511
Retained earnings		–22,616	–13,689
Hybrid bond		1,500	1,500
Equity attributable to holders of the parent company		**12,028**	**13,409**
Non-controlling interest		**1,123**	**1,261**
Equity, total		**13,151**	**14,670**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	17	28	385
Other liabilities	23	328	329
Financial liabiliites	22	13,600	17,857
Non-current liabilities, total		**13,956**	**18,571**
Current liabilities			
Current tax liabilities		366	331
Financial liabilities	22	5,252	1,472
Trade payables and other liabilities	23	8,786	12,543
Current liabilities, total		**14,404**	**14,346**
Liabilities, total		**28,360**	**32,917**
EQUITY AND LIABILITIES, TOTAL		**41,511**	**47,587**

Consolidated Cash Flow Statement, IFRS

1,000 EUR	Note	1–12 / 2018	1–12 / 2017
Cash flow from operating activities			
PROFIT/LOSS FOR THE YEAR		**–7,811**	**–243**
Adjustments for:			
Depreciation, amortisation & impairment losses	6	1,990	1,778
Unrealised foreign exchange gains (-) and losses (+)		0	105
Other income (-) and expenses (+), non cash		984	0
Financial income (-) and expenses (+)		1,165	1,300
Divestment of Russian subsidiary		7,638	0
Income taxes	8	414	517
Other adjustments		–214	–22
Cash flow before changes in working capital		**4,168**	**3,436**
Working capital changes:			
Increase (-) / decrease (+) in inventories		–15	–25
Increase (-) / decrease (+) in non-interest bearing current receivables		551	–207
Increase (+) / decrease (-) in non-interest bearing current payables		–4,271	1,753
Net cash from operating activities before financial items and taxes		**433**	**4,956**
Interest paid		–585	–1,195
Interest received		1	117
Other financial items		–186	–224
Income taxes paid		–492	–194
Net cash from operating activities		**–830**	**3,461**
Cash flow from investing activities			
Purchases of property, plant and equipment and intagible assets		–746	–1,745
Proceeds from sale of property, plant and equipment and intangible assets		0	49
Divested subsidiary shares	28	6,927	0
Proceeds from other investments		16	0
Investments to equity accounted investments		–173	0
Cash flow from investing activities		**6,024**	**–1,695**
Cash flow from financing activities			
Share issue against payment	20	0	5,076
Proceeds from current borrowings		114	74
Repayment of current borrowings		0	–600
Proceeds from non-current borrowings		0	66
Repayment of non-current borrowings		–144	–8
Repayment of finance lease liabilities		–367	–471
Dividends paid / repayments of equity		–1,116	–359
Net cash used in financing activities		**–1,512**	**3,778**
Net increase / decrease in cash and cash equivalents		**3,682**	**5,544**
Cash and cash equivalents at the beginning of the year		7,832	2,304
Translation differences of cash and cash equivalents at the beginning of the year		0	–16
Net increase / decrease in cash and cash equivalents		3,682	5,544
Translation differences of net increase / decrease in cash and cash equivalents		0	–1
Cash and cash equivalents at the end of the year	**19**	**11,514**	**7,832**

Consolidated Statement of Changes in Equity, IFRS

1,000 EUR	Note		Equity attributable to equity holders of the parent company								
1–12/2017		Share capital	Share premium reserve	Legal reserve	Reserve for invested unrestricted equity	Hybrid bonds	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity on 1 Jan 2017		**4,215**	**86**	**2,378**	**18,895**		**–7,285**	**–12,584**	**5,705**	**695**	**6,400**
Comprehensive income											
Result for the year								–1,167	–1,167	925	–243
Other comprehensive income											
Translation differences							–225	–88	–314		–314
Total comprehensive income for the year							**–225**	**–1,255**	**–1,481**	**925**	**–556**
Business transactions with share holders											
Issue of shares					7,534				7,534		7,534
Other changes								150	150		150
Dividends										–359	–359
Total business transactions with share holders					**7,534**			**150**	**7,685**	**–359**	**7,326**
Hybrid bonds						1,500			1,500		1,500
Equity on 31 Dec 2017		**4,215**	**86**	**2,378**	**26,430**	**1,500**	**–7,511**	**–13,689**	**13,409**	**1,261**	**14,670**

The change in equity of the share issue is presented net. The transaction costs of the share issue were EUR 0.6 million.

1,000 EUR	Note		Equity attributable to equity holders of the parent company								
1–12/2018		Share capital	Share premium reserve	Legal reserve	Reserve for invested unrestricted equity	Hybrid bonds	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity on 1 Jan 2018		**4,215**	**86**	**2,378**	**26,430**	**1,500**	**–7,511**	**–13,689**	**13,409**	**1,261**	**14,670**
Comprehensive income											
Result for the year								–8,804	–8,804	993	–7,811
Other comprehensive income											
Translation differences							7,546	21	7,567		7,567
Total comprehensive income for the year							**35**	**–8,783**	**–1,237**	**993**	**–244**
Business transactions with share holders											
Interest on hybrid loan after taxes								–48	–48		–48
Share renumeration								70	70		70
Other changes								–166	–166	–15	–181
Dividends										–1,116	–1,116
Total business transactions with share holders								**–144**	**–144**	**–1,131**	**–1,275**
Hybrid bonds											
Equity on 31 Dec 2017		**4,215**	**86**	**2,378**	**26,430**	**1,500**	**35**	**–22,615**	**12,029**	**1,123**	**13,151**

Notes to the Consolidated Financial Statements, IFRS

1. THE ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Basic information about the Group

The business idea of Nurminen Logistics is to provide and produce high-quality and customer competitiveness increasing logistics services in Finland, Russia and direct regular railway cargo services between Finland and China. The parent company of the Group is Nurminen Logistics Plc. The parent company is domiciled in Helsinki, Finland, and its registered address is Satamakaari 24, Helsinki.

Copies of the consolidated financial statements are available in internet at www.nurminenlogistics.com. The consolidated financial statements were authorized for issue by the Board of Directors on 8 March 2019. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to decide to amend the financial statements.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in accordance with the IAS and IFRS standards and SIC and IFRIC interpretations effective on 31 December 2018. International Financial Reporting Standards are standards and interpretations adopted for application in the European Union in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and Council. The notes to the consolidated financial statements are also in accordance with the Finnish Accounting Act and Ordinance and the Limited Liability Companies Act complementing the IFRS.

The consolidated financial statements have been prepared on the historical cost basis except for the financial assets and financial liabilities measured at fair value through profit or loss.

The financial statements are presented in thousands of euro.

Adaptation of new and reviewed IFRS standards

As from 1 January 2018 the Group has applied the following amendments to standards that did not have a significant impact on the consolidated financial statements:

IFRS 9, Financial instruments (effective for annual reporting periods beginning on or after 1 January 2018). It contains three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting. It replaces the earlier IFRS for financial instruments, IAS 39. It contains an impairment allowance against the amortized cost of financial assets held at amortized cost or FVOCI. IFRS 9 updated also the guidance for hedge accounting. IFRS 9 retained most of the measurement guidance concerning for liabilities from IAS 39, meaning most financial liabilities are held at amortized cost.

New IFRS 15 Revenue with contract with customers (effective for annual reporting periods beginning on or after 1 January 2018). IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaced standards IAS 18 and 11. To recognize revenue under IFRS 15, an entity applies the following five steps:

Identify the contract(s) with a customer.

- Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.

- Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.

- Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.

- Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

The Group's most significant revenues arise from selling services. Group has analyzed all significant types of contracts. There were no material changes due to the implementation of IFRS 15. Services are rendered at a one point of time. The group has not changed its 2017 information and adaptation of the standard has not had any impact on opening balance.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of Nurminen Logistics Plc and those of all its subsidiaries. The subsidiaries are entities controlled by the parent company. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. Subsidiaries acquired are included in the consolidated financial statements from the acquisition date that control commences until the date that control ceases.

Acquired subsidiaries are accounted for by using the acquisition method. The consideration transferred, identifiable assets and liabilities assumed of the acquired entity and are measured at their fair values at the acquisition date. Goodwill arising on an acquisition is recognized as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests and previously held equity interests in the acquiree, over the Group's share of the fair value of the net assets acquired at the acquisition date.

The consideration transferred includes any assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer, measured at fair value. Any contingent consideration related to the business combination is measured at fair value at the acquisition date and it is classified as either liability or equity. Contingent consideration classified as liability is remeasured at its fair value at each balance sheet date and the subsequent changes to fair value are recognized in profit or loss. Contingent consideration classified as equity is not subsequently remeasured. The consideration transferred does not include any transactions accounted for separately from the acquisition, which are treated in conjunction with the acquisition in profit or loss. All acquisition-related costs, with the exception for costs to issue debt or equity securities, are expensed in the periods in which costs are incurred and services rendered.

All intra-group transactions, receivables and liabilities as well as unrealized gains and profit distribution are eliminated in the consolidation. Non-controlling interests are presented as a separate item under equity.

Non-controlling interests

Any non-controlling interest in the acquiree is measured on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Changes in the parent company's ownership interest in a subsidiary are accounted for as equity transactions if the parent company retains control over the subsidiary.

The result for the financial year and items recognized in other comprehensive income are allocated to the equity holders of the parent company and non-controlling interests. Total comprehensive income is allocated to the equity holders of the parent company and non-controlling interests, even if that results in a deficit balance, unless non-controlling interests have an exemption not to meet obligations which exceed non-controlling interests' investment. Equity attributable to the non-controlling interest is presented separately under equity in the consolidated balance sheet.

Associates

Associates are companies in which the Group has significant influence. Significant influence generally arises when the Group holds 20 to 50 per cent of a company's voting power or the Group otherwise has significant influence but not power to govern the financial and operating policies of an entity. Associates are consolidated using the equity method. When the Group's share of an associate's losses exceeds the carrying amount of the interest, the interest is recognized at zero value in the balance sheet and recognition of further losses is discontinued, except to the extent that the Group has committed to settle the associate's obligations. The interest in an associate includes goodwill arisen on acquisition. Unrealized gains resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The Group's share of an associate's result for the financial year is disclosed separately after financial items in the consolidated statement of comprehensive income.

Foreign currency transactions

Items included in the financial statements of each subsidiary in the Group are determined using the currency reflecting the primary economic environment of that subsidiary ("the functional currency"). The consolidated financial statements are prepared in euro which is the functional and presentation currency of the parent company and the presentation currency of the consolidated financial statements.

Foreign currency transactions of the Group companies are translated into functional currencies using the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated using the balance sheet date exchange rates and non-monetary assets and liabilities that are measured at historical cost are translated using the transaction date exchange rates. Gains and losses arising from the translation are recognized in the consolidated statement of comprehensive income.

