Nurminen Logistics

Financial Statements and the Board's Report on Operations

1.1.–31.12.2020

Nurminen Logistics ▶▶▶

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The Board's Report on Operations

The year 2020 was a year of development and progress for the company. Net sales increased to EUR 80.7 million (EUR 69.3 million), which is an increase of 16%. What was particularly pleasing was growth in net sales and improved result during H2, at the same time when the volumes of Finnish foreign trade decreased by more than 10%. H2 net sales increased to EUR 44.2 million, which is an increase of 21% on H1. Correspondingly, operating result improved by EUR 0.8 million and by EUR 1.4 million excluding non-recurring costs. The growth and improvement of result were mainly generated by the company's Chinese container train business and related value added services as well as favourable development in the Baltic business. Terminal and forwarding businesses successfully focused on improving efficiency.

In spite of the continuation of the COVID-19 pandemic, the company's development measures were successfully advanced and sales of services to new customer groups were increased. The COVID-19 pandemic had a negative impact on the development of the company's net sales, and it slowed down the company's internationalization and sales work due to travel restrictions. In addition, the development of the company's services in inland China was slower than scheduled, but we were able to proceed under the difficult conditions in China by opening an office in Chongqing, for example. Transports of foodstuffs to China launched by the company in autumn 2020, which are significant in terms of volume, had to be cancelled due to COVID-19 restrictions. We expect to be able to start the transports during 2021, for which we are well prepared on account of our temperature-controlled containers.

Measures to increase the efficiency of production, trim costs and improve quality and were carried out during H2, as a result of which the company will primarily operate in premises it owns with an approximately 20% lower headcount in 2021. The balance sheet structure was improved by a share issue of EUR 9.3 million and acquisition of a majority holding in the Vuosaari property, and all long-term external rent liabilities on terminal premises were terminated. Operationally, a new container train route to China's biggest city Chongqing was successfully opened and co-operation was started with the Port of Narvik. In addition, preparations were made for opening three other new routes in China, which were opened after the review period in January–February 2021.

The company's clientele became more international and the clientele's industry breakdown became significantly broader on account of the Chinese container train business. This reduces the company's risk with regard to the development of the Finnish market. The increased importance of environmental values to our customers and working capital management was clearly visible in the growth in container train business operations towards the end of the review period. Due to this, the company has prepared a CO2 calculation formula for some of the train routes and will provide additional carbon neutrality-facilitating services in its service portfolio for customers. In addition, customers are helped to choose the most efficient logistics solutions between China and Europe in terms of economic overall efficiency, utilising the company's container train connections and additional services developed for them.

The company's H2 operating result improved significantly year-on-year to EUR +0.3 million, and EUR +0.9 million excluding non-recurring costs. Due to the weak first half of the year, the full-year operating result was EUR 0.2 million negative, including non-recurring costs of EUR 0.6 million. The non-recurring costs are associated with measures to increase efficiency, which will have a positive impact in the form of significantly lower fixed costs in 2021.

New container train routes, a strongly growing and diversifying clientele, deployment of a new unique digital order system and launch of outsourcing business in 2021 give reason for confidence in a clearly stronger 2021 compared to 2020. The significance of environmental impacts will be further emphasized, and lowering customers' working capital and developing the company's own customer promise will support the demand for the company's services.

The changes implemented in the accountable management of business functions in June improved customer service and cost monitoring. In addition, the structure of customer agreements was developed with determination to match the company's objectives, and unprofitable services and locations were exited. The operations in China were developed significantly and expertise in operating the Chinese logistics pipeline evolved, making it possible to open the new route between Chongqing and Narvik. Developing and opening new routes has continued in early 2021, and they provide a competitive advantage for the further development of the company's business operations.

The company continued the development of digital services in 2020, the company's railway expertise was strengthened significantly and the company's visibility in the international market increased.

Nurminen Logistics' cash flow from operating activities was EUR 3.5 million positive. The company carried out a directed offering in December 2020, making it possible to acquire a majority holding in the Vuosaari terminal property and arrange long-term bank financing. No other significant capital expenditure took place during the financial period, and the measurement of the company's balance sheet assets does not include risk items in the current business environment.

Nurminen Logistics expects a significant improvement of result for 2021, and considerably stronger cash flow from the Finnish operations on account of growth in the Chinese container train business and lower fixed costs. The train transport business provides a notable increase in volume for terminal services and freight forwarding.

Business performance in the Baltic countries continued at a good level.

In Vuosaari, the efficiency and profitability of terminal operations improved towards the end of H2. The company's long-term lease in Kotka expired on 31 October 2020, and the company was able to concentrate operations to its owned premises. The lease on the Hamina terminal was also terminated during the period under review, and its operations will end on 6 March 2021, which will further improve the cost structure of terminal operations in the prevailing market.

Market situation and future outlook

The economic climate in Finland remained challenging during the second half of the year, and the outlook of foreign trade is foggy as the Covid-19 pandemic continues. The order backlog of the Chinese container train service business is still growing. The significant increase in the company's operational efficiency and restructuring of the balance sheet structure by way of increase in capital and dissolution of rent liabilities, strong development of the Chinese container train business as well as growth in the company's international operations and internationalization of the clientele provide a good and confident foundation for the company's future.

The gradual improvement of the global COVID-19 situation will facilitate a clear increase in the company's international sales and increasing visibility in the international logistics market and forums. Similarly, the development of the company's operations in China will become significantly faster once the travel restrictions are lifted.

Business review

The net sales for the 2020 financial period amounted to EUR 80.7 million (EUR 69.3 million). The growth on the previous year was 16%, and the full-year operating result was EUR –0.2 million.

The net sales of the container train to China business increased in 2020, and growth accelerated towards the end of the year in particular owing to new routes and customers. The strong improvements made in the train business were also visible as a clear improvement of profitability. The COVID-19 situation slowed down the development of the company's train transport to China business and hindered sales work in both the Nordic countries and China. Restrictions on transports of foodstuffs placed on railways led to the company not being able to fully benefit from its good position as one of the few owners of temperature-controlled containers. The lifting of these restrictions will have a positive impact on business operations.

The freight forwarding business continued to be profitable throughout the year. Mainly on account of good development in January–June, the full-year net sales increased by 13% compared to previous year.

The development of terminal services improved significantly towards the end of the year. The full-year net sales decreased, but the operating result improved towards the end of the year, albeit being at a loss for the full year.

The directed offering and real estate arrangement carried out at the end of the year, with the acquisition of a majority holding in the real estate company that owns the terminal property in Vuosaari, Helsinki, improved the company's balance sheet structure and liquidity, and it will significantly lighten the company's cost structure together with the expiry of the Kotka lease. This will provide the company with good prerequisites for growth in its main business operations: Chinese container train business, forwarding and terminal services in Vuosaari.

Russian subsidiary OOO Nurminen Logistics' net sales for the review period decreased and profitability decreased year-on-year due to a change in the business concept. The net sales of the Baltic operations increased strongly, thanks to large deliveries taking place in Latvia late in the year, and profitability was at a good level. Baltic operations account for 56% (55%) of the Group's net sales.

Tero Vauraste was the company's President and CEO until 25 May 2020. Olli Pohjanvirta was the company's interim CEO from 25 May 2020 to 12 November 2020 and President and CEO as of 13 November 2020. Mikko Järvinen, SVP Sales, left the company on 20 May 2020. The company appointed a new operational management team on 11 June 2020 as follows:

- Olga Stepanova, positioned in Moscow, assumed responsibility for the company's growing train product, including the operations in St. Petersburg and Shanghai.
- Marjut Linnajärvi, who was in charge of the company's train to China product, was appointed as VP Sales.
- Joonas Louho assumed responsibility for the accountable business management of the Vuosaari terminal.
- Timo Hyyryläinen assumed responsibility for the accountable business management of the Kotka, Hamina and Vainikkala terminals.

After this, the operational management team was comprised of the Group Management Team members CEO Olli Pohjanvirta, CFO Iiris Pohjanpalo and CIO Petri Luurila, as well as VP Forwarding Jonna Paasonen, the Russian subsidiary's CEO Olga Stepanova, VP Sales Marjut Linnajärvi, HR Manager Pella Tolonen, Business Manager for Rauma forwarding Antti Koukku, as well as terminal Business Managers Joonas Louho and Timo Hyyryläinen.

Jonna Paasonen was appointed as Chief Development Officer and member of the Group Management Team on 22 September 2020 and Antti Koukku as Vice President, Forwarding.

Financial Position and Balance Sheet

Cash flow from operating activities amounted to EUR 3.5 million, in which H1 was EUR +3.4 million and H2 EUR +0,1 million, mainly due to a change in working capital. Cash flow from investing activities was EUR –8.6 million following the acquisition of a majority holding in the real estate company that owns the Vuosaari property. Cash flow from financing activities amounted to EUR +5.5 million, with the EUR 9.3 million raised in the directed offering as the biggest item.

At the end of the review period, cash and cash equivalents amounted to EUR 4.5 million. Cash and cash equivalents attributable to the Baltic operations amount to EUR 3.1 million.

With regard to certain non-current assets available for sale, the sales processes progressed favourably, and the progress and completion of transactions is expected during 2021.

The measurement of the assets in the financial statements is based on the going concern assumption and market prices, and the assets do not involve a risk of write-downs in the current situation. The management of the company estimates that the operating cash flow will cover the current business needs and liabilities for the next 12 months.

Current interest-bearing liabilities of the company, a total of EUR 2.4 million, consist of IFRS lease liabilities of EUR 0.6 million and bank loans of EUR 1.8 million. The company's non-current interest-bearing liabilities are EUR 38.8 million, of which EUR 9.8 million is in connection with leases capitalised in accordance with IFRS 16. IFRS lease liabilities total EUR 10.5 million, of which the Vuosaari land lease accounts for EUR 7,0 million. Long-term loans amount to EUR 29.0 million. The loans from Ilmarinen amounting to EUR 13.0 million are due in June 2023, and Kiinteistö Oy Helsingin Satamakaari 24 has taken out from OmaSäästöpankki a 10-year loan in the amount of EUR 17.1 million. The company repaid EUR 0.25 of the hybrid bond to Ilmarinen in December 2020.

The Group's interest-bearing liabilities totalled EUR 41.2 million and the net interest-bearing debt amounted to EUR 36.8 million. The real estate company accounts for EUR 17.1 million of the interest-bearing liabilities. The company has an equity-based hybrid bond from Ilmarinen, amounting to EUR 1.25 million.

The directed offering and real estate arrangement carried out at the end of the year, with the acquisition of a majority holding in the real estate company that owns the terminal property in Vuosaari, Helsinki, significantly improved the company's balance sheet structure and equity ratio. Following the arrangement, the company's equity amounted to EUR 13.8 million at the end of the year, while it was EUR 0.8 million at the end of the previous financial period. The equity ratio improved to 20.9% (1.5%) as a result. The balance sheet total was EUR 66.2 million.

Capital Expenditure

The Group's gross capital expenditure during the review period amounted to EUR 8,8 million (EUR 0.7 million), accounting for 10,9 % of net sales. Depreciation totalled EUR 5.0 million (EUR 5.2 million), or 6.2% of net sales. Amortisation of right of use assets associated with IFRS 16 amounted to EUR 4.5 million (EUR 3.9 million).

The biggest individual investment was the acquisition of the majority holding in the real estate company that owns the Vuosaari terminal property for a purchase price of EUR 8.7 million.

Group Structure

Nurminen Logistics Plc acquired a majority holding in Kiinteistö Oy Helsingin Satamakaari 24, the real estate company that owns the terminal property in Vuosaari, Helsinki, in a transaction completed on 31 December 2020.

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, %): Nurminen Logistics Services Oy (100%), RW Logistics Oy (100%), PFC Nordic Oy (100%), Kiinteistö Oy Kotkan Siikasaarentie 78 (100%), Kiinteistö Oy Luumäen Suoanttilantie 101 (100%), Kiinteistö Oy Vainikkalan Huolintatie 13 (100%), Kiinteistö Oy Helsingin Satamakaari 24 (51%), NR Rail Oy (51%), Pelkolan Terminaali Oy (20%), OOO Nurminen Logistics (100%), Nurminen Maritime Latvia SIA (51%), UAB Nurminen Maritime (51%). The Estonian company Nurminen Maritime Estonia AS was dissolved during 2020.