In preparation of consolidated financial statements income and expenses for the income statements and for the statements of comprehensive income of those foreign Group companies, whose functional currency is not euro, are translated into euro by using the average exchange rate for the financial year and the balance sheets are translated at the exchange rate at the balance sheet date. Translation differences arising from such translation are recognized in equity. Retranslating the result and the total comprehensive income for the financial year using different exchange rates for the statement of comprehensive income and for the balance sheet causes a translation difference recognized in Group's equity, the change in this translation difference is recognized under other comprehensive income. Respectively, foreign currency differences arising from the elimination of the costs of foreign subsidiaries, and from the retranslation of post-combination equity components in subsequent periods, are recognized in other comprehensive income. When a foreign operation is sold or is otherwise disposed of, in part or in full, the accumulated foreign currency differences are recognized in the statement of comprehensive income as part of the gain or loss on sale for the disposed part.

Property, plant and equipment

Items of property, plant and equipment are carried at historical cost less accumulated depreciation and impairment losses. The cost includes all expenditure directly attributable to the acquisition of the asset. The borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period to get ready for its intended use or sale, are capitalized as part of the carrying amount of the asset. Subsequent costs are recognized in the carrying amount of the item only if it is probable that future economic benefits associated with the asset will flow to the Group and its cost can be measured reliably. Other repair and maintenance costs are expensed as incurred.

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives, which are the following:

• Buildings	30–40 years
• Rolling stock	
Wheels	7 years
Bogie	15 years
Other parts of the wagon	20–25 years
• Transport equipment	5–8 years
• Machinery and equipment	3–10 years
• IT equipment	3 years

The cost of the rolling stock is allocated separately to wheels, bogie and other parts of the wagon (=component depreciation).

Land is not depreciated. Recognition of depreciation on an item of property, plant and equipment is discontinued when the item is classified as held for sale.

Useful lives and residual values are reviewed at every balance sheet date. Changes in the future economic benefits to be received from the items of property, plant and equipment are accounted for by adjusting the useful lives and residual values of the items in question. Gains and losses arising from sale and disposal of property, plant and equipment are included in other operating income or in other operating expenses.

Intangible assets

Goodwill

Goodwill arising on business combinations is recognized as the excess of the aggregate of the consideration transferred, the amount of non-controlling interest in the acquiree and the value of any previously held equity interest over the fair value of the acquired net assets.

Goodwill is not amortized but it is tested at least annually for impairment. Goodwill is carried at historical cost less accumulated impairment losses.

Research and development costs

Research costs are expensed in the financial year in which they are incurred. Development costs are capitalized when certain criteria are met. Due to the nature of its operations the company did not have separate research and development costs in its income statement in 2018 and 2017.

Other intangible assets

An intangible asset is recognized in the balance sheet only if its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

An intangible asset is measured at historical cost less amortization and any impairment losses. Group's intangible assets include mainly IT software which is amortized on a straight-line basis over 5 to 10 years.

Impairment of intangible assets and property, plant and equipment

The Group assesses, at every balance sheet date, if there are any indications of impairment of property, plant and equipment or intangible assets. In case such indications exist, the asset's recoverable amount is estimated. If the carrying amount of an asset exceeds its recoverable amount, the impairment loss is recognized in the income statement. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

As to goodwill, the recoverable amount is estimated at least annually irrespective of whether indications of impairment exist. Impairment is assessed at a cash-generating unit level, i.e. at the lowest level for which there are separately identifiable, mainly independent cash flows. In impairment testing of goodwill, the recoverable amount is based on value in use, i.e. on the estimated discounted future net cash flows.

At the recognition of the impairment loss the asset's useful life is re-estimated. The recognized impairment loss is reversed if the estimates used to determine the asset's recoverable amount have changed. The reversal of the impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. An impairment loss on goodwill is never reversed.

IFRS 9 financial instruments

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group has adapted IFRS 9 with modified method without re-measuring 2017 information. The new standard has not had material impact on consolidated financial statement. Most relevant changes concern the classification of financial assets and measurement of impaired assets (credit losses) with a model based on expected losses rather than actual losses.

IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. IFRS 9 requires an entity to recognize a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, an entity measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability. Financial instrument's fair values are measured through discounted cash flows.

Financial instruments

Financial assets

When Nurminen Logistics first recognizes a financial asset, it classifies it based on the entity's business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

Amortized cost—a financial asset is measured at amortized cost if both of the following conditions are met:

the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The group typically measures lease, factoring, trade receivables and loan receivables in this category.

Fair value through other comprehensive income—financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair value through profit or loss—any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss. The company did not hold any instruments classified in this category during 2018.

If the company changes its business model for managing financial assets it reclassifies all affected financial assets. Financial assets are classified as short-term assets if the maturity is less than 12 months or assets is to be sold within 12 months. Otherwise assets are classified as long-term assets.

Impairment of financial assets is recognized in stages:

Stage 1—as soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (i.e. without deduction for expected credit losses).

Stage 2—if the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognized in profit or loss. The calculation of interest revenue is the same as for Stage 1.

Stage 3—if the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortized cost (i.e. the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognized on these financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank accounts as well as highly liquid investments with original maturities of three months or less at the acquisition date.

Financial liabilities

The financial liabilities of Nurminen Logistics are classified to the following categories: financial liabilities at fair value through profit or loss and financial liabilities measured at amortized cost (other financial liabilities). The former category includes derivatives entered into by the Group, to which hedge accounting is not applied and that are not financial guarantee contracts. They are classified as held-for-trading instruments. The financial liabilities in this category are initially measured at fair value and are subsequently re-measured at their fair values. Gains and losses arising from derivatives' fair value changes, both unrealized and realized, are recognized in profit or loss in the period in which they occur. Fair values are determined by discounting the instruments' cash flows.

Other financial liabilities, which mainly consist of Group's finance lease liabilities, are measured at fair value upon initial recognition. Transaction costs are included in the original carrying amount. Subsequently other financial liabilities are measured at amortized cost using the effective interest rate method.

A financial liability is classified as current if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. A financial liability (or part of the liability) is not derecognized until the liability has ceased to exist, that is, when the obligation identified in a contract has been fulfilled or cancelled or is no longer effective.

Revenue recognition principles – adaptation of new and reviewed IFRS 15 standard

Company's revenue consists mainly of forwarding services, rail way transport and terminal services. Company receives income also from short- and long-term warehousing services. Revenue is recognized as goods are assigned to customer or service is concluded: as performance obligations are met and customer obtains the goods or services within the performance obligation. Revenue is recognized with the same price that the company expects to be entitled to, with sales taxes and other possible compensations deducted from the price. The prices for company's services are fixed and generally contain no alterable components.

For the adaptation of IFRS 15 -standard carries no significant effect on Nurminen Logistics Plc's revenue recognition and consolidation principles the revenue recognition principles from period 2017 are not presented. More information on those is available from the Annual Report 2017.

Revenue recognition principles have been described below:

Forwarding services

Forwarding service agreement consists of actions necessary for importing, exporting and customs duties. As whole they compile the performance obligation towards customer, which is usually concluded within a month from the signing of the agreement. Company recognizes revenue from agreement price when the delivery orders connected to import or export have been received and authority over the goods is transferred to customer or other party. Complete contract price is addressed on one performance obligation.

Railway services

The company provides international railway transport services with various types of wagons in which the goods are delivered to destination. Company recognizes revenue from agreement price when the delivery is complete at the arrival of the goods to destination. The service has singular contract obligation, which includes transport service to the destination, and the contract price is addressed to that obligation.

Terminal services

Terminal services consist of handling of goods at the arrival or departure of goods. The definite content of service is defined on contract level. Terminal service agreement is an entity to which the contract price is addressed to. The contract price is recognized when the work on handling goods has been completed.

Warehousing services

Warehousing services consist of renting space from terminal or terminal area for short or long term holding of goods. Warehousing agreement is an entity to which the contract price is addressed to. Profit from warehousing services are recognized over the time during the lease period for which the customer benefits from the service. Lease income is processed according to IFRS 15 -standard when customer is not given control over the leased space.

Contractual amounts recognized in the balance

Trade receivables

Trade receivable is a transaction price that company has an unconditional right.

Trade receivables are non-interest bearing and are typically from 14 to 60 days corresponding the average payment terms.

Contract assets or contract liabilities

Due to the nature of the business, Nurminen Logistics does not have these.

Employee benefits

Pension arrangements

The pension arrangements of Nurminen Logistics have been classified as defined contribution plans. Payments to defined contribution plans are recognised as an expense in the income statement in the period to which they relate. In defined contribution plans the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further amounts in case the separate entity receiving the contributions fails to pay out the pension benefits.

Share-based payments

Such arrangements in which the Group has granted its employees a right to a future cash payment by granting the employees a right to shares that are redeemable, either at the Group's or an employee's demand, are accounted for as cash-settled share-based payments. The liability arising from such arrangement is remeasured at fair value at each reporting date and at the settlement date and the changes in fair value are recognised in profit or loss in the period in which the changes occur. The benefits granted in this arrangement are measured at fair value at their grant date and expensed on a straight-line basis over the vesting period.

Income taxes

The income tax expense in the statement of comprehensive income comprises the current tax, adjustments to previous periods' taxes as well as changes in deferred taxes. Income taxes are recognised in profit or loss except when they relate to other comprehensive income or equity, while income taxes are recognised within the respective items. Current tax is calculated based on taxable income using tax rates enacted in each country.

Deferred tax assets and deferred tax liabilities are calculated for temporary differences between the amounts of assets and liabilities used for taxation purposes and the carrying amounts for financial reporting purposes under IFRSs. The principal temporary differences arise from financial instruments measured at fair value through profit or loss and depreciation related to component accounting. Deferred taxes are measured at the tax rate that has been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax liabilities are recognised in the statement of financial position in full.

Leases

Leases, in which the Group is a lessee, are classified as finance leases if the risks and rewards of ownership are substantially transferred. Leases are classified at the inception of the lease. The leased items are recognised at the lower of fair value of the leased asset and the present value of minimum lease payments as an item of property, plant and equipment and as a financial liability. The item of property, plant and equipment is depreciated over the shorter of its useful life and the lease term. Payable lease rentals are divided into interest expense recognised in profit or loss and reduction of the financial liability.

Leases are classified as operating leases if the risks and rewards incidental to ownership have not been substantially transferred. Lease rentals payable under operating leases are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Sale and leaseback

If a sale and leaseback arrangement result in a finance lease, the gain on the sale of the asset leased back is recognised as a liability and amortised over the lease term. If a sale and leaseback arrangement result in an operating lease and the sale is established at fair value, any profit or loss is recognised immediately.

Operating profit

The operating profit is the total of sales and other operating income from which expenses for material and services, employee benefits and other operating expenses as well as depreciation, amortisation and impairment losses on non-current assets are subtracted. Foreign currency differences arising from working capital items are included in the operating result, whereas foreign currency differences from financial assets and financial liabilities are included in financial income and expenses.

Hybrid bond

A hybrid bond is recognised in shareholders' equity after equity belonging to shareholders. The bond holders do not have any rights equivalent to ordinary shareholders. The company has no contractual obligation to repay the loan capital or the interest on the loan. The hybrid bond is initially recognised at fair value less transaction cost and subsequently the bond is measured at cost. If interest is paid to the hybrid bond, it is recognised directly into retained earnings.

Accounting policies requiring management's judgment and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires the management to make estimates, assumptions and judgments in the application of the accounting policies. The estimates and assumptions made affect the reported amounts of assets and liabilities in the balance sheet as well as the income and expenses in the income statement.

The company report only one segment from 2016.

In business combinations fair values of the items of property, plant and equipment and intangible assets are estimated and the depreciation and amortisation periods for the assets are determined. The determination of fair value of intangible assets is based on estimates about future cash flows to be generated by these assets.

Goodwill is tested for impairment annually. Management's judgment must be used in determining the cash-generating units for goodwill testing. The recoverable amounts of the cash-generating units are determined based on value in use. The preparation of these calculations requires use of estimates. In calculation of value in use estimates are made about future cash flows and discount rate to be used. Estimates are based on budgets and forecasts, which contain some degree of uncertainty.

Due to uncertainty regarding use of confirmed losses the Group has not recorded deferred tax assets in the consolidated balance sheet Property, plant and equipment as well as intangible assets are reviewed annually as to whether any indications exist that these assets might be impaired. If indications exist, the asset's recoverable amount is estimated.

Items of property, plant and equipment as well as intangible assets are depreciated and amortised over their estimated useful lives. The useful lives are reviewed regularly.

Estimates made in preparing the financial statements are based on the management's best view and the information available at the balance sheet date. Estimates and assumptions are based on past experience and other factors that are considered the best view in measuring such assets and liabilities, whose values cannot be derived from other sources. The estimates concerning the future are based on assumptions that are regarded as the most probable at the balance sheet date relating to the expected development of the financial environment of Nurminen Logistics and assumptions about the development of sales and cost level. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed continuously. The realisation of estimates and assumptions and the changes in underlying factors are reviewed regularly by using both external and internal sources of information. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only the period in question. If the revision to accounting estimate affects both the period in which the estimate is revised and future periods, the revision is recognised respectively in the period in question and in future periods.

Adoptation of new and revised IFRS standards

The IASB has published the following new or revised standards and interpretations that the Group has not yet applied. The Group will adopt these standards as of the effective date of each of the standards, or if the effective date is not the first day of the financial year, as of the beginning of the next financial year following the effective date.

- IFRS 16 Leases (adopted from January 1, 2019 or financial years commencing after that). IFRS 16 contains comprehensive model for recognizing and accounting policies for lease arrangements for both leaseholders and lessees. The standard replaces current IAS 17 Leases -standard and its interpretations. According to the IFRS 16 the difference between lease and service agreement is defined by whether if customer has the authority over specific asset. In the future leaseholders will not differentiate between operative (off balance sheet) and financial leasing (in balance sheet). Instead of lease will account all lease agreements as intangible assets and lease debt (e.g. everything in balance sheet), not including shot term and insignificant lease agreements. Unlike in leasee accounting procedures, requirements for the lessor in IFRS 16 are largely based on requirements in IAS 17, and lessor will be in continued to require to account for lease agreements in operative lease agreements and financial lease agreements. Additionally, IFRS 16 includes comprehensive requirements for attachments.

The transformation of off balance sheet liabilities to balance sheet will increase fixed assets and liabilities and carries leasing payments to depreciations and interest expenses. Liabilities are at approximately 48.6 million euros on December 31, 2018. Agreements on liabilities and concept for lease agreements in IFRS 16 derive from each other, which may result in difference between the number of agreements accounted for above and amount of liabilities to be measured. Due to field of operations Nurminen Logistics operates in and its business model, the company is primarily leasee in its agreements. Majority of new lease agreements accounted for in the balance sheet consist of leases for offices and warehouses and machines and equipment. Variation of agreements within the scope of application for standards is wide. Standard will have significant impact on accounting principles and reported figures. The change will have significant influence on key performance indicators based on balance sheet, such as gearing ratio.

- IFRS 22 interpretation Foreign currency denominated transactions and prior considerations (applicable on financial review periods starting from January 1, 2018 and onwards). Interpretation published on December 8, 2016 includes guidance on “day on which transaction took place” when an entity disburses of receives prior consideration. IAS 21 Effects of changes in exchange rates requires corporate body to originally account for the business transaction in its currency in such manner that the currency amount is then translated by using spot exchange rate. IAS 21 defines the day on which transaction takes place as “the day on which business transaction concludes the accounting principle requirements set by IFRS”. The interpretation is clarified by that “the day on which transaction takes place” is the day on which prior consideration is paid for or received.

- Yearly improvements on IFRS-standards during 2014–2016 (applicable on financial review periods staring from January 1, 2018 and onwards). The less important and less urgent changes made through Annual Improvements -process are ensembled to one and executed annually.

- Yearly improvements on IFRS-standards during 2015–2017 (applicable on financial review periods staring from January 1, 2019 and onwards). The less important and less urgent changes made through Annual Improvements -process are ensembled to one and executed annually. These changes have not yet been accepted as applicable in the European Union.

- Changes to IFRS 9 -standard: Prepayment Features with Negative Compensation (applicable on financial review periods starting on January 1, 2019 and onwards). Change covers two topics: Which financial assets may be appreciated as sequenced costs and how to calculate financial debt changes.

- IFRIC 23 Uncertainty over Income Tax Treatments (applicable on financial review periods starting on January 1, 2019 and onwards). Interpretation clarifies accounting and appreciation according to IAS 12 in situations in which there is uncertainty over income tax treatment. In these circumstances the company is required to account and appreciate revenue and liabilities into income taxes or deferred taxes based on requirements for income (or loss) chargeable with tax, tax base, unused tax losses, unused tax refunds and tax rates according to IAS 12, as it has been stated in the standard.

Other standard changes not listed here are not expected to have effect on group financial statement.

2. SEGMENT INFORMATION

The Group has abondoned the segment division and segment reporting as of 1 January 2016. The Board of Directors is the company's chief operating decision maker, who is responsible for the allocation of resources within the Group and evaluation of the Group's result, decide on the strategy, the selection of key personnel, major development projects, acquisitions, investments, organizational structure and funding. Senior management as the company's chief operating decision maker monitors the results and allocates resources primarily at the Group level.

IFRS 15: Revenue recognition

1,000 EUR	1–12 /2018	1–12 /2017
Over the Period	3,415	3,076
At one point of time	75,459	72,696
Revenue from customer contracts, Total	**78,874**	**75,772**

The group has analysed IFRS 15 -standard with its implications has been described above in accounting principles section.

Information on geographical areas

1,000 EUR	Finland	Russia	Baltic countries	Total
2018				
Net sales	30,488	3,852	44,534	78,874
Non-current assets	18,371	399	194	18,964
2017				
Net sales	30,383	5,725	39,664	75,772
Non-current assets	23,648	3,156	157	26,961

Information on major customers

The Group's revenues from Kazzinc were EUR 15,000 thousand in 2018 (19% from Goup net sales).
The group's revenues from Cosco Shipping were EUR 13,474 thousand in 2017 (18% from group net sales).

3. OTHER OPERATING INCOME

1,000 EUR	2018	2017
Gains from sale of property, plant and equipment	25	45
Rent income	21	18
Other items	63	55
Total	**109**	**118**

4. OTHER OPERATING EXPENSES

1,000 EUR	2018	2017
Losses on sales and disposals of property, plant and equipment	8	12
Expenses relating to premises	6,502	6,876
Administrative expenses	2,358	2,385
Other cost items	2,268	1,711
Total	**11,135**	**10,984**

Auditor fees

1,000 EUR	2018	2017
Audit fees	80	59
Other services	54	84
Total	**134**	**143**

5. EMPLOYEE BENEFIT EXPENSES

1,000 EUR	2018	2017
Wages and salaries	7,442	7,270
Pension expenses, defined contribution plans	1,111	1,269
Other social security costs	402	231
Share-based payments	70	150
Total	**9,025**	**8,921**

Information on the management remuneration is presented in note 27. Related party transactions.
Information on the share-based payments is presented in note 21. Share-based payments.

Personnel of the Group during the year in average

	2018	2017
Total	**177**	**188**

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

Depreciation and amortisation by asset category:

1,000 EUR	2018	2017
Intangible assets		
Intangible rights	7	5
Other intangible assets	122	42
Total	**129**	**48**
Property, plant and equipment		
Buildings	1,122	1,138
Machinery and equipment	557	583
Other tangible assets	10	9
Total	**1,688**	**1,730**

The Group has not recognised impairment in the financial year 2018 or 2017.

7. FINANCIAL INCOME AND EXPENSES

1,000 EUR	2018	2017
Financial income		
Interest income	7	117
Exchange rate gains	41	13
Other financial income	9	19
Total financial income	**58**	**149**
Financial expenses		
Interest expenses	998	1,194
Exchange rate losses	13	138
Other financial expenses	376	223
Total financial expenses	**1,387**	**1,554**

Items above the operating profit include exchange rate differences totalling EUR 26 thousand in 2018 (EUR 26 thousand in 2017).

8. INCOME TAX EXPENSE

The income tax expense in the statement of comprehensive income consists of the following:

1,000 EUR	2018	2017
Current tax expense	451	484
Other direct taxes	41	36
Deferred taxes, net	–78	–2
Total	**414**	**517**

The reconciliation between the income tax expense recognised in the consolidated statement of comprehensive income and the taxes calculated using the Finnish corporate tax rate (20,0 %):

1,000 EUR	2018	2017
Profit before income tax	–7,397	275
Income tax calculated using the Finnish corporate tax rate	494	56
Effect of tax rates used in foreign subsidiaries	–124	–108
Share of profit equity-accounted investees	0	304
Non-deductible expenses	0	2
Usage of prior unrecognised tax assets on losses	0	23
Unrecognised deferred tax assets on losses	0	323
Other differences	43	–81
Total adjustments	–81	462
Income tax expense in the statement of comprehensive income	**414**	**517**

9. EARNINGS PER SHARE

	2018	2017
Result attributable to the equity holders of the parent company (1,000 EUR)	–8,804	–1,167
Interest on the hybrid bond	60	22
Weighted average number of shares, undiluted	44,072,693	29,253,069
Earnings per share, undiluted, euro	–0.20	–0.04
Result attributable to the equity holders of the parent company (1,000 EUR)	–8,804	–1,167
Weighted average number of shares, diluted	44,072,693	31,143,692
Earnings per share, diluted, euro	–0.20	–0.04

Hybrid bond EUR 1.5 million from Ilmarinen has not been effective on dilution due to the negative result.