Personnel and Management

At the end of the review period, the Group had 150 employees, compared with 176 on 31 December 2019. The number of employees working abroad was 31.

Personnel expenses in 2020 totalled EUR 8.4 million (EUR 9.2 million).

On 31 December 2020, Nurminen Logistics' Group Management Team consisted of the following members: Olli Pohjanvirta, CEO, Iiris Pohjanpalo, CFO, Jonna Paasonen, CDO and Petri Luurila, CIO. In addition, the Management Team included Tero Vauraste (former President and CEO) from 1 January to 25 May 2020 and Mikko Järvinen from 1 January to 20 May 2020.

Management Transactions

On 4 May 2020, the company announced former CEO Tero Vauraste's subscription notification concerning 120,000 shares at a unit price of EUR 0.24.

On 5 October 2020, the company announced the remuneration in shares for the Board of Directors. Juha Nurminen, member of the Board of Directors subscribed for 23,923 shares, Jukka Nurminen, member of the Board of Directors subscribed for 23,923 shares, Irmeli Rytkönen, member of the Board of Directors subscribed for 23,923 shares, Olli Pohjanvirta, the Chair of the Board of Directors subscribed for 47,847 shares and Alexey Grom, member of the Board of Directors subscribed for 23,923 shares.

The shares subscribed for by members of the Board of Directors in the December offering are reported under Shares and shareholders.

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 74,212,667 and the registered share capital is EUR 4,214,521. The company has one share class and all the shares carry equal rights in the company. The company name was Kasola Plc until 31 December 2007. The company was listed on the Helsinki Stock Exchange in 1987.

During 2020, the company carried out three share issues as follows:

- A directed share issue of to the CEO Tero Vauraste in April, in which the CEO subscribed for 120,000 shares at a subscription price of EUR 0.24 per share. There was a weighty financial reason for the company to deviate from the pre-emptive subscription right of the shareholders, as the share issue was part of the execution of the CEO's long-term incentive plan. The subscription price was determined based on the market value of the share. The subscription price was recorded in full to the company's reserve for invested unrestricted equity.

- A share issue to the company itself without consideration in September, with the 143,539 shares issued used for the payment of the remuneration of the Board members.

- A directed share issue to domestic investors, some of whom were the company's existing shareholders and members of the company's Board of Directors, in December. The proceeds from the directed offering were used to finance the acquisition of a majority holding in the real estate company that owns the terminal property in Vuosaari, Helsinki. In the aggregate, the investors subscribed for 29,344,954 new shares at a subscription price of EUR 0.31692 per share. There was a weighty financial reason for the company to deviate from the pre-emptive subscription right of the shareholders, as the share issue best served the interests of the company and all shareholders and made the above-mentioned real estate transaction possible. The subscription price was EUR 0.31692 per share, which corresponded to the volume-weighted average trading price of the company's shares during the 180-day period that ended on 11 November 2020. The subscription price was recorded in full to the company's reserve for invested unrestricted equity. Members of the Board of Directors who are considered to be related parties subscribed for company shares directly and through companies under their control as follows: Juha Nurminen 946,612 shares, Olli Pohjanvirta 315,538 shares and RusCap Oy (company under Olli Pohjanvirta's control) 946,612 shares, the above in total 2,208,762 shares.

As a result of the December directed offering, the company's shareholder base expanded.

Largest shareholders 31 December 2020

	Number of shares	Share of shares and votes
Suka Invest Oy	11,638,098	15.7
Keskinäinen eläkevakuutusyhtiö Ilmarinen	8,780,000	11.8
K. Hartwall Invest Oy Ab	7,939,820	10.7
Nurminen Juha Matti	6,652,032	9.0
Avant tecno Oy	5,812,920	7.8
Ruscap Oy	3,110,574	4.2
JN Uljas Oy	3,049,388	4.1
H. G. Paloheimo Oy	2,524,297	3.4
Verman Group Oy	2,524,297	3.4
Assai Oy	2,050,991	2.8
Others	20,130,250	27.1
Total	**74,212,667**	**100.0**

Shareholders by type 31 December 2020

	Number of shares	% of total shares
Private companies	39,698,061	53 %
Financial institutions	5,776,781	8 %
Public sector organisations	8,780,000	12 %
Households	18,949,232	26 %
Foreign	222,239	0 %
Non-profit organizations	1,003	0 %
Registered in the name of niminee	785,351	1 %
Total	**74,212,667**	**100 %**

The company received the following notifications of major shareholding pursuant to chapter 9, section 5 of the Securities Markets Act:

- Notification on 31 December 2020 from Suka Invest Oy that its holding in the company increased as a result of the December directed offering so that on 31 December 2020, Suka Invest Oy held 15.68 per cent of the shares and votes in the company.

- Notification on 31 December 2020 from K Hartwall Invest Oy Ab that its holding in the company increased as a result of the December directed offering so that on 31 December 2020, K Hartwall Invest Oy Ab held 10.7 per cent of the shares and votes in the company.

- Notification on 4 January 2021 from Juha Nurminen and JN Uljas Oy (company under the control of Juha Nurminen) that their holding in the company was diluted as a result of the December directed offering so that on 31 December 2020, Juha Nurminen held 8.96 per cent of the shares and votes in the company and JN Uljas Oy 4.11 per cent, in the aggregate 13.07 per cent.

- Notification on 7 January 2021 from Ilmarinen Mutual Pension Insurance Company that its holding in the company was diluted as a result of the December directed offering so that on 31 December 2020, Ilmarinen Mutual Pension Insurance Company held 11.83 per cent of the shares and votes in the company and 4.63 percent of the shares and votes through financial instruments, in the aggregate 16.46 per cent.

The trading volume of Nurminen Logistics Plc's shares was 6,891,409 during the period from 1 January to 31 December 2020, representing 9.3% of the total number of shares. The value of the turnover was EUR 2,204 thousand. The lowest price during the period was EUR 0.20 per share and the highest EUR 0.50 per share. The closing price for the period was EUR 0.45 per share and the market value of the entire share capital was EUR 33 099 thousand at the end of the period and EUR 33 070 thousand excluding own shares. At the end of the 2020 financial year, the company had 1,580 shareholders. At the end of 2019, the number of shareholders stood at 1,320.

At the end of 2020, the company held 65,262 of its own shares, corresponding to 0.09% of shares and votes.

According to the register of shareholders at 31 December 2020, the Board of Directors owned 21 % of total shares (including ownership of controlled entities). Other members of the Group Management Team than President and CEO Olli Pohjanvirta did not hold shares on 31 December 2020.

Board	Number of shares	% of total shares and votes
Juha Nurminen	6,652,032	9
JN Uljas Oy	3,049,388	4
Total	9,701,420,	13
Olli Pohjanvirta	617,800	1
ETL Invest Oy	181,818	0
RusCap Oy	3,110,574	4
VGK invest Oy	648,000	1
Total	4,558,192	6
Jukka Nurminen	1,079,548	1
Alexey Grom	200,038	0
Irmeli Rytkönen	85,232	0
Total	**15,624,430**	**21,0**

Dividend Policy

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

Arrangements Related to Ownership and Exercise of Voting Rights

No shareholder agreements related to holdings 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 the stock exchange release of 28 December 2008. According to the announcement, the members of the Board of Directors and Executive Board 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 prior written consent from the company's Board of Directors.

Decisions Made by the Annual General Meeting of Shareholders

Nurminen Logistics Plc's Annual General Meeting held on 12 June 2020 passed the following decisions:

Adoption of the annual accounts and discharge from liability

The General Meeting adopted the annual accounts and consolidated annual accounts for the financial year 1 January–31 December 2019 and discharged the members of the Board of Directors and the President and CEO from liability.

Payment of dividend

The General Meeting approved the Board's proposal that no dividend shall be paid for the financial year 1 January–31 December 2019.

Composition and remuneration of the Board of Directors

The General Meeting resolved that the Board of Directors is composed of five members. The General Meeting re-elected the following members to the Board of Directors: Olli Pohjanvirta, Juha Nurminen, Jukka Nurminen, Alexey Grom and Irmeli Rytkönen.

The General Meeting resolved that for the members of the Board elected at the General Meeting for the term expiring at the close of the Annual General Meeting in 2021 the remuneration is paid as follows: annual remuneration of EUR 40,000 for the Chairman and EUR 20,000 for the other members of the Board.

In addition, a meeting fee of EUR 1,500 per meeting for the Board and Board Committee meetings is paid to the Chair of the Board of Directors, EUR 1,000 per meeting to each member of the Board living in Finland and EUR 1,500 per meeting to each member of the Board living outside Finland. Of the annual remuneration, 50 per cent will be paid in Nurminen Logistics Plc's shares and the rest in cash. A member of the Board of Directors may not dispose shares received as annual remuneration before a period of three years has elapsed from receiving shares. In addition, the Chair of the Board of Directors is granted telephone benefit.

Authorising 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

The Annual General Meeting authorised the Board to decide on the issuance of shares and/or special rights entitling to shares as referred to in chapter 10, section 1 of the Finnish Limited Liability Companies Act. Based on the authorisation, the Board of Directors is entitled to issue or transfer, 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 could be used, e.g., for financing of company and business acquisitions or for financing of other business arrangements and investments, for the expansion of the ownership structure, paying of remuneration of the Board members and/or for the creating incentives for, or encouraging commitment in, personnel.

The authorisation entitles the Board of Directors to decide on the share issuance with or without payment. The authorisation for deciding on a share issuance without payment also includes the right to decide on the share issue for the company itself, so that the authorisation 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 authorisation includes the Board of Director's right to decide on all other terms and conditions of the share issuances and the issuances of special rights. The authorisation entitles the Board of Directors to decide on share issuances, issuances of option rights and other special rights entitling to shares in every way to the same extent as could be decided by the General Meeting, including the Board of Director's right to decide on directed share issuances and/or issuance of special rights.

The authorisation is valid until 30 April 2021 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

The Annual General Meeting decided to elect Ernst & Young Oy as the auditor of the company for the term ending at the close of the next Annual General Meeting. Juha Hilmola, Authorised Public Accountant, acts as the principal auditor. The 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. Research shows that the container train to China is the most ecological method of transporting goods between China and Europe.

All services provided by the company in Finland are covered by a certified environmental management system that meets the requirements of the ISO 14001:2004 standard.

Long-Term Financial Objectives

The Board of Directors has set the company's long-term financial objectives. The long-term objectives of Nurminen Logistics 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

World trade weakening from the current situation as a consequence of the pandemic continuing may have a negative impact on the demand for the company's services and thereby result. If Finland's foreign trade decreases, it may have an impact on the demand for services. The Chines container train business that is important to the company has been growing in recent years, but a very strong worsening of the pandemic situation can cause temporary functional difficulties to it due to shutdowns of customers' production plants or restrictions on railway traffic border crossing points.

The worsening of the COVID-19 situation can lead to restrictions on the transport of goods at borders, which would have a negative impact on the company's business.

A sudden strong divergence in the USD/EUR exchange rate could lead to exchange rate losses, against which the company aims to hedge itself by keeping the ratio of USD-denominated sales invoices and purchase invoices in balance.

A strong long-term increase in the tariff-based costs of railway traffic in relation to the cost structure of maritime traffic would have a negative impact on the volume development of the Chinese freight train, especially in the lowest price categories of goods.

Labour market disruptions can have an impact on our customers' production volumes and thereby their need for services and the functioning of the production chain, especially in ports.

More detailed information about the risk information of the company can be found on the Investors page on Nurminen Logistics' website at https://www.nurminenlogistics.com/investors/.

Events After the Review Period

In January, the company announced that it is opening three new train routes from China to Finland. Suzhou, Ningbo, and Jinan are new routes in early 2021.

The company announced on 16 February 2021 that M.Sc. (Econ.) Ari Soinola has been appointed Vice President, Operations and Development of Nurminen Logistics Plc with responsibility for the outsourcing business and its development and a management team member as of 8 March 2021.

The company announced on 18 February 2021 that it is deploying a container train management system as a forerunner.

During spring 2021, the company will further specify its strategy and define the financial objectives for 2021–2023.