10. SUBSIDIARIES AND ASSOCIATES

The companies belonging to Nurminen Logistics are the following:

Subsidiaries	Domicile	Ownership (%)	Share of the voting power (%)
RW Logistics Oy	Finland	100.0 %	100.0 %
Nurminen Logistics Services Oy	Finland	100.0 %	100.0 %
Nurminen Maritime Latvia SIA	Latvia	51.0 %	51.0 %
UAB Nurminen Maritime	Lithuania	51.0 %	51.0 %
Nurminen Maritime Estonia AS	Estonia	51.0 %	51.0 %
Zao Terminal Rubesh	Russia	100.0 %	100.0 %

OOO Nurminen Logistics was divested at 30 October 2018.

Associates and joint ventures	Domicile	Ownership (%)	Share of the voting power (%)
NR Rail Oy	Finland	51.0 %	51.0 %
Pelkolan Terminaali Oy	Finland	20.0 %	20.0 %
Team Lines Latvia SIA	Latvia	23.0 %	23.0 %

Group has following 3 subsidiaries with material non-controlling interests.

Company	Country of incorporation	Group ownership (%)	Group share of voting rights (%)
Nurminen Maritime Latvia SIA	Latvia	51.0 %	51.0 %
UAB Nurminen Maritime	Lithuania	51.0 %	51.0 %
Nurminen Maritime Estonia AS	Estonia	51.0 %	51.0 %

The following is summarised financial information for the subsididiaries with material non-controlling interests. The information is before inter-company eliminations with other companies in the Group.

	Baltic companies	
1,000 EUR	2018	2017
Summary of comprehensive income staments		
Net sales	44,534	39,664
Profit before taxes	2,386	2,263
Income tax	359	–377
Total comprehensive income	2,027	1,887
Total comprehensive income attributable to NCI	993	925
Summary of balance sheets		
Current assets	5,977	6,206
Non-current assets	149	157
Current liabilities	3,784	3,732
Non-current liabilities	49	58
Net assets	2,293	2,573
Net assets attributable to NCI	1,123	1,261
Summary of cash flows		
Cash flow from operating activities	2,065	1,958
Cash flow from investing activities	11	–9
Cash flow from financing activities	–2,065	–966
Net increase in cash and cash equivalents	11	983
Dividends paid to NCI during the year	1,009	460

11. PROPERTY, PLANT AND EQUIPMENT

1,000 EUR	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Prepay-ments and assets under con-struction	Yhteensä
2018						
Cost at 1 January	147	15,779	18,764	739	1,096	36,525
Additions			105		533	638
Disposals		–14	–1,662	–38	–1,464	–3,178
Effect of movements in exchange rates		–59				–59
Cost at 31 December	147	15,707	17,207	701	165	33,926
Accumulated depreciation and impairment losses at 1 January		–6,573	–16,235	–674		–23,482
Depreciation for the year		–1,122	–557	–9		–1,688
Effect of movements in exchange rates						
Accumulated depreciation and impairment losses at 31 December		–7,695	–16,792	–683		–25,170
Carrying amount at 1.1. 2018	**147**	**9,206**	**2,529**	**65**	**1,096**	**13,042**
Carrying amount at 31.12.2018	**147**	**8,012**	**415**	**18**	**165**	**8,757**

EUR 1,464 thousand have been reclassified from prepayments and assets under construction to intangible assets in 2018.

1,000 EUR	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Prepay-ments and assets under con-struction	Yhteensä
2017						
Cost at 1 January	147	15,766	18,126	730	85	34,854
Additions		13	648	9	1,011	1,682
Disposals			–11			–11
Effect of movements in exchange rates						
Cost at 31.12.	147	15,779	18,764	739	1,096	36,525
Accumulated depreciation and impairment losses at 1 January		–5,400	–15,537	–665		–21,602
Depreciation for the year		–1,137	–525	–9		–1,671
Effect of movements in exchange rates		–37	–173			–210
Accumulated depreciation and impairment losses at 31 December		–6,573	–16,235	–674		–23,482
Carrying amount at 1.1. 2017	**147**	**10,367**	**2,589**	**65**	**85**	**13,253**
Carrying amount at 31.12.2017	**147**	**9,206**	**2,529**	**65**	**1,096**	**13,042**

Assets acquired under finance leases

In 2009 Nurminen Logistics sold its properties in Kotka, Luumäki, Vainikkala, Niirala and Jyväskylä to Ilmarinen Mutual Pension Insurance Company. The selling price was approximately EUR 15 million. Nurminen Logistics continues its operations as a leaseholder in the above mentioned properties on a ten-year lease. Nurminen Logistics Plc has committed to repurchase the properties from Ilmarinen after the lease term.

1,000 EUR	Machinery and equipment	Buildings	Total
2018			
Cost at 1 January	2,002	13,756	15,758
Additions	71		71
Cost at 31 December	2,073	13,756	15,829
Accumulated depreciation and impairment losses at 1 January	–1,845	–5,304	–7,150
Depreciation for the year	–82	–1,029	–1,111
Accumulated depreciation and impairment losses at 31 December	–1,928	–6,333	–8,261
Carrying amount at 31 Dec 2018	**145**	**7,423**	**7,568**
2017			
Cost at 1 January	1,861	13,756	15,618
Additions	141		141
Cost at 31 December	2,002	13,756	15,758
Accumulated depreciation and impairment losses at 1 January	–1,814	–4,276	–6,090
Depreciation for the year	–31	–1,029	–1,059
Accumulated depreciation and impairment losses at 31 December	–1,845	–5,304	–7,150
Carrying amount at 31 Dec 2017	**157**	**8,452**	**8,609**

12. INTANGIBLE ASSETS

1,000 EUR	Goodwill	Intangible rights	Other intangible assets	Total
2018				
Cost at 1 January	8,970	838	3,279	13,087
Additions			1,464	1,464
Disposals	–3,000	–2		–3,002
Cost at 31 December	5,970	836	4,743	11,549
Accumulated amortisation and impairment losses at 1 January		–835	–3,225	–4,060
Amortisation for the year			–129	–129
Accumulated amortisation and impairment losses at 31 December		–835	–3,354	–4,189
Carrying amount at 1 January 2018	**8,970**	**4**	**54**	**9,028**
Carrying amount at 31 December 2018	**5,970**	**1**	**1,389**	**7,360**
2017				
Cost at 1 January	8,970	838	3,234	13,043
Additions			44	44
Exchange rate differences				0
Cost at 31 December	8,970	838	3,279	13,087
Accumulated amortisation and impairment losses at 1 January		–829	–3,183	–4,012
Amortisation for the year		–5	–42	–48
Accumulated amortisation and impairment losses at 31 December		–835	–3,225	–4,060
Carrying amount at 1 January 2017	**8,970**	**9**	**52**	**9,031**
Carrying amount at 31 December 2017	**8,970**	**4**	**54**	**9,028**

Information on goodwill impairment testing is provided in note 14. Impairment of assets.

13. CARRYING AMOUNTS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

1,000 EUR	Note	Assets measured at amortised cost	Liabilities measured at amortised cost	Carrying amounts in the balance sheet
2018				
Financial financial assets and liabilities according to IFRS 9.				
Long-term financial assets				
Other receivables	16	2,639		2,639
Short-term financial assets				
Trade receivables and other receivables	18	7,261		7,261
Cash and cash equivalents	19	11,514		11,514
Long-term financial liabilities				
Interest bearing liabilities	22		13,600	13,600
Short-term financial liabilities				
Interest bearing liabilities	22		5,252	5,252
Trade payables	23		4,917	4,917

1,000 EUR	Note	Loans and receivables	Liabilities measured at amortised cost	Carrying amounts in the balance sheet
2017				
Financial assets and liabilities according to IAS 39.				
Long-term financial assets				
Other receivables	16	4,093		4,093
Short-term financial assets				
Trade receivables and other receivables	18	8,383		8,383
Cash and cash equivalents	19	7,832		7,832
Long-term financial liabilities				
Interest bearing liabilities	22		17,857	17,857
Short-term financial liabilities				
Interest bearing liabilities	22		1,472	1,472
Trade payables	23		5,838	5,838

The carrying amounts of these financial assets and financial liabilities are in essentially equivalent to their fair values and are classified to tier 2 on the fair value hierarchy.

14. IMPAIRMENT OF ASSETS

Goodwill is tested for impairment annually, and if indications of impairment exist. The recoverable amount in the impairment testing calculations is determined based on value in use.

An impairment loss is recognised if the carrying amount of the assets allocated to a cash-generating unit, including goodwill, is higher than the unit's recoverable amount. The recoverable amount of each cash-generating unit is determined by discounting the estimated future cash flows of the unit.

Goodwill is allocated for cash generating units (CGUs) for impairment testing. The CGU is the Group's operations in Finland, Russia and Baltics (49 % minority) starting from 1.1.2016. The Group has abandoned the segment division and segment reporting as of 1 January 2016. Senior management monitors the results and allocates resources at the Group level. Goodwill is allocated to business operations in Finland and Russia.

Group goodwill

1,000 EUR	Business operations in Finland and Russia	Business operations in Baltics	Total
	5 970	0	5 970

Signals on possible depreciation of assets are regularly observed from information sources within and outside the Group. These signals can be for example unexpected deviations from key assumptions in Group reporting. In addition to this the signals can be changes in competition or other circumstances in the market, or new regulations or concessions that have an impact on various business fields. Company accounted for 3.0 million euro goodwill within the sales transaction of OOO Nurminen Logistics.

Depreciation test calculations on negative cash flow are based budgets and strategic forecasts accepted by management from the previous five years. For the time period after this forecast period (terminal value) estimated cash flows have been defined by using long term growth forecasts.

For the five-year time period the cashflow has been estimated to develop according to company's medium length turnover and viability goals. Sales increase and profitability level development has been estimated based on businesses recent development and general forecasts. Terminal value is based on 1% growth in cash flow. The cash flow forecast is based on turnover and profitability forecasts made for each business sector, which are based on budget for the year 2019 and long-term strategy approved by management. These are affected by market development in Finland, Russia and neighboring regions, planned growth in regular railway service between Finland and China and actions to improve profitability in the company.

Discount rate is based on industry average WACC after tax. Used discount rate is 10.85 %. Discount rate and impairment test calculation take in account market risks and capital intensity. The cost for equity affecting on WACC is consistent with Group's long-term targets. Net sales in Finnish and Russian businesses was 34.3 million euros. The net sales are expected to increase especially due to railway service between Finland China during the year 2019. Increase in net sales over the years 2019–2023 averages 4.9 %. Increase in net sales per year over the years 2020–2023 is 4 %. EBIT for the underlying business is expected to improve up to the level of Group's long-term target. (Group's long-term target is 7 %.) Tax rate of 20 % has been used.

CGU, net sales and EBITDA 2016–2023

CGU	2016	2017	2018	2019 IMP	2020 IMP	2021 IMP	2022 IMP	2023 IMP
Sales	35,120	36,109	34,340	37,269	38,777	40,317	41,929	43,606
EBITDA	–383	874	–535	845	1,802	2,366	2,968	3,600

Sensitivity analysis when one component changes:

Forecast period 2019–2023

- Asset to be tested 18.2 m€
- Terminal growth 1%
- WACC 10.85%
- Net sales and variable costs: growth presentage change from 2019–2023 is 4.0 %.
- Basis for terminal value: net cash flow 2.4 million euros
- Basis for terminal value: EUR 3.6 million
- Cumulative EBITDA is EUR 7,980 thousand in 2019–2022

Amount when value in use (VIU) equals asset

- VIU EUR 18.2 millions
- Terminal growth -0.5% VIU equals asset
- WACC 11.75% : VIU equals asset
- Net sales and variable costs: growth presentage change from 4% to 3.6% in 2019–2013
- Basis for terminal value: net cash flow 2.1 million euros
- Basis for terminal value: EBITDA decreases EUR 350 thousand
- Cumulative EBITDA decreases EUR 2,915 thousand during years 2019–2022

15. EQUITY-ACCOUNTED INVESTEES

1,000 EUR	2018	2017
At 1 January	232	263
Share of profit / loss for the year	–21	–114
Investments in equity accounted investees	0	102
Dividends	–15	–21
Translation differences / other changes	–2	2
At 31 December	**194**	**232**

The equity-accounted investees (listed below) are not material for Group.

	Domicile	Ownership (%)
Pelkolan Terminaali Oy	Finland	20.0 %
Team Lines Latvia SIA	Latvia	23.0 %
NR Rail Oy	Finland	51.0 %

16. NON-CURRENT RECEIVABLES

1,000 EUR	2018	2017
Other receivables	2,639	4,093
Total	**2,639**	**4,093**

Non-current other receivables are pre-rental of the properties to Ilmarinen. Pre-rental has been paid until 2021.

17. DEFERRED TAX ASSETS AND LIABILITIES

1,000 EUR	1 Jan 2018	Recognised in the income statement	Divestments	Exchange rate differences	31 Dec 2018
Movements in deferred taxes during year 2018:					
Deferred tax assets:					
Component depreciation and sales profit of spare parts	567		–550	–2	14
Total	**567**	**0**	**–550**	**–2**	**14**
Deferred tax liabilities:					
Cumulative depreciation and amortisation difference	1				1
Timing differences and temporary differences / reversal of deductible goodwill amortisation	266		–266		0
Other items	117	–78	–13		26
Total	**385**	**–78**	**–279**	**0**	**28**

1,000 EUR	1 Jan 2017	Recognised in the income statement	Divestments	Exchange rate differences	31 Dec 2017
Movements in deferred taxes during year 2017:					
Deferred tax assets:					
Component depreciation and sales profit of spare parts	659	–46		–47	567
Total	**659**	**–46**		**–47**	**567**
Deferred tax liabilities:					
Cumulative depreciation and amortisation difference	1				1
Timing differences and temporary differences / reversal of deductible goodwill amortisation	278	–12			266
Other items	120	–3			117
Total	**400**	**–15**		**0**	**385**

1,000 EUR	2018	2017
Deferred taxes		
Losses of Group companies from previous financial years	32,693	30,430
Confirmed losses expires in 2020-2027		
Deferred tax assets on losses from previous financial years	**6,539**	**6,086**

The confirmed losses have not been recognized in the balance sheet in deferred tax assets. In addition, the Group has approximately EUR 2,174 thousand of unrecognised deferred tax assets, relating to deductible goodwill from internal reorganisations. Deferred tax assets have not been recognised in the Consolidated Statement of Financial Position, based on management's judgement.

18. TRADE AND OTHER RECEIVABLES

1,000 EUR	2018	2017
Trade receivables	6,552	7,429
Prepaid expenses and accrued income	3,691	4,405
VAT receivables	340	231
Other receivables	370	663
Total	**10,952**	**12,727**
Trade and other receivables in currencies		
Euro	9,514	9,982
US Dollar	1,436	1,660
Russian Rouble	2	1,085
Total	**10,952**	**12,727**

The most significant items under prepaid expenses and accrued income, EUR 2,047 thousand in 2018 (EUR 2,108 in 2017), consists of pre-rental for year 2019 to Ilmarinen and EUR 532 thousand in 2018 (EUR 300 thousand in 2017), consists of services rendered at the balance sheet date but yet not invoiced from the customers.

The carrying amounts of current receivables best represent the maximum exposure to credit risk, excluding fair value of any collaterals, in the case other party to an agreement fail to discharge an obligation concerning financial instruments. Trade and other receivables do not contain any significant concentrations of credit risk. The carrying amounts of trade and other current receivables are in essentially equivalent to their fair values.

The Group recognized EUR 120 thousand credit loss, of which EUR 20 thousand was based on expected credit losses.

19. CASH AND CASH EQUIVALENTS

1,000 EUR	2018	2017
Cash and bank balances	11,514	7,832
Cash and cash equivalents in the balance sheet	**11,514**	**7,832**

Cash and cash equivalents in the cash flow statement equal to the cash and cash equivalents in the balance sheet.

20. EQUITY DISCLOSURES

The Board members of the parent company review the capitalstructure, gearing and cost of debt of the Group on regular basis. No target has been set for the gearing, but the Board of the parent company may take measures, if development of the gearing is unfavourable. Gearing calculated from the consolidated statement of financial position of the Group was 55.8 % in the end of 2018 and 78.4 % in the end of 2017.

	Number of shares	Share capital, thousands of euro	Share premium reserve, thousands of euro	Legal reserve, thousands of euro	Reserve for invested unrestricted equity, thousands of euro
31 Dec 2016	**14,674,410**	**4,215**	**86**	**2,378**	**18,895**
Directed issue	350,000				
Rights issue	29,229,764				7,534
Repayments of equity					
31 Dec2017	**44,254,174**	**4,215**	**86**	**2,378**	**26,430**
Directed issue					
Rights issue					
Repayments of equity					
31 Dec 2018	**44,254,174**	**4,215**	**86**	**2,378**	**26,430**

The company's shares have no nominal value.
The maximum share capital of the company is EUR 4,215 thousand.
The company held 2,760 of its own shares at 31 Dec 2018.

Reserves included in equity

Share premium reserve
The share premium reserve comprises both share issue gains arisen in the years 1997–2006, less transaction costs, as well as gains from sales of own shares.

Legal reserve
The share issue gains accrued from those share issues carried out before the entry into force of the Finnish Limited Liability Companies Act , i.e. prior to 1 September 2006, have been recognised in the legal reserve.

Reserve for invested unrestricted equity
The reserve for invested unrestricted equity comprises the share issue gains arisen from the directed share issue subscribed as at 1 January 2008.

Nurminen Logistics has EUR 1.5 million hybrid bond from Ilmarinen that can be, in accordance to loan terms, changed to company shares. Hybridbond was signed with Ilmarinen at 18 June 2017. Terms of the bond have been described more detailed in section 24.

21. SHARE-BASED PAYMENTS

The Board of Directors of Nurminen Logistics Plc has on 13 January 2014 decided, by virtue of an authorization granted by the Annual General Meeting of Nurminen Logistics Plc held on 15 April 2013, to issue stock options to the key employees of the Company and its subsidiaries. The stock options shall be issued gratuitously to the key employees of the Group. The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase shareholder value and to commit the key employees to the employer.

The Board of Directors has set the target for the options to be positive net result of the Group. The maximum total number of stock options issued is 1,500,000, and they entitle their owners to subscribe for a maximum total of 1,500,000 new shares in the Company or existing shares held by the Company. The Share subscription price of the stock options 2014 is EUR 1.60 per share. Shares subscribed for and fully paid shall be registered on the book-entry account of the subscriber.

The Share subscription period shall be

- for stock option 2014A 1 April 2015–31 March 2018
- for stock option 2014B 1 April 2016–31 March 2018
- for stock option 2014C 1 April 2017–31 March 2018.

The Share subscription period for stock options 2014A shall begin only if the Group's net result for the financial year 2014 is positive. The Share subscription period for stock options 2014B shall begin only if the Group's net results for the financial year 2014 and for the financial year 2015 are positive. The Share subscription period for stock options 2014C shall begin only if the Group's net results for the financial year 2014 and for the financial year 2015 as well as for the financial year 2016 are positive. In case employment contract of a key person shall terminate during option period, such person shall, without delay, forfeit to the Company or its designate, without compensation, such stock options that the Board of Directors has distributed to him or her at its discretion.

There was no expenses from options in 2018 or 2017. Stock option program ended with no value at 31 March 2018.

Renumeration in shares for the members of the Board was EUR 70,000 in 2018.

22. FINANCIAL LIABILITIES

1,000 EUR	2018	2017
Long-term		
Long-term loans from financial institutions	13,549	13,558
Financial leasing liabilities	51	4,299
Total	**13,600**	**17,857**
Non-current		
Loans from financial institutions	1,011	897
Finance lease liabilities	4,241	575
Total	**5,252**	**1,472**
Interest-bearing liabilities in currencies		
EUR	**18,853**	**19,328**
Finance lease liabilities		
Total amount of minimum lease payments		
Less than one year	4,349	1,622
Between one and five years	191	3,841
Total amount of minimum lease payments	**4,540**	**5,463**
Future finance expenses	–248	–590
Present value of minimum lease payments	**4,292**	**4,874**
Present value of minimum lease payments are due according to following		
Less than one year	4,108	575
Between one and five years	184	4,299
Total	**4,292**	**4,874**

23. TRADE PAYABLES AND OTHER LIABILITIES

1,000 EUR	2018	2017
Trade payables		
Other liabilities	4,917	5,835
Accrued expenses and deferred income	692	402
Total trade payables and other liabilities	3,177	6,306
Total	**8,786**	**12,543**
Trade payables and other liabilities in currencies		
Euro		
US Dollar	6,913	9,559
Russian Rouble	1,828	2,671
RUB	44	313
Total	**8,786**	**12,543**
Non-current		
Other liabilities	328	329
Total non-current liabilities	**328**	**329**

The most significant items under accrued expenses, EUR 1,062 thousand in 2018 (2017 EUR 4,613 thousand) consists of periodization of operative expenses and personnel expenses EUR 1,100 thousand in 2018 (2017 EUR 1,358 thousand).

24. FINANCIAL RISK MANAGEMENT

The objective of the Group's risk management is to minimise the adverse effects by the changes in financial markets on the Group's result and equity. The policy for managing financial risks is based on the main principles of finance approved by the Board of Directors. The finance department is responsible for the daily risk management within the limits set by the Board of Directors.

Currency risk

Currency risk arises from foreign currency imports and exports, from the financing of foreign subsidiaries and from translation of subsidiaries' equity in foreign currency.

The Group manages the currency risk inherent in cash flows by keeping foreign currency income and expense cash flows in the same currency, and by matching them simultaneously to the extent possible. If matching is not possible, a part of an open position may be hedged.

Foreign currency transaction risk position can be hedged if the counter value of currency exceeds EUR 500,000. Positions greater than EUR 2 million are hedged 50–110 %. Foreign currency risk of the net translation exposure can be hedged 25–75 %. Instruments used in hedging include forward contracts and plain vanilla options. Exotic options are forbidden. The hedge ratio is considered based on the current economic trends and the predicted currency prospects as well as the functionality of each currency's hedge market. In extraordinary hedging market circumstances the company may deviate from guidelines above.