Board of Directors' Proposal for Profit Distribution

Based on the financial statements as at 31 December 2020, the parent company's distributable equity is EUR 25,781,113. The Board of Directors proposes to the Annual General Meeting that no dividend shall be distributed for the financial year 1 January–31 December 2020.

Corporate Governance Statement

The Corporate Governance Statement of Nurminen Logistics Plc will be published on 5 March 2021 on the company's website at https://www.nurminenlogistics.com/investors/..

Board and Audit Committee Meetings

The Board of Directors convened twenty-six times during the year 2020. The Audit Committee had three meetings.

Group's Key Figures

Key figures for business

	2018	2019	2020
Net sales, EUR 1,000	78,874	69,340	80,707
Increase in net sales, %	4.1 %	–12.1 %	16.4 %
Operating result (EBIT), EUR 1,000	–6,046	–8,517	–206
% of net sales	–7.7 %	–12.3 %	–0.3 %
Result before taxes, EUR 1,000	–7,397	–10,864	–2,438
% of net sales	–9.4 %	–15.7 %	–3.0 %
Result for the financial year, EUR 1,000	–7,811	–11,433	–2,837
% of net sales	–9.9 %	–16.5 %	–3.5 %
Return on equity (ROE), %	–56.2 %	–163.9 %	–38.8 %
Return on investment (ROI), %	–18.1 %	–22.4 %	–0.4 %
Equity ratio %	31.7 %	1.5 %	20.9 %
Gearing %	55.8 %	4849.1 %	266.1 %
Gross investments, EUR 1,000	709	722	8 827
% of net sales	0.9 %	1.0 %	10.9 %
Balance sheet total, EUR 1,000	41,511	52,088	66,179
Average number of employees	177	176	163
Wages and salaries paid, EUR 1,000	9,025	9,196	8,430
Share key figures			
Earnings per share (EPS), EUR, undiluted	–0.20	–0.29	–0.09
Earnings per share (EPS), EUR, diluted	–0.20	–0.29	–0.09
Equity per share, EUR	0.27	–0.02	0.05
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 %	0.0 %	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)	–1	–1	–5
Number of shares adjusted for share issue, weighted average	44,072,693	44,304,976	44,652,887
Number of shares adjusted for share issue, at end of financial year	44,251,414	44,538,914	74,147,405
Share price development			
Share price development			
Highest price	0.60	0.44	0.50
Lowest price	0.24	0.26	0.20
Average price	0.50	0.30	0.31
Share price at balance sheet date	0.25	0.27	0.45
Market capitalisation, MEUR	11.0	11.9	33.1
Number of shares traded	3,634,035	1,802,568	6,891,409
Shares traded, % of total number of shares	8.2 %	4.0 %	9.3 %
Number of shareholders	1,215	1,320	1,580

Parent Company's Key Figures

Key figures for business

	2018	2019	2020
Net sales, 1 000 EUR	2,192	2,203	3,018
Operating result, (EBIT) 1,000 EUR	–369	–1,345	192
% of net sales	–16.8 %	–61.1 %	6.4 %
Result for the financial year, 1,000 EUR	–7,761	–3,835	1,604
% of net sales	–354.0 %	–174.1 %	53.2 %
Return on equity (ROE) %	–26.6 %	–16.4 %	5.9 %
Return on investment (ROI) %	–13.9 %	–7.3 %	5.4 %
Equity ratio %	51.8 %	51.8 %	60.7 %
Gearing %	34.4 %	54.3 %	36.4 %
Wages and salaries paid, EUR 1,000	1,290	1,292	1,389
Average number of employees	15	15	14

Calculation of Key Figures

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

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

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

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

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

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

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

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

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

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

Consolidated Statement of Comprehensive Income, IFRS

1,000 EUR	Note	1.1.-31.12.2020	1.1.-31.12.2019
NET SALES	2	**80,707**	**69,340**
Other operating income	3	53	64
Materials and services		–61,380	–50,418
Employee benefit expenses	5	–8,430	–9,196
Depreciation, amortisation and impairment losses	6	–5,020	–11,044
Other operating expenses	4	–6,136	–7,262
OPERATING RESULT		**–206**	**–8,517**
Financial income	7	32	12
Financial expenses	7	–2,261	–2,382
Share of profit of equity-accounted investees	15	–4	25
		–2,232	–2,346
RESULT BEFORE INCOME TAX		**–2,438**	**–10,864**
Income tax expense	8	–400	–570
RESULT FOR THE YEAR		**–2,837**	**–11,433**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Translation differences		3	–41
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–2,835**	**–11,474**
Result attributable to			
Equity holders of the parent company		–4,127	–12,903
Non-controlling interest		1,289	1,470
Total comprehensive income attributable to			
Equity holders of the parent company		–4,124	–12,944
Non-controlling interest		1,289	1,470
Earnings per share calculated from result attributable to equity holders of the parent company			
Earnings per share, undiluted, euro		–0,09	–0,29
Earnings per share, diluted, euro		–0,09	–0,29

Consolidated Statement of Financial Position, IFRS

1,000 EUR	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Property, plant and equipment		37,766	4,728
Right-of-use assets		10,383	31,082
Goodwill		899	899
Other intangible assets		1,675	1,933
Investments in equity-accounted investees		205	209
Receivables		241	244
Non-current assets, total		**51,169**	**39,095**
Current assets			
Inventories		87	87
Trade and other receivables		9,554	7,955
Cash and cash equivalents		4,471	4,054
Non-current assets held for sale		897	897
Current assets, total		**15,010**	**12,993**
TOTAL ASSETS		**66,179**	**52,088**
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent company	21		
Share capital		4,215	4,215
Share premium reserve		86	86
Other reserves		37,926	28,808
Translation differences		–3	–6
Retained earnings		–39,494	–35,497
Hybrid bond		1,250	1,500
Equity attributable to holders of the parent company		**3,980**	**–894**
Non-controlling interest		**9,833**	**1,695**
Equity, total		**13,814**	**802**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities			24
Other liabilities		159	212
Financial liabiliites		38,808	39,900
Non-current liabilities, total		**38,967**	**40,136**
Current liabilities			
Current tax liabilities		1	237
Financial liabilities		1,785	781
Finance lease liabilities		637	2,231
Liabilities of non-current assets held for sale		73	73
Trade payables and other liabilities		10,903	7,739
Current liabilities, total		**13,398**	**11,150**
Liabilities, total		**52,365**	**51,287**
EQUITY AND LIABILITIES, TOTAL		**66,179**	**52,088**

Consolidated Cash Flow Statement, IFRS

1,000 EUR	Note	1.1.–31.12.2020	1.1.–31.12.2019
Cash flow from operating activities			
PROFIT/LOSS FOR THE YEAR		**–2,837**	**–11,433**
Adjustments for:			
Depreciation, amortisation & impairment losses	6	5,020	11,044
Unrealized exchange rate gains (–) and losses (+)		43	
Other income (–) and expenses (+), non cash		60	–1,258
Financial income (–) and expenses (+)		2,228	2,371
Income taxes	8	400	570
Other adjustments		24	–69
Cash flow before changes in working capital		**4,937**	**1,224**
Working capital changes:			
Increase (–) / decrease (+) in inventories			–6
Increase (–) / decrease (+) in non-interest bearing current receivables		–1,621	2,435
Increase (+) / decrease (–) in non-interest bearing current payables		2,668	–1,249
Net cash from operating activities before financial items and taxes		**5,983**	**2,403**
Interest paid		–1,717	–1,746
Interest received		32	
Other financial items		–323	–199
Income taxes paid		–435	
Cash flow from operating activities		**3,540**	**458**
Cash flow from investing activities			
Investmests in tangible and intangible assets		–8,827	–727
Sale of tangible and intangible assets		234	
Sale of subsidiary shares	28		756
Acquisition of subsidiaries and business operations			–110
Cash flow from investing activities		**–8,593**	**–81**
Cash flow from financing activities			
Net change in factoring receivables and liabilities		156	13
Net change of current liabilities			–544
Repayment of non-current borrowings		52	–500
Repayment of equity loans		–250	
Repayment of finance lease liabilities		–2,329	–5,869
Dividends and capital returns paid to non – controlling interests		–1,467	–937
Proceeds from share issue		9,329	
Cash flow from financing activities		**5,491**	**–7,837**
Net increase / decrease in cash and cash equivalents		**438**	**–7,460**
Cash and cash equivalents at the beginning of the year		4,054	11,514
Net increase / decrease in cash and cash equivalents		438	–7,460
Translation differences of net increase / decrease in cash and cash equivalents		–21	
Cash and cash equivalents at the end of the year	**19**	**4,471**	**4,054**

Consolidated Statement of Changes in Equity, IFRS

1,000 EUR	Equity attributable to equity holders of the parent company									
1–12/2020	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 2020	**4,215**	**86**	**2,378**	**26,430**	**1,500**	**–6**	**–35,497**	**–894**	**1,695**	**802**
Comprehensive income										
Result for the year							–4,127	–4,127	1,289	–2,837
Other comprehensive income										
Translation differences						3		3		3
Total comprehensive income for the year						**3**	**–4,127**	**–4,124**	**1,289**	**–2,835**
Business transactions with share holders										
Share issue				9,120				9,120		9,120
Interest on hybrid loans after taxes							–48	–48		–48
Share-based payments							60	60		60
Other changes			-2				118	116	8,315	8,431
Dividends									–1,467	–1,467
Total business transactions with share holders			**–2**	**9,120**			**130**	**9,248**	**6,849**	**16,097**
Change in hybrid bond					–250			–250		–250
Equity on 31 Dec 2020	**4,215**	**86**	**2,376**	**35,550**	**1,250**	**–3**	**–39,494**	**3,980**	**9,833**	**13,814**

1, 000 EUR	Equity attributable to equity holders of the parent company									
1–12/2019	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 2019	**4,215**	**86**	**2,378**	**26,430**	**1,500**	**35**	**–22,616**	**12,028**	**1,123**	**13,151**
Comprehensive income										
Result for the year							–12,903	–12,903	1,470	–11,433
Other comprehensive income										
Translation differences						–41		–41		–41
Total comprehensive income for the year						**–41**	**–12,903**	**–12,944**	**1,470**	**–11,474**
Business transactions with share holders										
Interest on hybrid loan after taxes							–48	–48		–48
Issue of shares							70	70		70
Other changes									39	39
Dividends									–937	–937
Total business transactions with shareholders							**22**	**22**	**–898**	**–875**
Equity on 31 Dec 2019	**4,215**	**86**	**2,378**	**26,430**	**1,500**	**–6**	**–35 497**	**–894**	**1 695**	**802**

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, 00980 Helsinki. The parent company is listed on NASDAQ OMX Helsinki Stock Exchange.

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 5 March 2021. 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) approved in European Union, in accordance with the IAS and IFRS standards and SIC and IFRIC interpretations effective on 31 December 2020. 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 and the figures are rounded off to the nearest thousand, so the sum of individually presented figures can deviate from the disclosed sums.

Adaptation of new and reviewed IFRS standards

The Group has applied the following amendments as of 1 January 2020:

- Covid-19-Related Rent Concessions - amendment to IFRS 16
- Definition of a Business - amendments to IFRS 3
- Amendments to IFRS 9, IAS 39 and IFRS 7 - IBOR reform
- Definition of Material - amendments to IAS 1 and IAS 8
- Revised Conceptual Framework for Financial Reporting

The amendments listed above have not had an impact on the amounts recognized for the financial period 1 January–31 December 2020, and they are not expected to have a significant impact on the next financial period, 1 January–31 December 2021.

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
• Transport equipment	5–8 years
• Machinery and equipment	3–10 years
• IT equipment	3 years
• Software	5–10 years

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 in accordance with IFRS 5 standard. Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Gains and losses on the disposal of assets are reported as the difference between selling price and carrying amount, and the gains and losses are included in other operating income and expenses in the income statement.

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.

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 7 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.

Application of IFRS 9

Impairment policies are based on expected credit loss models. Impairment models apply to cash and cash equivalents, such as rental, sales and factoring receivables and loan receivables.

Financial instruments

Financial assets

Financial assets of Nurminen Logistics are classified according to IFRS 9 into the following categories: financial assets at amortized cost and financial assets at fair value through profit or loss. The classification of financial assets is made at initial recognition of financial assets and is based on the business model applied by the company for the holding of financial assets and the nature of contractual cash flows.