Currency amounts in bank accounts should be kept as small as possible without disturbing payment transactions. The amount of cash and cash equivalents denominated in foreign currencies may not exceed one per cent of the total of the balance sheet.

Interest rate risk

Interest rate risks to the Group derive mainly through interest-bearing debts. The purpose of the interest rate risk management is to diminish the effect of market interest rate movements on cash flows from financing. Hedging instruments may include forward rate agreements and interest rate futures, interest rate swaps and interest collar agreements.

The EUR 5 million loan from Ilmarinen includes condition that company shall pay extra 20% profit share of the confirmed annual report net result when the loan is unshortened. The profit share decreases linearily with installments.

Liquidity risk

The purpose of liquidity risk management is to ensure sufficient financing in all situations. Funds required for about two weeks' payment transactions will be reserved as a buffer for liquidity of payment transactions. The Group aims to guarantee the availability and flexibility of financing by using a number of financial institutions and financing methods in raising finance.

The company's management estimates that the operating cash flow generated by the company covers the current business needs and current liabilities for the next 12 months.

Credit risk

The objective of credit risk management is to minimise losses which arise from other party neglecting their obligations. The Group manages the counterparty risk based on the customer credit rating and engages in active debt collection, when necessary.

The Group has made ECL measurement analysis according to IFRS 9. It has recognized estimated credit losses through income statement.

The Group has not applied hedge accounting during 2018 and 2017.

INTEREST RATE RISK

Sensitivity analysis for interest rate risk

In calculating the sensitivity to changes in the interest rate level the following assumptions have been used:

- the change in the interest rate level has been assumed to be +/– 100 bps
- At a time of negative reference interest rates interest rate movements affect as diluted. In the analyse reference interest rates are though to be at least zero.

Sensitivity analysis for variable interest rate loans

		2018			
1,000 EUR	31 Dec 2018	Income statement 100 bp		Equity 100 bp	
		Increase	Decrease	Increase	Decrease
Total amount of variable interest rate loans	14,510				
Variable interest rate instruments		–145	145	–145	145
Total effect		**–145**	**145**	**–145**	**145**

		2017			
1,000 EUR	31 Dec 20187	Income statement 100 bp		Equity 100 bp	
		Increase	Decrease	Increase	Decrease
Variable interest rate instruments	14,397				
Vaihtuvakorkoiset instrumentit		–203	203	–203	203
Total effect		**–203**	**203**	**–203**	**203**

Market-based loans are raised mainly as variable interest rate loans. Nurminen Logistics hedges from interest rate risk of market- based loans by electing the interest rate periods and with derivative instruments, mainly with interest rate swaps. No interest rate swaps were used in 2017 and 2018.

CURRENCY RISK

In calculating the sensitivity to changes in the exchange rate the following assumptions have been used:

- the change in the exchange rate has been assumed to be +/– 10%
- other variables remain constant

		2018			
		Trade receivables 10 %		Trade payables 10 %	
1,000 EUR	USD	Decreases	Increases	Decreases	Increases
Total currency items					
Trade receivables	1,708				
Trade payables	2,097				
Total effect		**–136**	**166**	**166**	**–203**

		2017			
		Trade receivables 10 %		Trade payables 10 %	
1,000 EUR	USD	Decreases	Increases	Decreases	Increases
Total currency items					
Trade receivables	1,900				
Trade payables	3,058				
Total effect		**–144**	**176**	**243**	**–297**

	Balance sheet exchange rate	
Exchange rates used	2018	2017
USD	1,15	1,20

LIQUIDITY RISK

The contractual cash flows of loan instalments and interests at 31 December 2018 were the following :

1,000 EUR	1 month	1–3 months	3 months–1 year	1–5 years	5 years ->
Loans from financial institutions				13,500	
Finance lease liabilities	70	84	3,800	338	
Trade payables	4,789	128			
Interest	31	62	717	1,758	19
Total	**4,890**	**274**	**4,518**	**15,596**	**19**

The contractual cash flows of loan instalments and interests at 31 December 2017 were the following :

1,000 EUR	1 month	1–3 months	3 months–1 year	1–5 years	5 years ->
Loans from financial institutions					13,500
Finance lease liabilities	39	47	489	4,299	
Trade payables	4,715	1,123	1		
Interest	29	2	480	1,812	203
Total	**4,783**	**1,172**	**969**	**6,111**	**13,703**

The EUR 8.5 million loan from Ilmarinen includes condition that the company pays premature repayments 30% of free cash flow. According to agreement, free cash flow is calculated by deducting financial expences, loan repayments and working capital investment from the operative cash flow.

The EUR 5 million loan from Ilmarinen includes condition that company shall pay extra 20% profit share of the confirmed annual report net result when the loan is unshortened. The profit share decreases linearily with installments.

Nurminen Logistics completed the issuance of a EUR 1.5 million Convertible Hybrid Bond to Ilmarinen. The Convertible Hybrid Bond may be converted to a maximum of 5,330,000 shares in the Company in accordance with the terms and conditions of the Convertible Hybrid Bond. The Convertible Hybrid Bond bears a fixed interest rate of 4.00 per cent per annum until 31 December 2020, and thereafter, the fixed interest rate of 8.00 per cent per annum, unless otherwise provided in its terms and conditions. The Convertible Hybrid Bond has no maturity date, but the Company is entitled to redeem it at any time in accordance with its terms and conditions.

Changes in long term interest bearing depts

1,000 EUR	1 Jan 2018	Cash flow change	Increase	Other chages	31 Dec 2018
Long-term liabilities, interest bearing	13,558	–8			13,549
Long-term leasing liabilities, interest bearing	729			–678	51
Total	**14,287**	**–8**	**0**	**–678**	**13,600**

Changes in short term interest bearing depts

1,000 EUR	1 Jan 2018	Cash flow change	Increase	Other chages	31 Dec 2018
Short term loans from financial institutions	897		114		1,011
Short term finance lease liabilities	4,145			96	4,241
Total	**5,042**		**114**	**96**	**5,252**

CREDIT RISK

Maximum exposure to credit risk	1,000 EUR
2018	6,922
2017	8,092

Aging of trade receivables

1,000 EUR	Not past due	Past due less than 30 days	Past due 30–120 days	Past due over 120 days	Total
2018	5,329	1,061	162	0	6,552
2017	5,685	1,381	224	138	7,429

Nurminen Logistics has no significant concentrations of credit risk.

25. OPERATING LEASES

The Group as lessee

Future minimum lease payments under non-cancellable operating leases are as follows:

1,000 EUR	2018	2017
Less than one year	4,514	4,972
Between one and five years	15,812	20,859
More than five years	28,281	33,488
Total	**48,606**	**59,320**

The most significant leases concerning business properties are the terminal and office premises in Vuosaari (at the address Satamakaari 24), the terminal premises in Hamina (at the address Gerhardin väylä 3) and the terminal premises in Kotka (at the address Hovinsaarentie 25 and Tuulentie 70). Otherwise Nurminen Logistics leases as a lessee mainly IT equipment, office automation equipment, vehicles and cargo handling machines used in terminals.

26. CONTINGENCIES AND COMMITMENTS

1,000 EUR	2018	2017
Liabilities for which business mortgages have been given and subsidiary shares pledged		
Loans from financial institutions	14,511	14,397
Mortgages given	15,500	15,500
Book value of pledged subsidiary shares	10,108	10,108
Other commitments		
Customs duties and other guarantees	6,014	9,965

Subsidiary shares have been pledged on custom duties and other guarantees needed for continuous operations.

27. RELATED PARTY TRANSACTIONS

Nurminen Logistics' related parties include the members of the Board of Directors and those of the Management Team as well as companies under their control. Related parties are also those shareholders that have direct or indirect control or significant influence in the Group. The business transferred to new John Nurminen in the demerger of John Nurminen Ltd is also considered to be related party.

Related party transactions with companies under control of Board members

1,000 EUR	2018	2017
Sales	142	11
Purchases	173	181

Management remuneration

EUR	2018	2017
CEO, the members of the Board and the Executive Board		
Salaries and other short-term employee benefits	989,242	869,353
Statutory pension payments	96,970	87,922
Benefits due after termination of employment contract	29,138	0
Share-based payments	140,653	65,000
Total	**1,256,003**	**1,022,275**
Salaries and wages		
CEO		
Marko Tuunainen	430,366	305,600
Interim CEO		
Teppo Talvinko	4,636	0
Members of the Board		
Alexey Grom	23,000	36,000
Tero Kivisaari (till 6 October 2017)	6,000	17,000
Juha Nurminen	24,500	28,000
Jukka Nurminen	23,500	27,000
Olli Pohjanvirta	151,915	155,915
Irmeli Rytkönen (from 11 April 2018)	8,500	0
Kari Savolainen (from 11 April 2018)	8,500	0
	680,917	**569,515**

Members of the Board and management own 29.7 % of company shares on 31 December 2018.
The company has made a management service agreement with Russian Capital Management Oy, controlled by Olli Pohjanvirta. Agreement is valid 1 November 2018 – 31 May 2019 having monthly fee of EUR 16,5 thousand.

28. DIVESTED BUSINESSES

Nurminen Logistics Plc sold shares of OOO Nurminen logistics to Russian Tansless LLC on November 30, 2018. The trade value was 7.0 million euros and transaction costs 0.1 million euros. OOO Nurminen Logistics cash and equivalents were EUR 90 thousand. Long-term receivables were EUR 226 thousand. Short-term receivables were EUR 957 thousand. Long-term liabilities were EUR 0. Short-term liabilities were EUR 320 thousand.

29. EVENTS AFTER THE BALANCE SHEET DATE

The Group Finnish entities started co-operation negotiations 5 March 2019 to improve profitability and efficiency. There have been changes in Baltic businesses after the end of the review period. Nurminen Maritime Estonia AS is to be disbanded. Latvian business and customer structure changes. This will decrease significantly net sales but is expected to have only minor impact on profitability.

Parent Company's Income Statement

EUR	Note	2018	2017
NET SALES	1	**2,192,155**	**1,870,425**
Other operating income	2	45,800	33,091
Employee benefit expenses	3	–1,424,756	–1,545,945
Depreciation, amortisation and impairment losses	4	–1,138,859	–1,004,060
Other operating expenses	5	–42,897	–539,338
OPERATING RESULT		**–368,557**	**–1,185,828**
Financial income and expenses	6	–7,459,539	–211,002
RESULT BEFORE EXTRAORDINARY ITEMS		**–7,828,096**	**–1,396,830**
Taxes		67,450	6,790
RESULT FOR THE YEAR		**–7,760,646**	**–1,390,040**

Parent Company's Balance Sheet

EUR	Note	2018	2017
ASSETS			
Non-current assets			
Intangible assets	1	1,348,295	6,407
Property, plant and equipment	1	7,613,605	9,522,494
Investments	2	18,136,877	33,541,610
Total non-current assets		**27,098,777**	**43,070,511**
Current assets			
Non-current receivables	3	2,618,030	4,067,270
Current receivables	3	9,943,887	5,077,480
Cash and cash equivalents		9,078,860	5,437,947
Total current assets		**21,640,776**	**14,582,697**
TOTAL ASSETS		**48,739,553**	**57,653,208**
EQUITY AND LIABILITIES			
Equity			
Share capital	4	4,214,521	4,214,521
Share premium reserve	4	86,479	86,479
Other reserves			
Legal reserve	4	2,373,538	2,373,538
Reserve for invested unrestricted equity	4	27,079,440	27,079,440
Retained earnings	4	–736,443	655,217
Profit / loss for the financial year	4	–7,760,646	–1,390,040
Total equity		**25,256,889**	**33,019,155**
Liabilities			
Capital loan		1,500,000	1,500,000
Non-current liabilities	6	13,597,223	17,706,586
Current liabilities	7	8,385,442	5,427,467
Total liabilities		**23,482,665**	**24,634,053**
TOTAL EQUITY AND LIABILITIES		**48,739,553**	**57,653,208**

Parent Company's Cash Flow Statement

EUR	2018	2017
Cash flow from operating activities		
PROFIT / LOSS FOR THE YEAR	**–7,760,646**	**–1,390,040**
Adjustments		
Depreciation, amortisation and impairment losses	1,241,859	1,004,060
Gains (–) and losses (+) on sale of non-current assets	8,377,719	4,720
Financial income (–) and expenses (+)	–1,143,181	211,002
Taxes	–67,450	–6,790
Other adjustments	1,099,058	14
Cash flow before changes in working capital	**1,747,359**	**–177,034**
Changes in working capital		
Current non-interest bearing receivables, increase (–) / decrease (+)	–150,901	253,333
Current liabilities, non-interest bearing, increase (+) / decrease (–)	–568,630	–157,174
Net cash from operating activities before financial items and taxes	**1,027,828**	**–80,874**
Interest paid	–538,924	–1,059,129
Dividends received	1,940,272	921,087
Interest received	180,717	84,488
Other financial items	–91,234	–130,706
Income taxes paid	0	6,790
Net cash from operating activities	**2,518,660**	**–258,345**
Cash flow from investing activities		
Investments in property, plant and equipment and intangible assets	–571,858	–960,996
Proceeds from disposals of property, plant and equipment and intangible assets		280
Proceeds from subsidiary shares	7,011,172	0
Proceeds from equity accounted investments	16,013	0
Payments to acquire equity accounted investments	–103,000	–101,600
Loans granted	–2,538,088	–2,500,000
Repayments of loan receivables	0	2,769,829
Net cash used in investing activities	**3,814,239**	**–792,487**
Cash flow from financing activities		
Share issue against payment	0	5,725,934
Proceeds from current liabilities	600,000	491,642
Repayments of current liabilities	–3,291,986	–600,000
Net cash used in financing activities	**–2,691,986**	**5,617,576**
Change in cash and cash equivalents	**3,640,913**	**4,566,745**
Cash and cash equivalents at the beginning of the year	5,437,947	871,202
Change in cash and cash equivalents	3,640,913	4,566,745
Cash and cash equivalents at year-end	**9,078,860**	**5,437,947**

Notes to the Parent Company's Financial Statements

Accounting principles for the parent company's financial statements

The financial statements of Nurminen Logistic Plc are prepared in accordance with Finnish Accounting Standards (FAS).

Measurement of non-current assets

Items of property, plant and equipment and intangible assets are carried at cost less the planned depreciation / amortisation. They are depreciated / amortised over their estimated useful lives, which are the following:

Poistoajat ovat:

- Intangible assets 3–10 years
- Goodwill 5–10 years
- Machinery and equipment 3–10 years
- Other capitalised long-term expenditure 5–10 years

The company's subsidiary shares and other shares in the investments in non-current assets are valued at acquisition cost or, if lower, at fair value. The fair value that are used as the basis for the valuation of subsidiary shares is based on management's valuation calculations of future cash flows of subsidiaries.

Company's sale and lease back assets are included in the 2018 and 2017 balance sheet as well as sale and lease back liabilities.

Measurement of receivables

Receivables are measured at the lower of nominal and estimated probable value.

Pensions

Pension costs are presented in accordance with national legislation in each country. The pension security of the Finnish personnel has been arranged through external pension insurance companies.

Foreign currency items

Foreign currency receivables and liabilities are translated into euro at the closing rate at the balance sheet date. The exchange rate differences arising from forward contracts entered into for hedging purposes have been adjusted against the exchange rate differences arisen from the corresponding hedged items.

Leases

Lease payments are accounted for as rental costs. Lease payments due in the future years under the agreements are presented under contingencies and commitments.

Capital loan

The capital loan holders do not have any rights equivalent to ordinary shareholders. The company has no contractual obligation to repay the loan capital or the interest on the loan. If interest is paid to the capital bond, it is recognised in the income statement.

Notes to the Income Statement

1,000 EUR	2018	2017
1. Net sales		
Sale of services	2,192	1,870
Total	**2,192**	**1,870**
2. Other operating income		
Rent income	4	1
Other items	42	33
Total	**46**	**34**
3. Disclosures for personnel and members of company organs		
Employee benefit expenses		
Wages and salaries	–1,290	–1,394
Pension expenses and pension contributions	–102	–124
Other social security costs	–32	–28
Total	**–1,425**	**–1,546**
4. Depreciation, amortisation and impairment losses		
Planned depreciation and amortisation:		
Intangible rights	–6	–3
Other capitalised long-term expenditure	–105	–14
Property, plant, Machinery and equipment	–1,029	–1,029
Write-downs		41
Total	**–1,139**	**–1,004**
5. Other operating expenses		
Other operating expenses	–43	–539
Total	**–43**	**–539**
Auditors' fees		
Audit fees	–55	–25
Other fees paid to auditors	–37	–84
Total	**–92**	**–109**
6. Financial income and expenses		
Dividend income		
Dividend income from Group companies	1,940	921
Total	**1,940**	**921**
Interest and other financial income		
Interest from group companies	181	0
Interest and other financial income from others	10	91
Total	**190**	**91**
Interest and other financial expenses		
Loss from sale of subsidiary shares	–8,509	0
Interest to group companies	–5	0
Interest and other financial expenses to others	–1,076	–1,223
Total	**–9,589**	**–1,223**
Total financial income and expenses	**–7,459**	**–211**

Notes to the Balance Sheet

1,000 EUR	2018	2017
1. Property, plant and equipment and intangible assets		
Intangible rights:		
Cost at 1 Jan	148	148
Cost at 31 Dec	148	148
Accumulated planned amortisation at 1 Jan	146	143
Amortisation for the year	1	3
Accumulated planned amortisation at 31 Dec	147	146
Carrying amount at 31 Dec	**1**	**2**
Other capitalised long-term expenditure		
Cost at 1 Jan	754	754
Additions	1,452	0
Cost at 31 Dec	2,206	754
Accumulated planned amortisation at 1 Jan	749	735
Amortisation for the year	109	14
Accumulated planned amortisation at 31 Dec	858	749
Carrying amount at 31 Dec	**1,347**	**4**
Land area		
Cost at 1 Jan	17	17
Carrying amount at 31 Dec	**17**	**17**
Sale and lease back assets		
Cost at 1 Jan	13,756	13,756
Cost at 31 Dec	13,756	13,756
Accumulated planned amortisation at 1 Jan	5,305	4,276
Amortisation for the year	1,029	1,029
Accumulated planned amortisation at 31 Dec	6,333	5,305
Carrying amount at 31 Dec	**7,423**	**8,452**
Other tangible assets		
Cost at 1 Jan	9	9
Cost at 31 Dec	9	9
Accumulated planned depreciation at 1 Jan	1	1
Accumulated planned depreciation at 31 Dec	1	1
Carrying amount at 31 Dec	**8**	**8**
Prepayments and unfinished acquisitions		
Cost at 1 Jan	1,046	85
Additions	655	961
Decreases	1,536	0
Cost at 31.12.	165	1,046
Carrying amount at 31 Dec	**165**	**1,046**
2. Investments		
Holdings in Group companies	208	15,606
Investments in reserve for invested unrestricted equity of Group companies	10,100	10,100
Holdings in associates	308	308
Other shares and holdings	21	28
Capital loan receivable	7,500	7,500
Total	**18,137**	**33,542**

	Domicile	Share of ownership %
Subsidiaries		
RW Logistics Oy	Finland	100
Nurminen Logistics Services Oy	Finland	100
Nurminen Maritime Latvia SIA	Latvia	51
Nurminen Maritime Estonia AS	Estonia	51
Nurminen Maritime UAB	Lithuania	51
Associates and joint ventures		
NR Rail Oy	Finland	51
Pelkolan Terminaali Oy	Finland	20

1,000 EUR	2018	2017
3. Receivables		
Non-current		
Advance payments	2,618	4,067
Yhteensä	**2,618**	**4,067**
Current		
Current receivables from Group companies	975	0
Trade receivables	11	719
Other receivables	6,774	2,201
Total	**7,760**	**2,920**
Trade receivables	8	5
Other receivables	0	9
Prepayments and accrued income		
Ilmarinen prepaid leases	2,047	2,108
Other prepayments	129	35
Prepayments and accrued income	2,177	2,142
Total	**2,184**	**2,157**
Total current receivables	**9,944**	**5,077**
4. Equity		
Share capital total	4,215	4,215
Share premium reserve	86	86
Legal reserve	2,374	2,374
Restricted equity	**6,675**	**6,675**
Reserve for invested unrestricted equity at 1 Jan	27,079	18,895
Issue of shares	0	8,184
Reserve for invested unrestricted equity at 31 Dec	27,079	27,079
Retained earnings	–736	1,444
Changes to previous financial periods	0	–789
Profit / loss for the year	–7,761	–1,390
Unrestricted equity	**18,582**	**26,345**
Equity total	**25,257**	**33,019**
Distributable funds		
Reserve for invested unrestricted equity	27,079	27,079
Retained earnings	–736	655
Profit / loss for the year	–7,761	–1,390
Total	**18,582**	**26,345**
The company owns 2,760 of its own shares		

1,000 EUR	2018	2017
5. Deferred taxes		
Deferred tax assets on losses	2,709	2,261
Deferred tax receivables have not been recorded in the parent company's separate financial statements.		
Deferred tax liabilities have been recorded in the balance		
6. Non-current liabilities		
Interest-bearing liabilities		
Capital loan	1,500	1,500
Loans from financial institutions	13,500	13,500
Interest bearing sale and lease back loans	0	4,207
Other liabilities	97	0
Total	**15,097**	**19,207**
Total non-current liabilities	**15,097**	**19,207**
7. Current liabilities		
Current liabilities to Group companies	4	0
Trade payables	3,570	0
Other liabilities	2,911	2,764
Accrued expenses and deferred income	0	956
Total	**6,485**	**3,720**
Interest-bearing liabilities		
Loans from financial institutions		
Interest bearing sale and lease back loans	629	510
Non-interest bearing liabilities		
Trade payables	579	482
Other liabilities	162	76
Accrued expenses and deferred income		
Employee benefit expense accruals	223	461
Other items	**308**	**177**
Total	**1,901**	**1,707**
Total current liabilities	**8,385**	**5,427**

Other notes

1,000 EUR	2018	2017
Liabilities for which business mortgages have been given and subsidiary shares pledged		
Loans from financial institutions	14,511	14,397
Mortgages given	11,500	15,500
Book value of pledged subsidiary shares	10,108	10,108
Collaterals given on behalf of Group companies		
Book value of pledged subsidiary shares	10,108	10,108
Other commitments		
Customs duties and other guarantees	614	565
Rental obligations		
Payable in next year	4,165	4,416
Payable after that	43,914	53,829
Amounts payable under leases		
Payable in next year	64	73
Payable after that	39	62

Notes Regarding Personnel and Company Organs

	2018	2017
The number of personnel		
Personnel, average	15	15
Personnel, at year-end	13	16
Management remuneration (1,000 EUR)		
The Board of Directors and CEO	681	570

Auditor's Report (Translation of the Finnish original)

To the Annual General Meeting of Nurminen Logistics Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Nurminen Logistics Oyj (business identity code 0109707-8) for the year ended 31 December 2018. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent 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.