Measurement of a financial asset at amortized cost requires the contractual cash flows to consist solely of interest and the repayment of principal (the so-called SPPI criterion). Compliance with the SPPI criterion is assessed on a per-instrument basis. If the SPPI criterion is not met, financial assets are measured at fair value through profit or loss.

Financial assets are classified as current assets if they have a maturity of less than 12 months and are expected to be disposed of within 12 months. Otherwise, the item is presented as non-current assets. Transaction costs are included in the original carrying amount of the financial assets in the case of an item measured at amortized cost. Purchases and sales of financial instruments are recognized on the settlement date. The fair values of financial instruments are determined using discounted cash flows.

Financial assets at amortized cost

An item of financial assets is measured at amortized cost if the business model requires the collection of fixed or predetermined cash flows. They consist of repayments of capital and interest on capital and arise when the Group provides loans or provides products and services directly to debtors. If an item of financial assets does not meet the above conditions, it is measured at fair value. The Group typically recognizes rental, factoring and trade receivables as well as loan receivables at amortized cost.

Financial assets at fair value through profit or loss

If a financial asset is not measured in accordance with the above criteria, it is measured at fair value, and changes in fair value are recognized through profit or loss or they are measured at fair value through other comprehensive income. The company did not have any financial assets measured through profit or loss or at fair value through other comprehensive income in 2020.

Impairment or credit risk assessment of financial assets

In accordance with IFRS 9, Nurminen Logistics recognizes expected credit losses on cash classified at amortized cost. According to this model, expected loan losses based on an individual counterparty default risk assessment. The Group uses a simplified method for recognizing credit losses permitted by the standard, in which case the Group recognizes the expected credit loss over the life of the contract. The change in expected credit losses recorded at each reporting date reflects the change in the credit risk of the financial assets from the initial recognition. A credit transaction is no longer required to record a credit loss. Recognizing the amount of expected credit loss and a proactive provision for impairment is based on the management's best estimate of future credit losses. Customer receivables and the related credit loss risk are actively monitored by the company, and decisions on measures to secure the receivables are made, if necessary. When the amount of provision for credit loss is estimated on a case-by-case basis, any collateral or insurance, the customer's financial position and previous payment behavior are taken into consideration.

Financial assets are derecognized when the Group loses its contractual right to receive cash flows or when it has transferred a significant part of the risks and rewards of ownership. An impairment loss is recognized immediately in profit or loss, depending on the item, either in other operating expenses or in financial items.

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, railway 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 sheet

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 contract assets or contract liabilities.

Employee benefits

Pension arrangements

The pension arrangements of Nurminen Logistics have been classified as defined contribution plans. Payments to defined contribution plans are recognized 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 recognized 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 recognized in profit or loss except when they relate to other comprehensive income or equity, while income taxes are recognized 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 IFRS. 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 recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax liabilities are recognized in the statement of financial position in full.

Tangible Assets and Leases

IFRS 16 requires lessees to recognize all leases in the balance sheet on a right-of-way basis. Leased assets are treated during the lease term on the same basis as owner-occupied assets and are recognized in the balance sheet on a straight-line basis. The debt based on the present value of the rent is reduced as the rent is paid. The group's right-of-use assets are comprised of IFRS 16 lease liabilities concerning land and water areas, buildings and machinery and equipment.

Because of its industry and business model, Nurminen Logistics primarily is the lessee in the contracts. The company primarily applies the standard to leases on land areas, premises and terminal properties, as well as terminal machinery and equipment. In determining the term of a lease, the company has exercised discretion in estimating the probability of exercising the extension options of leases and included the terms covered by the option in the term of the lease, if exercising the option is probable.

Leases are distinguished from service contracts using a control model. When the arrangement includes a specific asset that is under the control of the customer, it is a lease. The contract is recognized in the balance sheet as a non-current asset and a liability arising therefrom. Service contracts are recognized as an expense in the income statement.

Lease liabilities

At the commencement date of the agreement, Nurminen Logistics values the lease liability at the present value of the rent outstanding at that date. Payments include fixed rentals and residual value guarantees less any available lease incentives. The company considers lease termination charges as part of the lease payments if it has considered the option to terminate during the lease term. VAT is not included in the amount of the lease liability and management and maintenance fees and other payments of a service nature are generally treated as an expense that cannot be capitalized in the balance sheet. Interest expenses are recognized through profit or loss over the term of the lease and the right-of-use asset is amortized using the straight-line method over the term of the lease.

Rents are discounted using the company's estimated additional credit interest. The standard defines the interest rate for a supplementary loan as the interest that the lessee would have to pay on borrowing for the same period and with similar collateral to acquire the asset at the cost of the underlying asset.

Right of use assets

Nurminen Logistics records the lease at the commencement date of the lease, i.e. the date on which the lessor transfers the asset to the control of the company. The property, plant and equipment are measured at cost less accumulated depreciation and impairment losses and adjusted for any subsequent revaluation of the lease liability. The original cost equals the original lease liability. In the future, fixed assets will also be subject to impairment testing.

Application of facilitations and significant assumptions

Nurminen Logistics does not treat short-term leases of less than 12 months or low value assets as property, plant and equipment, but recognizes the resulting rental expense in the income statement. Contracts of minor value primarily include IT and office hardware, company cars and small office spaces. Fixed-term leases are dealt with by the company within the term of a non-cancellable lease term and are subject to any subsequent option periods when the company has reasonable assurance that they will be exercised. The management exercises discretion in assessing the term of leases valid until further notice, which is based on the company's strategic situation and market conditions, as well as the costs that would be incurred if the leased commodity was replaced by another commodity.

Leases in which Nurminen Logistics is the lessor are operating leases and are recognized in the income statement on a straight-line basis over the lease term.

The remaining liabilities for leases that do not include a property, plant and equipment and lease liabilities are disclosed in Note 26 as off-balance sheet liabilities.

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, amortization 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 recognized 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 recognized at fair value less transaction cost and subsequently the bond is measured at cost. If interest is paid to the hybrid bond, it is recognized directly into retained earnings.

Accounting policies requiring management judgement and assumptions driving uncertainties in estimates

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.

In business combinations fair values of the items of property, plant and equipment and intangible assets are estimated and the depreciation and amortization 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 amortized over their estimated useful lives. The useful lives are reviewed regularly. The management reviews regularly, whether if certain items to be divested will not meet the criteria of IFRS 5 -standard for probability of divestment of an asset within 12-month period from categorizing these assets as long-term assets to be divested. Should these assets fail to meet the criteria for long-term assets to be divested they are to be written out from the category.

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 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 realization 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 recognized 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 recognized respectively in the period in question and in future periods.

Adoption of other new and revised IFRS standards

New standards and amendments to existing standards coming into effect in the fiscal year starting 1.1.2021 or later are the following:

- Amendments to IAS 1: Classification of Liabilities as Current and Non-current. The amendments to IAS 1 to specify the requirements for classifying liabilities as current and non-current.

- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use. Under the amendment, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.

- Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract. Under the amendment, when assessing whether a contract is onerous or loss-making, an entity needs to include both the direct costs as well as incremental costs and an allocation of costs directly related to contract activities.

- Amendments to IFRS 9: Fees in the ’10 per cent’ test for derecognition of financial liabilities The amendment to IFRS 9 clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability to determine whether to derecognize the existing financial liability.

- Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendment provides temporary reliefs related to financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR).

- Amendments to IFRS 3: Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, to an updated version issued in 2018 without significantly changing its requirements.

- Additionally IFRS 17 Insurance contracts and amendments to IFRS 1 and IAS 41 have been issued but they will not have an impact on Nurminen Logistics financial statements.

The new and amended standards that become effective on 1 January 2021 or later are not expected to have an impact on Nurminen Logistics consolidated financial statements.

Impacts of the COVID-19 pandemic

The COVID-19 situation slowed down the development of the company’s train transport to China business and hindered sales work in both the Nordic countries and China. Restrictions on transports of foodstuffs placed on railways led to the company not being able to fully benefit from its good position as one of the few owners of temperature-controlled containers.

2. SEGMENT INFORMATION

Impacts of IFRS 15 -standard have been described in the accounting principles-section.

Nurminen Logistics reports net sales by geographical areas.

IFRS 15: Revenue recognision

1,000 EUR	1.1.–31.12.2020	1.1.–31.12.2019
Over the Period	3,374	3,292
At one point of time	77,333	66,048
Revenue from customer contracts, Total	**80,707**	**69,340**

Net sales were divided geographically between Finland, Russia and the Baltic countries.

Information on geographical areas 2020

1,000 EUR	Finland	Russia	Baltic countries	Total
Net sales	35,008	245	45,454	80,707
Non-current assets	51,082	1	86	51,169

Information on geographical areas 2019

1,000 EUR	Finland	Russia	Baltic countries	Total
Net sales	31,050	19	38,271	69,340
Non-current assets	38,962	1	131	39,095

Information on major customers

Revenue from Logboks OOO was 8.450 thousand euros in 2020, being 10 % of the Group revenue.
Revenue from any single customer did not exceed 10 % from the Group revenue in 2019.

3. OTHER OPERATING INCOME

1,000 EUR	2020	2019
Gains from sale of property, plant and equipment		
Rent income	19	21
Other items	34	43
Total	**53**	**64**

4. OTHER OPERATING EXPENSES

1,000 EUR	2020	2019
Use of materials and services	61,380	50,418
Expenses relating to short term low value leases	1,682	1,575
Administrative expenses	2,430	3,527
Other cost items	2,025	2,160
Total	**6,136**	**7,262**

Repayments of lease liabilities in financing cash flow amounted to EUR 2,329 thousand for the financial year 2020 and EUR 5,869 thousand for 2019.

Auditor fees

1,000 EUR	2020	2019
Audit fees	149	116
Other services	15	20
Total	**164**	**136**

5. EMPLOYEE BENEFIT EXPENSES

1,000 EUR	2020	2019
Wages and salaries	7,160	7,739
Pension expenses, defined contribution plans	903	1,127
Other social security costs	307	261
Share-based payments	60	70
Total	**8,430**	**9,196**

Information on the management remuneration is presented in note 28. Related party transactions.
Information on the share-based payments is presented in note 22. Share-based payments.

Personnel of the Group during the year in average

	2020	2019
Total	**163**	**176**

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

Depreciation and amortisation by asset category:

1,000 EUR	2020	2019
Intangible assets		
Intangible rights		1
Other intangible assets	389	313
Impairment losses on goodwill		5,271
Total	**389**	**5,585**
Property, plant and equipment		
Buildings	459	402
Machinery and equipment	94	181
Impairment losses on non-current assets held for sale		548
Other tangible assets	1	2
Total	**554**	**1,134**
Depreciation of Right-of-use assets (IFRS16)	**4,077**	**4,325**
Total	**5,020**	**11,044**

7. FINANCIAL INCOME AND EXPENSES

1,000 EUR	2020	2019
Financial income		
Interest income	32	10
Exchange rate gains		2
Total financial income	**32**	**11**
Financial expenses		
Interest expenses	530	1,006
Exchange rate losses	183	27
Financial expenses on lease liabilities (IFRS 16)	1,387	1,164
Other financial expenses	161	186
Total financial expenses	**2,261**	**2,382**

Items above the operating profit include exchange rate differences totalling EUR –80 thousand in 2020 (EUR –37 thousand in 2019).