Our opinion is consistent with the additional report submitted to the Board of Directors.

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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 4 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Goodwill *We refer to the accounting principles for the consolidated financial statements in the note 1 of the consolidated financial statements and the note 14 about the impairment of intangible assets and property plant and equipment.* The annual impairment test was significant to our audit because the assessment process is judgmental, it is based on assumptions relating to market or economic conditions extending to the future, and because of the significance of the goodwill to the financial statements. As of balance sheet date 31 December 2018, the value of goodwill amounted to 6,0 million euro representing 14 % of the total assets and 45 % of the total equity. The valuation of goodwill is based on the management's estimate about the value-in-use calculations of the cash generating units. There are number of underlying assumptions used to determine the value-in-use, including the revenue growth, EBITDA and discount rate applied on net cash-flows. Estimated values-in-use may vary significantly when the underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of goodwill.	Our audit procedures included involving valuation specialists to assist us in evaluating the assumptions and methodologies used by the management. The key assumptions applied by the management were compared to • approved budgets and forecasts by the management, as well as • our independently calculated industry averages such as weighted average cost of capital used in discounting the cashflows. In addition, we compared the sum of discounted cash flows to Nurminen Logistics Oyj market capitalization. We also assessed the sufficiency of the disclosures as well as whether the disclosures about the sensitivity of the impairment assessment are appropriate.
Revenue Recognition *We refer to the accounting principles for the consolidated financial statements in the note 1 of the consolidated financial statements and the note 18 about the trade and other receivables.* Revenue recognition is considered as a key audit matter because revenues are a key financial performance measure which could create an incentive for revenues to be recognized prematurely. Relevant areas from the net sales perspective are accuracy of the recognized amounts and timing of revenue recognition. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10 (2).	Our audit procedures comprised • the analysis of the revenue recognition accounting policies and • comparison of revenue transactions to the supporting documentation in order to assess whether the requirements for the revenue recognition have been met. In addition, we requested external trade receivable confirmations, tested general ledger journal entries on a sample basis as well as performed analytical procedures in order to identify abnormal entries. We also assessed the sufficiency of the revenue recognition disclosures in respect of the IFRS 15 standard.

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 consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and 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 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 parent company or the group 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 12 April 2016, and our appointment represents a total period of uninterrupted engagement of 3 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors and the Annual Report prior to the date of the auditor's report.

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 other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 15 March 2019

Ernst & Young Oy
Authorized Public Accountant Firm

Antti Suominen
Authorized Public Accountant

Signing of the Financial Statements and the Board's Report on Operations

Helsinki 8 March 2019

Olli Pohjanvirta
Chairman of the Board

Juha Nurminen

Alexey Grom

Jukka Nurminen

Kari Savolainen

Irmeli Rytkönen

Teppo Talvinko
Interim CEO

An auditor's report on the general audit has been given today.

Helsinki 15 March 2019

Ernst & Young Oy

Antti Suominen
Authorized Public Accountant

Group's Key Figures

Key figures for business

	2016	2017	2018
Net sales, EUR 1,000	49,971	75,772	78,874
Increase in net sales, %	–0.9 %	51.6 %	4.1 %
Operating result (EBIT), EUR 1,000	–948	1,691	–6,046
% of net sales	–1.9 %	2.2 %	–7.7 %
Result before taxes, EUR 1,000	–2,497	275	–7,397
% of net sales	–5.0 %	0.4 %	–9.4 %
Result for the financial year, EUR 1,000	–3,119	–243	–7,811
% of net sales	–6.2 %	–0.3 %	–9.9 %
Return on equity (ROE), %	–44.0 %	–2.3 %	–56.2 %
Return on investment (ROI), %	–2.1 %	4.1 %	–18.1 %
Equity ratio %	14.6 %	30.8 %	31.7 %
Gearing %	340.8 %	78.4 %	55.8 %
Gross investments, EUR 1,000	498	1,624	709
% of net sales	1.0 %	2.1 %	0.9 %
Balance sheet total, EUR 1,000	43,854	47,587	41,511
Average number of employees	193	188	177
Wages and salaries paid, EUR 1,000	8,707	8,921	9,025
Share key figures			
Earnings per share (EPS), EUR, undiluted	–0.24	–0.04	–0.20
Earnings per share (EPS), EUR, diluted	–0.24	–0.04	–0.20
Equity per share, EUR	0.44	0.33	0.27
Dividend per share (adjusted), EUR	0.00	0.00	0.00
Dividend per share (nominal), EUR	0.00	0.00	0.00
Dividend to earnings ratio, %	0 %	0 %	0 %
Effective dividend yield, %	0.0 %	0.0 %	0.0 %
Repayment of equity per share, EUR	0.00	0.00	0.00
Price per earnings (P/E)	–3	–14	–1
Number of shares adjusted for share issue, weighted average	14,484,433	29,253,069	44,072,693
Number of shares adjusted for share issue, at end of financial year	14,674,410	43,937,865	44,251,414
Share price development			
Share price development			
Highest price	1.10	0.71	0.60
Lowest price	0.64	0.40	0.24
Average price	0.75	0.55	0.50
Share price at balance sheet date	0.70	0.55	0.25
Market capitalisation, MEUR	10.3	24.3	11.0
Number of shares traded	992,980	4,677,332	3,634,035
Shares traded, % of total number of shares	6.8 %	10.6 %	8.2 %
Number of shareholders	753	1,193	1,215

Calculation of Key Figures

Return on equity, % = $\frac{\text{Result for the year}}{\text{Equity (average of beginning and end of financial year)}} \times 100$

Capital employed = Balance sheet total – non-interest bearing liabilities

Return on capital employed, % = $\frac{\text{Result for the year before taxes + interest and other financial expenses}}{\text{Capital employed (average of beginning and end of financial year)}} \times 100$

Equity ratio, % = $\frac{\text{Equity}}{\text{TBalance sheet total – advances received}} \times 100$

Gearing, % = $\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Equity}} \times 100$

Earnings per share (EPS) = $\frac{\text{Result attributable to equity holders of the parent company}}{\text{Weighted average number of ordinary shares outstanding}}$

Equity per share = $\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Undiluted number of shares outstanding at the end of the financial year}}$

Dividend per earnings, % = $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

Effective dividend yield, % = $\frac{\text{Dividend per share}}{\text{Adjusted share price at the end of the financial year}} \times 100$

Price per earnings (P/E) = $\frac{\text{Share price at the end of the financial year}}{\text{Earnings per share}}$

Adjusted operating profit (EBIT) = Operating profit without certain items affecting to the comparability

Items affecting to the comparability are transactions that have significance to understand Nurminen Logistics financial development when comparing reporting period to previous periods. These items may include: 1) sales gains and losses and transaction costs related to sales and purchases 2) exceptional write offs 3) restructuring costs 4) Other items and transactions that are not belonging to normal business according to Nurminen Logistics management.

The company has abandoned ”comparable EBIT” -concept. Comparable EBIT and comparable net sales are from a time period during which business structure and capital intensity at Russia were significant and currency translation differences held more significance for the company. It has been estimated that now established “adjusted EBIT”-concept provides the reader with better understanding on the business and its development.

Distribution of ownership

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of total shares and votes
1–100	266	21.89 %	13,075	0.03 %
101–1000	467	38.44 %	221,814	0.50 %
1 001–10 000	387	31.85 %	1,311,618	2.96 %
10 001–100 000	70	5.76 %	2,042,471	4.62 %
100 001–1 000 000	16	1.32 %	6,325,769	14.29 %
over 1 000 000	9	0.74 %	34,339,427	77.60 %
Total	**1,215**	**100.00 %**	**44,254,174**	**100.00 %**
Registered in the name of nominee	5		779,220	1.76

Largest shareholders

	Number of shares	% of total shares and votes
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	8,780,000	19.84
Nurminen Juha Matti	5,640,426	12.75
Suka Invest Oy	5,169,588	11.68
K. Hartwall Invest Oy Ab	3,837,838	8.67
Avant Tecno Oy	3,446,392	7.79
JN Uljas Oy	3,049,388	6.89
Ruscap Oy	2,121,962	4.79
Hisinger-Jägerskiöld Eva Constance	1,279,279	2.89
Nurminen Jukka Matias	1,014,554	2.29
Tuuli Markku Juhani	953,850	2.16
Nurminen Mikko Johannes	870,108	1.97
VGK Invest Oy	648,000	1.46
Lassila Satu Maaria	533,196	1.20
Hälläväliä Oy	437,446	0.99
Tuunainen Marko Juhani	381,367	0.86
Sjöblom Katri Pauliina	270,483	0.61
Vuorinen Hannu Markku	253,227	0.57
Altonen Manu Veikko	215,000	0.49
ETL Invest Oy	181,818	0.41
Relander Pär-Gustaf	180,000	0.41
Other 1,195 shareholders	4,990,252	11.28
Total	**44,254,174**	**100.00**

Shareholders by type

	Number of shares	% of total shares and votes
Private companies	19,587,754	44.26
Financial institutions	8,814,236	19.92
Public sector organisations	0	0.00
Households	14,932,417	33.74
Foreign	139,544	0.32
Non-profit organizations	1,003	0.00
Registered in the name of nominee	779,220	1.76
Total	**44,254,174**	**100.00**

Nurminen Logistics ▶▶▶

Head Office
Satamakaari 24, FI-00980 Helsinki, Finland
Tel. +358 10 545 00
www.nurminenlogistics.com