8. INCOME TAX EXPENSE

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

1,000 EUR	2020	2019
Current tax expense	371	567
Other direct taxes		2
Deferred taxes, net	28	
Total	**400**	**570**

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	2020	2019
Profit before income tax	–2,438	–10,864
Tax	20.%	20.%
Income tax calculated using the Finnish corporate tax rate	488	2,173
Effect of tax rates used in foreign subsidiaries	–151	–178
Unrecognised deferred tax assets on losses	–805	–1,832
Impairment losses, goodwill		–1,054
Non-deductible expenses	1	55
Other differences	67	266
Total adjustments	–888	–2,743
Income tax expense in the statement of comprehensive income	**–400**	**–570**

9. EARNINGS PER SHARE

	2020	2019
Result attributable to the equity holders of the parent company (1,000 EUR)	–4,127	–12,903
Interest on the hybrid bond	48	48
Weighted average number of shares, undiluted	44,652,887	44,304,976
Earnings per share, undiluted, euro	–0.09	–0.29
Result attributable to the equity holders of the parent company (1,000 EUR)	–4,127	–12,903
Weighted average number of shares, diluted	44,652,887	44,304,976
Earnings per share, diluted, euro	–0.09	–0.29

Hybrid bond EUR 1.25 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 %
PFC Nordic Oy	Finland	100.0 %	100.0 %
Kiinteistö Oy Kotkan Siikasaarentie 78	Finland	100.0 %	100.0 %
Kiinteistö Oy Luumäen Suoanttilantie 101	Finland	100.0 %	100.0 %
Kiinteistö Oy Vainikkalan Huolintatie 13	Finland	100.0 %	100.0 %
OOO Nurminen Logistics	Russia	100.0 %	100.0 %
Kiinteistö Oy Helsingin Satamakaari 24	Finland	51.0 %	51.0 %
Nurminen Maritime Latvia SIA	Latvia	51.0 %	51.0 %
UAB Nurminen Maritime	Lithuania	51.0 %	51.0 %

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 %

Group has 3 subsidiaries with material non-controlling interests. Nurminen Logistics Plc bought 51 % of shares in Kiinteistö Oy Helsingin Satamakaari 24 in December 2020.

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. Nurminen Maritime Estonia AS was liquidated in 2020, and is not included in the Group anymore. Nurminen Logistics has a 51% holding in NR Rail Oy, but no control over the company, as a result which NR Rail Oy is an associated company. The balance sheet summary figures presented in the table include Kiinteistö Oy Helsingin Satamakaari 24's non-current assets of EUR 34.9 million, current assets of EUR 105 thousand, non-current liabilities of EUR 15.9 million and current liabilities of EUR 1.2 million.

	Subsidiaries with material non-controlling interest	
1 000 EUR	2020	2019
Summary of comprehensive income staments		
Net sales	45,454	38,271
Profit before taxes	3,025	3,566
Income tax	394	566
Total comprehensive income	2,631	2,999
Total comprehensive income attributable to NCI	1,289	1,470
Summary of balance sheets		
Current assets	6,676	5,775
Non-current assets	34,066	131
Current liabilities	4,756	2,490
Non-current liabilities	15,918	41
Net assets	20,068	3,375
Equity attributable to NCI	9,833	1,695
Summary of cash flows		
Cash flow from operating activities	3,370	2,458
Cash flow from investing activities	−19	−30
Cash flow from financing activities	−2,947	−1,919
Net increase in cash and cash equivalents	405	509
Dividends paid to NCI during the year	1,467	937

11. PROPERTY, PLANT AND EQUIPMENT

1,000 EUR	Land and water areas	Land and water areas, IFRS 16	Buildings	Buildings, IFRS 16	Machinery and equipment	Machinery and equipment, IFRS 16	Other tangible assets	Prepayments and assets under construction	Total
2020									
Cost at 1 January	252	1,971	12,867	31,662	17,212	1,775	701		66,439
Additions		7,007	34,153	539	58	18	155	7	41,937
Disposals	–5		–754	–24,169	–22	–18			–24,968
Effect of movements in exchange rates									
Cost at 31 December	247	8,978	46,266	8,032	17,248	1,774	856	7	83,408
Accumulated depreciation and impairment losses at 1 January		–55	–8,645	–3,968	–16,973	–302	–686		–30,629
Depreciation for the year		–61	–459	–3,590	–94	–426	–1		–4,631
Accumulated depreciation and impairment losses at 31 December		–116	–9,104	–7,558	–17,067	–728	–687		–35,260
Carrying amount at 1.1. 2020	**252**	**1,916**	**4,222**	**27,694**	**239**	**1,473**	**15**		**35,810**
Carrying amount at 31.12.2020	**247**	**8,862**	**37,162**	**474**	**181**	**1,047**	**168**	**7**	**48,148**

The addition in IAS 16 buildings results mainly from the building owned by Kiinteistö Oy Helsingin Satamakaari 24.

2019									
Cost at 1 January	147		15,707		17,207		701	165	33,926
Impact of the application of the IFRS 16 standard		1,971		32,039		1,456			35,465
Additions	105				5	319			428
Disposals			–1,994	–377				–165	–2,536
Movements between items			–897						
Effect of movements in exchange rates			52						52
Cost at 31.12.	252	1,971	12,867	31,662	17,212	1,775	701		66,439
Accumulated depreciation and impairment losses at 1 January			–7,695		–16,792		–683		–25,170
Depreciation for the year		–55	–402	–3,968	–181	–302	–2		–4,910
Impairment losses, assets held for sale			–548						–548
Accumulated depreciation and impairment losses at 31 December		–55	–8,645	–3,968	–16,973	–302	–686		–30,629

The adaption of IFRS 16 increased depreciation of tangible assets by 3 888 thousand euros.

Carrying amount at 1.1. 2019	**147**		**8,012**		**415**		**18**	**165**	**8,757**
Carrying amount at 31.12.2019	**252**	**1,916**	**4,222**	**27,694**	**239**	**1,473**	**15**		**35,810**

12. INTANGIBLE ASSETS

1,000 EUR	Goodwill	Intangible rights	Other intangible assets	Total
2020				
Cost at 1 January	6,171	841	5,595	12,607
Additions		1	132	134
Disposals		–5		–5
Cost at 31 December	6,171	838	5,728	12,736
Accumulated amortisation and impairment losses at 1 January	–5,271	–836	–3,667	–9,774
Amortisation for the year			–388	–388
Accumulated amortisation and impairment losses at 31 December	–5,271	–836	–4,055	–10,162
Carrying amount at 1 January 2020	**899**	**5**	**1,928**	**2,833**
Carrying amount at 31 December 2020	**899**	**2**	**1,673**	**2,574**
2019				
Cost at 1 January	5,970	836	4,743	11,549
Additions	201	5	852	1,058
Cost at 31 December	6,171	841	5,595	12,607
Accumulated amortisation and impairment losses at 1 January		–835	–3,354	–4,189
Amortisation for the year		–1	–313	–314
Impairment losses	–5,271			–5,271
Accumulated amortisation and impairment losses at 31 December	–5,271	–836	–3,667	–9,774
Carrying amount at 1 January 2019	**5,970**	**1**	**1,389**	**7,360**
Carrying amount at 31 December 2019	**899**	**5**	**1,928**	**2,833**

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
2020				
Financial financial assets and liabilities for 2020 according to IFRS 9.				
Long-term financial assets				
Other receivables	16	241		241
Short-term financial assets				
Trade receivables and other receivables	18	9,554		9,554
Cash and cash equivalents	19	4,471		4,471
Long-term financial liabilities				
Interest bearing liabilities	22		28,979	28,979
IFRS 16 lease liabilities			9,829	9,829
Short-term financial liabilities				
Interest bearing liabilities	22		1,785	1,785
IFRS 16 lease liabilities			637	637
Trade payables	23		5,171	5,171

Nurminen Logistics Plc and Nurminen Logistics Services Oy have in Oma Säästöpankki Plc credits limits amounting to maximum 3 million euros. As of 31 December 2020 61 thousand euros of the credit limit was used, included in long-term interest bearing liabilities.

1,000 EUR	Note	Assets measured at amortised cost	Liabilities measured at amortised cost	Carrying amounts in the balance sheet
2019				
Financial financial assets and liabilities for 2019 according to IFRS 9.				
Long-term financial assets				
Other receivables	16	224		224
Short-term financial assets				
Trade receivables and other receivables	18	7,822		7,822
Cash and cash equivalents	19	4,054		4,054
Long-term financial liabilities				
Interest bearing liabilities	22		13,041	13,041
IFRS 16 lease liabilities			26,859	26,859
Short-term financial liabilities				
Interest bearing liabilities	22		781	781
IFRS 16 lease liabilities			2,321	2,321
Trade payables	23		4,466	4,466

After initial recognition, the Group's cash and cash equivalents are classified as at fair value through profit or loss, amortized cost or financial assets and financial liabilities at fair value through other comprehensive income.

The carrying amounts of these financial assets and liabilities substantially correspond to their fair values and are classified in level 2 of the fair value hierarchy.

The following levels are used in measuring fair values:

Level 1: Fair value is determined based on quotations from the market.

Level 2: Fair value is determined using valuation techniques. Fair value means the value that can be determined from the market value of parts of a financial instrument or similar financial instruments; or a value that can be determined using valuation models and methods generally accepted in the financial markets, if the market value can be reliably determined using them.

Level 3: Fair value is determined using valuation techniques in which the factors used have a significant effect on the recorded fair value and these factors are not based on observable market data.

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. Nurminen Logistics Plc has two CGUs: operations in Finland and Russia, and operations in Baltics (49 % minority). Goodwill is allocated to business operations in Finland. Management estimates that COVID-19 will not have a significant impact on the company's impairment testing. An impairment loss in goodwill in the amount of 5 271 thousand euros was booked in previous fiscal year 1.1.-31.12.2019.

1,000 EUR	Business operations in Finland	
	2020	2019
Group goodwill	899	899

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.

Impairment test calculations on 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. Essential assumptions having an impact on defining values in use are connected to development of net sales and profitability, and to weighted average cost of capital (WACC) used in discounting cash flows.

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 have 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 2021 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 9.84%. Corresponding pre-tax discount rate is 12,03%. 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 35,3 million euros. The net sales are expected to increase especially due to railway service between Finland China during the year 2021. Increase in net sales (CAGR) over the years 2021 – 2025 averages 2.6 %. Increase in net sales per year over the years 2021–2025 is 2.3 %. 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 EBIT 2018–2025	Actuals			Estimates					
Finland and Russia	2018	2019	2020	2021	2022	2023	2024	2025	2025 Terminal
Sales	34,340	31,069	35,253	43,628	44,769	45,949	47,168	48,429	48,913
EBIT	–2,322*	–6,192**	-3,376	1,986	2,562	3,167	3,802	5,074	5,147

* EBIT is adjusted to exclude loss on disposal of the shares of Russian subsidiary OOO Nurminen Logistics, EUR 6.6 million.
** EBIT is adjusted to exclude impairment loss on goodwill as well as losses on disposal of Niirala terminal and of the share in the Russian company ZAO Terminal Rubesh, EUR 5.9 million in total.

Sensitivity analysis when one component changes:

Management evaluates that the most sensitive judgements relate to changes in terminal growth, profitability and WACC.

Forecast period 2021–2025	Change	Impact of change on recoverable amount
• Terminal growth 1 %	Terminal growth -1 %-point i.e. terminal growth 0 %	–3,3 million EUR
• WACC 9,84 %	WACC + 1 %-point i.e. WACC 10,84 %	–4,0 million EUR
• Average EBIT 7,2 % ja EBITDA 13,1 %	EBITDA decrease 1 %-point i.e. average EBITDA 12,1 %	–4,2 million EUR

Based on sensitivity analyses the management evaluates that above mentioned essential judgements would not cause a situation in which the carrying amount of cash generating units would exceed the recoverable amount, and this would not cause impairment loss on goodwill in fiscal year 2020.

15. EQUITY-ACCOUNTED INVESTEES

1,000 EUR	2020	2019
At 1 January	209	194
Share of profit / loss for the year	–4	25
Translation differences / other changes		–10
At 31 December	**205**	**209**

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

	Domicile	Ownership (%)
Pelkolan Terminaali Oy	Finland	20,0 %
NR Rail Oy	Finland	51,0 %

Financial statements for equity-accounted investees have been composed according to FAS, and they have been consolidated into Group accounts using the equity method. If the financial statements would be composed according to IFRS, the consolidation would not be substantially different from consolidation according to FAS.

16. NON-CURRENT RECEIVABLES

1,000 EUR	2020	2019
Other receivables	241	244
Total	**241**	**244**

17. DEFERRED TAX ASSETS AND LIABILITIES

1,000 EUR	1 Jan. 2020	Recognised in the income statement	Divest-ments	Exchange rate diffe-rences	31 Dec 2020
Movements in deferred taxes during year 2020:					
Deferred tax liabilities:					
Cumulative depreciation and amortisation difference	1	–1			
Other items	23	–23			
Total	**24**	**–24**			

1,000 EUR	1 Jan. 2019	Recognised in the income statement	Divest-ments	Exchange rate diffe-rences	31 Dec 2019
Movements in deferred taxes during year 2019:					
Deferred tax assets:					
Cumulative depreciation and amortisation difference	14	–14			
Total	**14**	**–14**			
Deferred tax liabilities:					
Cumulative depreciation and amortisation difference	1				1
Other items	26	–3			23
Total	**28**	**–3**			**24**

1,000 EUR	2020	2019
Deferred taxes		
Losses of Group companies from previous financial years	44,863	37,422
Confirmed losses expires in 2021–2029		
Deferred tax assets on losses from previous financial years	**8,973**	**7,484**

The confirmed losses have not been recognised in the balance sheet in deferred tax assets.

18. TRADE AND OTHER RECEIVABLES

1,000 EUR	2020	2019
Trade receivables	6,779	6,439
Prepaid expenses and accrued income	2,144	647
VAT receivables	541	640
Other receivables	90	229
Total	**9,554**	**7,955**
The company has booked a provision for bad debts in 2020 amounting to 88 410 euros.		
Trade and other receivables in currencies		
Euro	7,680	6,240
US Dollar	1,771	1,581
Russian Ruble	103	1
	9,554	7,822

No significant provision for bad debts has been booked in 2019.

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.

19. CASH AND CASH EQUIVALENTS

1,000 EUR	2020	2019
Cash and bank balances	4,471	4,054
Cash and cash equivalents in the balance sheet	**4,471**	**4,054**

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

20. NON-CURRENT ASSETS HELD FOR SALE

1,000 EUR	2020	2019
Statement of financial position		
Non-current assets / Property, plant and equipment	897	897
Current liabilities	73	73
Statement of comprehensive income		
Impairment losses on assets held for sale		548
Refurbishment costs for premises		73

At the end of 2019, the company classified the Luumäki terminal as an available-for-sale asset based on a plan prepared by the company to phase out the use of the terminal. Luumäki as a locality does not include the company's business plan, as the company focuses on the largest ports in Finland and the operations of Vainikkala, the largest border crossing point. The warehouse and logistics terminal with an area of 12,228 m^2 is located in Luumäki at Suoanttilantie 101.

Prior to this, the Luumäki terminal was part of the Finnish-Russian cash-generating unit. It has been transferred to non-current assets held for sale from buildings.

The terminal premises are for sale because they are no longer suitable for Nurminen Logistics' business. As a result of the classification, the company valued the terminal at fair value less costs to sell and recognized an impairment loss of EUR 548 thousand in the financial year 2019. The fair value was based on an external real estate appraisal acquired by the company. After the write-down, the value of the Luumäki terminal at the end of the financial year 2019 was EUR 897 thousand. Based on an external real estate appraisal, the company's management has reassessed the fair value of the available-for-sale asset at the balance sheet date 2020 and determined that the book values presented in the balance sheet correspond to the fair value of the property at the balance sheet date 2020.

Depreciation of property, plant and equipment ceases when the property, plant and equipment is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Gains and losses on disposals are determined as the difference between the sales price and the carrying amount, and are included in other operating income and expenses in the income statement.

The Covid 19 pandemic has delayed the sale of the Luumäki terminal, however, the market situation for logistics facilities has clearly picked up, so the company's management estimates that the property will be sold during 2021. The sale of the premises is not expected to have a significant impact on earnings.

21. 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 266,1 % in the end of 2020 and 4 849,1 % in the end of 2019. Equity management covers both own equity and interest-bearing liabilities. The aim is to secure business continuity and cost of capital.

	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
31.12.2017	**44,254,174**	**4,215**	**86**	**2,376**	**26,430**
31 Dec2018	**44,254,174**	**4,215**	**86**	**2,376**	**26,430**
Directed issue	350,000				
31 Dec2019	**44,604,174**	**4,215**	**86**	**2,376**	**26,430**
Directed share issue in April 2020 *	120,000				**29**
Free share issue in September 2020 **	143,539				
Directed share issue in December 2020 ***	29,344,954				**9,092**
31.12.2020	**74,212,667**	**4,215**	**86**	**2,378**	**35,550**

* directed share issue to the CEO, subscription price EUR 0.24 per share. There was a weighty financial reason for the company to deviate from the shareholder's pre-emptive subscription right, as the share issue was part of the execution of the CEO's long-term incentive plan.

** a share issue to the company itself without consideration, to pay board fees

*** directed share issue to domestic investors, subscription price EUR 0.31692 per share. There was a weighty financial reason for the company to deviate from the shareholder's pre-emptive subscription right, as the share issue best served the interests of the company and all shareholders and made the above-mentioned real estate transaction possible.

The company's shares have no nominal value.
The maximum share capital of the company is EUR 4.215 thousand.
The company held 65,262 of its own shares at 31 Dec 2020.

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 issues.

Nurminen Logistics has EUR 1.25 million hybrid bond from Ilmarinen that can be, in accordance to loan terms, changed to company shares. Hybrid bond was signed with Ilmarinen at 18 June 2017. Terms of the bond have been described more detailed in section 24.
Hybrid bond was amortized with EUR 0,25 million at 31 December 2020.

22. SHARE-BASED PAYMENTS

In accordance with the decision of the Annual General Meeting, 50% of the annual remuneration of the Board members in 2020 will be paid in company shares. The share of Board members' share awards recognized as an expense in the income statement was EUR 60,000 in 2020. The number of shares transferred to the Board members was 143,539 based on the price on the payment date of October 5, 2020.

The long-term incentive plan of the previous CEO Tero Vauraste for 2020–2022 has ended, because his employment and employment relationship ended during 2020. As a result, no expense from the share-based incentive plan has been recognized for the financial year 2020.

The earning period of the current CEO's share-based incentive plan is January 1–December 31, 2021, and the reward will be paid after the end of the earning period partly in company shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arisin from the reward to the CEO. The potential reward from the plan is based on Nurminen Logistics Group's operating result (EBIT) for the financial year 2021 and the Total Shareholder Return of Nurminen Logistics Plc's share in 2021. The rewards to be paid on the basis of the plan correspond to a maximum total value of 1,700,000 Nurminen Logistics Plc shares, including the portion to be paid in cash. The reward to be paid on the basis of the plan can be reduced by deducting the number of shares to be given, if the limit value set for the share price is reached. During the financial year 2020, no expense has been recognized for the arrangement.

23. FINANCIAL LIABILITIES

1,000 EUR	2020	2019
Interest-bearing liabilities		
Long-term interest-bearing liabilities	38,808	39,900
Short-term-term interest-bearing liabilities	2,422	3,102
Total interes-bearing liabilities	**41,230**	**43,002**
Cash and cash equivalents	4,471	4,054
Total interest-bearing liabilities	**36,759**	**38,948**
Interest-bearing liabilities in currencies		
EUR	**41,230**	**43,002**

24. TRADE PAYABLES AND OTHER LIABILITIES

1,000 EUR	2020	2019
Current		
Trade payables	5,171	4,466
Received advance payments	35	24
Other liabilities	698	742
Accrued expenses and deferred income	4,999	2,507
Total trade payables and other liabilities	**10,903**	**7,739**
Trade payables and other liabilities in currencies		
Euro	8,685	6,546
US Dollar	2,167	1,129
Russian Ruble	51	61
SEK		3
	10,903	**7,739**
Non-current		
Other liabilities	159	212
Total non-current liabilities	**159**	**212**

The most significant items under accrued expenses, EUR 938 thousand in 2020 (2019 EUR 495 thousand) consists of periodization of operative expenses and personnel expenses EUR 1 244 thousand in 2020 (2019 EUR 1 000 thousand).

25. 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 financial statements are based on the principle of business continuity. 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. Sufficiency of operative cash flow is subject to risks if estimates deviate considerably from expectations. If the Group is unable to secure sufficient long term financing arrangements, the continuity of operations can be at risk. The valuation of assets is based on the going concern assumption. If cash flow estimates do not realize according to plan, demand for impairment losses on assets may arise.

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 2020 and 2019.

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

1,000 EUR	31 Dec 2020	2020 Income statement 100 bp	
		Increase	Decrease
Total amount of variable interest rate loans	30,671		
Variable interest rate instruments		–307	0
Total effect		**–307**	**0**

1,000 EUR	31 Dec 2019	2019 Income statement 100 bp	
		Increase	Decrease
Total amount of variable interest rate loans	13,707		
Variable interest rate instruments		–137	0
Total effect		**–137**	**0**

The figures in the table reflect the effect of the change on the result for the financial year before taxes.

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 swops were used in 2020 and 2019.

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

		2020			
		Trade receivables 10 %		Trade payables 10 %	
1,000 EUR	USD	Decreases	Increases	Decreases	Increases
Total currency items					
Trade receivables	1,771				
Trade payables	2,167				
Total effect		**–131**	**160**	**160**	**–196**

		2019			
		Trade receivables 10 %		Trade payables 10 %	
1,000 EUR	USD	Decreases	Increases	Decreases	Increases
Total currency items					
Trade receivables	1,776				
Trade payables	1,268				
Total effect		**–144**	**176**	**103**	**–125**

The figures in the table reflect the effect of the change on the result for the financial year before taxes.

	Balance sheet exchange rate	
Exchange rates used	2020	2019
USD	1,23	1,12

LIQUIDITY RISK

The contractual cash flows of loan instalments and interests at 31 December 2020 were the following :

1,000 EUR	1–3 months	4 months–1 year	2–5 years	5 years ->
Loans from financial institutions	298	901	18,707	10,772
Finance lease liabilities	249	719	2,768	11,763
Trade payables	5,171			
Interest	191	905	2,283	1,108
Total	**5,909**	**2,524**	**33,969**	**22,643**

The contractual cash flows of loan instalments and interests at 31 December 2019 were the following :

1,000 EUR	1–3 months	4 months–1 year	2–5 years	5 years ->
Loans from financial institutions			13,041	
Finance lease liabilities	886	2,524	15,764	16,848
Trade payables	4,466			
Interest	66	441	1,199	
Total	**5,417**	**2,965**	**30,004**	**16,848**

The EUR 8.0 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.

The covenant commitment between the company and OP Corporate Bank related to the equity ratio is no longer valid on 31 December 2020. 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. Hybrid bond was amortized with EUR 0,25 million at 31 December 2020. The hybrid bond has a term that if the Bisnode rating falls below BBB-, the fixed interest rate of the bond increases by 4 per cent.

Changes in long term interest bearing debts

	1 Jan 2020	Additionals, IFRS 16	Disposals	Other changes	31 Dec 2020
Long-term liabilities, interest bearing	13,041	15,947		–9	28,979
Long-term leasing liabilities, interest bearing	26,859	7,543	–24,438	–135	9,829
Total	**39,900**	**23,490**	**–24,438**	**–144**	**38,808**

Changes in short-term interest bearing debts

	1 Jan 2020	Additionals, IFRS 16	Disposals	Other changes	31 Dec 2020
Short-term liabilities, interest bearing	781	1,199	-195		1,785
Short-term leasing liabilities, interest bearing	2,321		-1,564	-120	637
Total	**3,102**	**1,199**	**-1,759**	**-120**	**2,422**

CREDIT RISK

Maximum exposure to credit risk	1,000 EUR
2020	6,779
2019	6,439

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
2020	4,670	1,591	492	26	6,779
2019	4,408	1,731	300		6,439

Nurminen Logistics has no significant concentrations of credit risk.

26. OTHER LEASES

The Group as lessee

Lease liabilities for off-balance sheet leases where the value of the asset group is insignificant or short-term:

1,000 EUR	2020	2019
Less than one year	590	627
Between one and five years	227	437
Total	**816**	**1,064**

Leases in scope of the 1.1.2019 adopted IFRS 16 standard are recognised as right of use assets in property, plant and equipment and as lease liabilities. Otherwise Nurminen Logistics leases as a lessee mainly IT equipment, office automation equipment, vehicles and cargo handling machines used in terminals.

27. CONTINGENCIES AND COMMITMENTS

1,000 EUR	2020	2019
Liabilities and contingent liabilities secured by corporate mortgages and pledges		
Loans from financial institutions	13,618	13,707
Customs duties and other guarantees	11,690	5,999
EUR 4.5 million of the customs guarantee has expired on 25 January 2021.		
Credit accounts secured by corporate mortgages and pledges		
Amount of the limit	3,000	
Unused amount of the limit	2,939	
Pledges made on own behalf		
Book value of pledged subsidiary shares	43,766	23,352
Other pledges	745	929
Mortgages given on own behalf		
Business mortgages	19,500	15,500

28. 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	2020	2019
Sales	68	17
Purchases	54	284

There are no receivables or liabilities from related parties at the balance sheet date.

In a directed issue in April, the previous CEO, Tero Vauraste, subscribed for 120,000 company shares at a subscription price of EUR 0.24 per share, in total EUR 28,800.

The members of the Board of Directors as related party subscribed for the company's shares in the December directed share issue directly and through controlled companies as follows:

Juha Nurminen	946,612	shares	300,000	eur
Olli Pohjanvirta	315,538	shares	100,000	eur
RusCap Oy (controlled company by Olli Pohjanvirta)	946,612	shares	300,000	eur
Total	**2,208,762**	**shares**	**700,000**	**eur**

Management remuneration

EUR	2020	2019
CEO, the members of the Board and the Executive Board		
Salaries and other short-term employee benefits	867,530	718,807
Statutory pension payments	107,083	85,276
Benefits due after termination of employment contract	214,929	127,857
Share-based payments	60,000	80,500
Total	**1,249,542**	**1,012,440**
Salaries and wages		
CEO		
Olli Pohjanvirta (from 25 May 2020)	201,723	
Tero Vauraste (until 25 May 2020)	117,193	22,785
Ville Iho (until 9 December 2019)		169,523
Marko Tuunainen (until 15 November 2018)		84,000
Interim CEO		
Teppo Talvinko (until 17 March 2019)		7,571
Members of the Board		
Alexey Grom	29,000	24,500
Hannu Leinonen (until 28 May 2020)	25,000	10,000
Juha Nurminen	35,000	30,500
Jukka Nurminen	39,000	34,500
Olli Pohjanvirta	105,968	157,845
Irmeli Rytkönen	36,000	35,500
Kari Savolainen (until 11 April 2019)		24,500
	588,884	**601,224**

Members of the Board and management own 21 % of company shares on 31 December 2020.

29. ACQUISITIONS AND DIVESTED BUSINESSES

Nurminen Logistic Services Oy acquired PFC Nordic Oy in April 2020. Nurminen Logistics Plc bought majority share of shares in Kiinteistö Oy Helsingin Satamakaari 24 in December 2020. The company had at acquisition date property amounting to EUR 34.894 thousand, other short-term receivables EUR 106 thousand, equity EUR 17.915 thousand and long-term and short-term liabilities EUR 17.085 thousand.

30. EVENTS AFTER THE BALANCE SHEET DATE

The company announced on 20 January 2021 that it will open three new train routes from China to Finland.

The company announced on 16 February 2021 that Ari Soinola, M.Sc. (Econ.) has been appointed Vice President, Operations and Development and as management team member as of March 8, 2021 in charge of outsourcing services business and its development.

The company announced on 18 February 2021 that it will introduce a block train booking system as a forerunner.

During spring 2021, the company will further specify its strategy and define the financial objectives for 2021–2023.

Parent Company's Income Statement

1,000 EUR	Note	2020	2019
NET SALES	1	**3,018**	**2,203**
Other operating income	2	1,124	457
Employee benefit expenses	3	–1,591	–1,435
Depreciation, amortisation and impairment losses	4	–378	–842
Other operating expenses	5	–1,981	–1,727
OPERATING RESULT		**192**	**–1,345**
Financial income and expenses	6	1,240	–2,579
RESULT BEFORE EXTRAORDINARY ITEMS		**1,432**	**–3,924**
Appropriations	7	149	90
Taxes	8	24	–1
RESULT FOR THE YEAR		**1,604**	**–3,835**

Parent Company's Balance Sheet

1,000 EUR	Note	2020	2019
ASSETS			
Non-current assets			
Intangible assets	1	1,658	1,902
Property, plant and equipment	1	36	29
Investments	2	45,190	28,667
Total non-current assets		**46,884**	**30,598**
Current assets			
Non-current receivables	3	220	802
Current receivables	3	5,216	8,904
Cash and cash equivalents		1,174	1,244
Total current assets		**6,610**	**10,950**
TOTAL ASSETS		**53,494**	**41,548**
EQUITY AND LIABILITIES			
Equity			
Share capital	4	4,215	4,215
Share premium reserve	4	86	86
Other reserves			
Legal reserve	4	2,374	2,374
Reserve for invested unrestricted equity	4	36,408	27,079
Retained earnings	4	–12,232	–8,397
Profit / loss for the financial year	4	1,604	–3,835
Total equity		**32,456**	**21,522**
Liabilities			
Non-current liabilities			
Capital loan		1,250	1,500
Deferred tax liabilities			23
Other non-current liabilities	6	13,159	13,213
Current liabilities			
Current liabilities	7	6,629	5,289
Total liabilities		**21,038**	**20,025**
TOTAL EQUITY AND LIABILITIES		**53,494**	**41,548**

Parent Company's Cash Flow Statement

1,000 EUR	2020	2019
Cash flow from operating activities		
PROFIT / LOSS FOR THE YEAR	**1,604**	**–3,835**
Adjustments		
Depreciation, amortisation and impairment losses	378	842
Gains (–) and losses (+) on sale of non-current assets		576
Financial income (–) and expenses (+)	–1,240	2,579
Taxes	–24	–1
Group Contributions received	–149	
Other adjustments	–14	–78
Cash flow before changes in working capital	**556**	**83**
Changes in working capital		
Current non-interest bearing receivables, increase (–) / decrease (+)	–2 939	122
Current liabilities, non-interest bearing, increase (+) / decrease (–)	1 151	–1,666
Net cash from operating activities before financial items and taxes	**–1 231**	**–1,461**
Interest paid	–492	–534
Dividends received	917	974
Interest received	497	436
Other financial items	–28	–38
Cash flow from operating activities	**–337**	**–622**
Cash flow from investing activities		
Investmests in tangible and intangible assets	–141	–691
Sale of subsidiary shares		690
Acquisition of subsidiaries and business operations	–8,670	–138
Loans granted		–2,559
Cash flow from investing activities	**–8,811**	**–2,699**
Cash flow from financing activities		
Payments of non-current liabilities		–555
Repayment of equity loans	–250	
Short term loans received		138
Short term loan payments		–4,098
Share issue	9,329	
Cash flow from financing activities	**9,079**	**–4,514**
Change in cash and cash equivalents	**–69**	**–7,835**
Cash and cash equivalents at the beginning of the year	1,244	9,079
Change in cash and cash equivalents	–69	–7,835
Cash and cash equivalents at year-end	**1,174**	**1,244**

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:

- Intangible assets 3–5 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.

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.

Related party transactions

During the fiscal there have been office rents invoiced to Skillpixels Oy, a company managed by the chairman of the board, amounting to EUR 1 488,00. Services have been purchased from Russian Capital Management Oy (EUR 1 488,00, chairman of the board) and Norte Capital Oy (EUR 13 640,00, chairman of the board). At the balance sheet date, there are no open receivables or liabilities from related parties.

In the April issue, the previous CEO, Tero Vauraste, subscribed for 120,000 company shares at a subscription price of EUR 0.24 per share, a total of EUR 28,800.

The related members of the Board of Directors subscribed for the company's shares in the December directed share issue directly and through controlled companies as follows:

Juha Nurminen	946,612	shares	300,000	eur
Olli Pohjanvirta	315,538	shares	100,000	eur
RusCap Oy (controlled company by Olli Pohjanvirta)	946,612	shares	300,000	eur
Total	**2,208,762**	**shares**	**700,000**	**eur**

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.

Number of shares and directed issues

During 2020, the company carried out three share issues, as a result of which the number of the company's shares on December 31, 2020 is 74,212,667 shares.

	Number of shares
31.12.2019	**44 604 174**
Directed share issue in April 2020 *	120 000
Free share issue in September 2020 **	143 539
Directed share issue in December 2020 ***	29 344 954
31.12.2020	**74 212 667**

* directed share issue to the CEO, subscription price EUR 0.24 per share. There was a compelling financial reason for the company to deviate from the shareholder's subscription right, as the share issue was part of the implementation of the CEO's long-term incentive plan.

** a free grant to the company itself, to pay board fees

*** directed share issue to domestic investors, subscription price EUR 0.31692 per share. There was a compelling financial reason for the company to deviate from the shareholder's subscription right, as the share issue served the interests of the company and all shareholders in the best possible way and enabled the implementation of the above-mentioned real estate transaction.

The company's shares have no nominal value. The maximum share capital of the company is EUR 4.215 thousand. The company held 65 262 of its own shares at 31 Dec 2020.

Notes to the Income Statement

1,000 EUR	2020	2019
1. Net sales		
Sale of services	3,018	2,203
Total	**3,018**	**2,203**
2. Other operating income		
Rent income	1,124	457
Total	**1,124**	**457**
3. Disclosures for personnel and members of company organs		
Employee benefit expenses		
Wages and salaries	–1,389	–1,292
Pension expenses and pension contributions	–171	–129
Other social security costs	–31	–14
Total	**–1,591**	**–1,435**
4. Depreciation, amortisation and impairment losses		
Planned depreciation and amortisation:		
Intangible rights		
Other capitalised long-term expenditure	–378	–299
Property, plant, machinery and equipment		–543
Total	**–378**	**–842**
5. Other operating expenses		
Other operating expenses	–1,981	–1,727
Total	**–1,981**	**–1,727**
Auditors' fees		
Audit fees	–94	–76
Other fees paid to auditors	–13	–20
Total	**–107**	**–97**
6. Financial income and expenses		
Dividend income		
Dividend income from Group companies	1,524	974
Total	**1,524**	**974**
Interest and other financial income		
Interest from group companies	497	436
Interest and other financial income from others		1
Total	**497**	**436**

1,000 EUR	2020	2019
Interest and other financial expenses		
Loss from sale of subsidiary shares		
Impairment losses on non-current assets held for sale		–2,992
Interest to group companies	–3	–11
Interest and other financial expenses to others	–778	–985
Total	**–782**	**–3,989**
Total financial income and expenses	**1,240**	**–2,579**
7. Appropriations		
Received Group Contributions	**149**	**90**
5. Deferred taxes and 8. Income taxes		
Losses of parent company from previous financial years	**15 196**	**14 915**
Confirmed losses will expire in 2021-2029		
Deferred tax assets on losses from previous financial years	**3 039**	**2 982**
Change in deferred tax liabilities	**24**	**–1**

Deferred tax assets have not been recognized in the parent company's financial statements.

Notes to the Balance Sheet

1,000 EUR	2020	2019
1. Property, plant and equipment and intangible assets		
Intangible rights:		
Cost at 1 Jan	148	148
Additions	1	
Cost at 31 Dec	149	148
Accumulated planned amortisation at 1 Jan	–147	–146
Amortisation for the year		
Accumulated planned amortisation at 31 Dec	–147	–147
Carrying amount at 31 Dec	**2**	**1**
Other capitalised long-term expenditure		
Cost at 1 Jan	3,058	2,206
Additions	133	852
Cost at 31 Dec	3,191	3,058
Accumulated planned amortisation at 1 Jan	–1,157	–858
Amortisation for the year	–378	–299
Accumulated planned amortisation at 31 Dec	–1,535	–1,157
Carrying amount at 31 Dec	**1,656**	**1,901**
Land area		
Cost at 1 Jan	22	17
Additionals		4
Carrying amount at 31 Dec	**22**	**22**
Sale and lease back assets		
Cost at 1 Jan		13,756
Disposals		–13,756
Cost at 31 Dec		
Accumulated planned amortisation at 1 Jan		–6,333
Disposals and transfers between items		–6,876
Amortisation for the year		–543
Accumulated planned amortisation at 31 Dec		
Carrying amount at 31 Dec		

1,000 EUR	2020	2019
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		165
Additions	180	
Decreases	–173	–165
Cost at 31.12.	7	
Carrying amount at 31 Dec	**7**	
2. Investments		
Holdings in Group companies		
Cost at Jan 1	5,091	208
Additions	8,843	5,492
Write down of shares		–609
Carrying amount at Dec 31	13,934	5,091
Investments in reserve for invested unrestricted equity of Group companies		
Cost at Jan 1	23,352	10,100
Additions	7,680	15,531
Write down of shares		–2,279
Carrying amount at Dec 31	31,031	23,352
Holdings in associates		
Cost at Jan 1	204	308
Write down of shares		–104
Carrying amount at Dec 31	204	204
Other shares and holdings		
Cost at Jan 1	21	21
Carrying amount at Dec 31	21	21
Total	**45,190**	**28,667**

	Domicile	Share of ownership %
Share of ownership %		
RW Logistics Oy	Finland	100
Nurminen Logistics Services Oy	Finland	100
Kiinteistö Oy Kotkan Siikasaarentie 78	Finland	100
Kiinteistö Oy Luumäen Suoanttilantie 101	Finland	100
Kiinteistö Oy Vainikkalan Huolintatie 13	Finland	100
OOO Nurminen Logistics	Russia	100
Nurminen Maritime Latvia SIA	Latvia	51
Nurminen Maritime UAB	Lithuania	51
Kiinteistö Oy Helsingin Satamakaari 24	Finland	51
Associates and joint ventures		
NR Rail Oy	Finland	51
Pelkolan Terminaali Oy	Finland	20

The Estonian company Nurminen Maritime Estonia AS was dissolved during 2020.

1,000 EUR	2020	2019
3. Receivables		
Non-current		
Advance payments	220	802
Yhteensä	**220**	**802**
Current		
Current receivables from Group companies		
Trade receivables	777	2
Other receivables	4,330	6,931
Total	**5,107**	**6,932**
Current receivables		
Prepayments and accrued income		
Ilmarinen prepaid leases		1,742
Other current receivables		97
Other prepayments	108	133
Total	**108**	**1,838**
Total current receivables	**5,216**	**8,904**
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	27,079
Share issue	9,329	
Reserve for invested unrestricted equity at 31 Dec	36,408	27,079
Retained earnings	–12,232	–8,297
Changes to previous financial periods		–100
Profit / loss for the year	1,604	–3,835
Unrestricted equity	**25,781**	**14,848**
Equity total	**32,456**	**21,522**
Distributable funds		
Reserve for invested unrestricted equity	36,408	27,079
Retained earnings	–12,232	–8,397
Profit / loss for the year	1,604	–3,835
Total	**25,781**	**14,848**

The company owns 65.262 of its own shares

6. Non-current liabilities		
Deferred tax liabilities		23
Interest-bearing liabilities		
Capital loan	1,250	1,500
Loans from financial institutions	13,000	13,000
Other liabilities	159	213
Total	**14,409**	**14,736**
Total non-current liabilities	**14,409**	**14,736**

1,000 EUR	2020	2019
7. Current liabilities		
Current liabilities to Group companies	485	32
Other liabilities	3,971	3,837
Accrued expenses and deferred income	6	34
Total	**4,462**	**3,903**
Interest-bearing liabilities		
Interest bearing sale and lease back loans		
Other liabilities		74
Non-interest bearing liabilities		
Trade payables	529	625
Other liabilities	355	271
Accrued expenses and deferred income		
Employee benefit expense accruals	363	296
Other items	920	119
Total	**2,167**	**1,386**
Total current liabilities	**6,629**	**5,289**

Other notes

1,000 EUR	2020	2019
Liabilities and contingent liabilities secured by corporate mortgages and pledges		
Loans from financial institutions	13,000	13,000
Customs duties and other guarantees	1,790	599
Credit accounts secured by corporate mortgages and pledges		
Credit limit	1,000	
Unused credit limit	1,000	
Guarantees given on behalf of companies belonging to the same group		
Book value of pledged subsidiary shares	43,766	23,352
Mortgages given on own behalf		
Business mortgages	19,500	15,500
Rental obligations		
Payable in next year	2,491	119
Payable after that	16,193	159
Amounts payable under leases		
Payable in next year	189	68
Payable after that	114	108

Notes Regarding Personnel and Company Organs

	2020	2019
The number of personnel		
Personnel, average	14	15
Personnel, at year-end	15	14
Management remuneration (1,000 EUR)		
The Board of Directors and CEO	589	601

Parent Company's Key Figures

Key figures for business

	2018	2019	2020
Net sales, 1,000 EUR	2,192	2,203	3,018
Operating result, (EBIT) 1,000 EUR	–369	–1,345	192
% of net sales	–16,8 %	–61,1 %	6,4 %
Result for the financial year, 1,000 EUR	–7,761	–3,835	1,604
% of net sales	–354,0 %	–174,1 %	53,2 %
Return on equity (ROE) %	–26,6 %	–16,4 %	5,9 %
Return on investment (ROI) %	–13,9 %	–7,3 %	5,4 %
Equity ratio %	51,8 %	51,8 %	60,7 %
Gearing %	34,4 %	54,3 %	36,4 %
Wages and salaries paid, EUR 1,000	1,290	1,292	1,389
Average number of employees	15	15	14

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

Helsinki 5 March 2021

Olli Pohjanvirta
Chairman of the Board
CEO

Juha Nurminen

Alexey Grom

Jukka Nurminen

Irmeli Rytkönen

Our auditor's report has been issued today.

Helsinki 5 March 2021

Ernst & Young Oy

Juha Hilmola
Authorized Public Accountant

Auditor's Report

To the Annual General Meeting of Nurminen Logistics Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nurminen Logistics Plc (business identity code 0109707-8) for the year ended 31 December 2020. 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 Audit Committee.

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 the 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.*	
In the financial statements for the year 2020, the value of goodwill amounted to 0,9 million euros. The annual impairment test was significant to our audit because • the assessment process is judgmental, and • it is based on assumptions relating to market or economic conditions extending to the future. 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, EBIT 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. Valuation of goodwill 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).	In order to address the risk of material misstatement we have carried out the following audit procedures. We involved EY valuation specialists to assist us in evaluating the methodologies, calculations and assumptions applied by the management in the impairment testing. In evaluation of methodologies, we compared the principles applied by the management in the impairment tests to the requirements set in IAS 36 *Impairment of assets* standard and ensured the mathematical accuracy of the impairment calculations. The key assumptions applied by the management in impairment tests were compared to • approved budgets and long-term forecasts by the management, • information available in external sources, as well as • our independently calculated industry averages such as weighted average cost of capital used in discounting the cashflows. We also assessed the sufficiency of the disclosures regarding the goodwill.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue Recognition *We refer to the accounting principles for the consolidated financial statements in the note 1 of the consolidated financial statements, note 2 segment information and the note 18 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 to address the risk of material misstatement included • 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of subsidiary investments *We refer to the accounting principles of the parent company and to the note 2 of the balance sheet of the parent company.*	
Valuation of subsidiary investments is considered as a key audit matter because of the judgment involved in the valuation process and because the subsidiary investments are significant to the parent company balance sheet. The carrying value of subsidiary investments at year-end 2020 amounted to 45,2 million euros. These investments represented some 84,5 % of the total assets and some 139,2 % of the total equity. Valuation of subsidiary investment requires management to make an assessment whether • there are indicators that the investments are permanently impaired, and • what the value of investments is at year-end.	We involved EY valuation specialists to assist us in evaluating the methodologies, calculations and assumptions applied by the management in the valuation of parent company's subsidiary investments. The assumptions applied by the management were compared to • approved budgets and long-term forecasts by the management, • information available in external sources, as well as • our independently calculated industry averages such as weighted average cost of capital used in discounting the cashflows.

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 the 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 5 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.

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 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. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

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

Helsinki, 5 March 2021

Ernst & Young Oy

Authorized Public Accountant Firm

Juha Hilmola

Authorized Public Accountant

Group's Key Figures

Key figures for business

	2018	2019	2020
Net sales, EUR 1,000	78,874	69,340	80,707
Increase in net sales, %	4.1 %	–12.1 %	16.4 %
Operating result (EBIT), EUR 1,000	–6,046	–8,517	–206
% of net sales	–7.7 %	–12.3 %	–0.3 %
Result before taxes, EUR 1,000	–7,397	–10,864	–2,438
% of net sales	–9.4 %	–15.7 %	–3.0 %
Result for the financial year, EUR 1,000	–7,811	–11,433	–2,837
% of net sales	–9.9 %	–16.5 %	–3.5 %
Return on equity (ROE), %	–56.2 %	–163.9 %	–38.8 %
Return on investment (ROI), %	–18.1 %	–22.4 %	–0.4 %
Equity ratio %	31.7 %	1.5 %	20.9 %
Gearing %	55.8 %	4849.1 %	266.1 %
Gross investments, EUR 1,000	709	722	8 827
% of net sales	0.9 %	1.0 %	10.9 %
Balance sheet total, EUR 1,000	41,511	52,088	66,179
Average number of employees	177	176	163
Wages and salaries paid, EUR 1,000	9,025	9,196	8,430
Share key figures			
Earnings per share (EPS), EUR, undiluted	–0.20	–0.29	–0.09
Earnings per share (EPS), EUR, diluted	–0.20	–0.29	–0.09
Equity per share, EUR	0.27	–0.02	0.05
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 %	0.0 %	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)	–1	–1	–5
Number of shares adjusted for share issue, weighted average	44,072,693	44,304,976	44,652,887
Number of shares adjusted for share issue, at end of financial year	44,251,414	44,538,914	74,147,405
Share price development			
Share price development			
– Highest price	0.60	0.44	0.50
– Lowest price	0.24	0.26	0.20
– Average price	0.50	0.30	0.31
– Share price at balance sheet date	0.25	0.27	0.45
Market capitalisation, MEUR	11.0	11.9	33.1
Number of shares traded	3,634,035	1,802,568	6,891,409
Shares traded, % of total number of shares	8.2 %	4.0 %	9.3 %
Number of shareholders	1,215	1,320	1,580

Calculation of Key Figures

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

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

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

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

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

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

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

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

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

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

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

Distribution of ownership

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of total shares and votes
1–100	416	26.4 %	19,762	0 %
101–1000	644	40.8 %	296,353	0 %
1 001–10 000	411	26.0 %	1,370,820	2 %
10 001–100 000	72	4.6 %	2,096,748	3 %
100 001–1 000 000	19	1.2 %	7,339,228	10 %
over 1 000 000	16	1.0 %	63,089,756	85 %
Total	**1 578**	**100.0 %**	**74,212,667**	**100 %**
Nominee registered	8		784,943	1 %

Largest shareholders

	Number of shares	% of total shares and votes
Suka Invest Oy	11,638,098	15.7
Keskinäinen eläkevakuutusyhtiö Ilmarinen	8,780,000	11.8
K. Hartwall Invest Oy Ab	7,939,820	10.7
Nurminen Juha Matti	6,652,032	9.0
Avant tecno Oy	5,812,920	7.8
Ruscap Oy	3,110,574	4.2
JN Uljas Oy	3,049,388	4.1
H. G. Paloheimo Oy	2,524,297	3.4
Verman Group Oy	2,524,297	3.4
Assai Oy	2,050,991	2.8
Relander Pär-Gustaf	1,757,686	2.4
Cyberdyne invest Oy	1,735,454	2.3
Kukkonen Tuomas Sakari	1,577,686	2.1
Partnos Oy	1,577,686	2.1
Jocer Oy Ab	1,279,279	1.7
Nurminen Jukka Matias	1,079,548	1.5
Tuuli Markku Juhani	953,850	1.3
Nurminen Mikko Johannes	870,108	1.2
Citibank Europe Plc	767,568	1.0
VGK invest Oy	648,000	0.9
Other 1560 shareholders	7,883,385	10.6
Total	**74,212,667**	**100.0**

Shareholders by type

	Number of shares	% of total shares and votes
Private companies	39,698,061	53 %
Financial institutions	5,776,781	8 %
Public sector organisations	8,780,000	12 %
Households	18,949,232	26 %
Foreign	222,239	0 %
Non-profit organizations	1,003	0 %
Registered in the name of nominee	785,351	1 %
Total	**74,212,667**	**100 %**

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