

Annual Report 2017



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Key Figures 2017

Net sales

75.8



EUR million. The net sales in 2016 totalled EUR 50.0 million.

Operating profit (EBIT)

1.7



EUR million. The operating profit (EBIT) in 2016 totalled EUR -0.9 million.

EBIT as percentage of net sales, %

2.2



EBIT, % of net sales in 2016 was -1.9 %.

Equity ratio, %

30.8



The equity ratio in 2016 was 14.6 %.

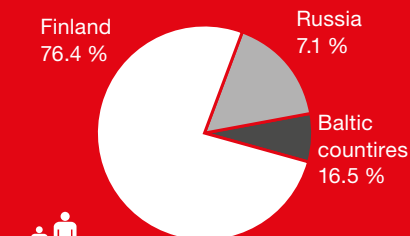
Number of personnel

182



The number of personnel in 2016 was 190.

Personnel by country, %



Nurminen Logistics in brief

Nurminen Logistics is a listed company established in 1886 that offers international logistics services. The company provides high-quality forwarding, cargo handling and value added services as well as railway transports and related to it project transport services to its customers.

Nurminen Logistics has offices in Finland, the Baltic countries and Russia. The company's terminals have excellent locations: in Finland's largest ports and key eastern routes. Nurminen Logistics provides comprehensive logistics services to its customers, which is reflected in delivery reliability as well as time and cost savings.

The goal of Nurminen Logistics is to be the most reliable and highest-quality logistics operator in chosen business segments and areas. Nurminen Logistics aims to achieve continued success by differentiating itself with excellent customer service and the ability to find creative logistics solutions when they are needed.

Nurminen Logistics
has over

130

years of experience in
providing logistics services
for international trade.



Nurminen Logistics' services

FORWARDING

Nurminen Logistics offers tailored customs clearance services for import and export trade. The services cover all documentation services related to international trade. The company's reliable and independent forwarding services benefit importers, exporters, shipping companies as well as transport and forwarding businesses. The Finnish Customs has awarded Nurminen Logistics an AEOF certificate, which entitles the company to simplified customs procedures throughout the EU. Nurminen also offers a wide variety of transport services through its global logistics network.

TERMINAL SERVICES

Nurminen has a total of 100,000 square metres of modern terminal space in Finland. The terminals are in logistically optimal locations: the largest ports and key eastern border crossings. Each terminal has a rail connection and loading

can be done both indoors and outdoors. Nurminen tailors its services to meet the needs of the customer and offers an ample selection of value added services.

VALUE ADDED SERVICES

Value added services include among other things collection and delivery, moving containers, packaging, labelling, weighing and taking samples. Value added services are tailored to each customer to match their unique needs. One customer may need load consolidation services at the terminal or repackaging, while another may decide to outsource all of its logistics operations to Nurminen Logistics.

RAIL SERVICES

Nurminen Logistics provides rail transport services between Finland and Russia and other CIS countries.



In addition to own rolling stock, Nurminen also operates wagons owned by business partners. The company's extensive terminal and forwarding services are available to the rail service customers. Also, project and special transport services are provided by rail. Nurminen Logistics' own rolling stock includes five different wagon types that are woodchip wagons, flat wagons, stanchion wagons, steel wagons and tank wagons.

PROJECT SERVICES

Nurminen Logistics offers project transport services related to major industrial investments. In addition to transportation and documentation required in international transport projects, the service covers the overall management of the project's transport logistics. Nurminen Logistics' project expertise and long experience in demanding international transport projects ensures that valuable machinery is delivered undamaged to the right place in the right time using the best transportation solution available.

Delivery reliability is maximised and the **time spent by the customer is minimised** when one provider is responsible for **the entire logistics chain.**



“We were able
to **improve
the net sales
and operating
result** of nearly
all our services”

CEO's Review

In 2017, Nurminen Logistics improved its profitability. The net sales of the company increased by 51.6 percent, the reported operating result increased by EUR 2.6 million and the reported net result by EUR 2.9 million compared to the previous financial period. The comparable net result turned positive (EUR 0.3 million) and the operational business developed favorably in 2017.

The economic recovery and the growth of the export and import industries in Finland during the review period accelerated demand for the company's services in Finland. We raised our result guidance for the year in December due to net sales that had increased more than expected and the improved operating result. We were able to improve the net sales and operating result of nearly all our services. These achievements resulted from the determined work, and our success in several sectors reflects our commitment in our service business, goals and strategy.

The positive development of the terminal business and the Baltic companies' results supported the company's result turnaround. The profitability of forwarding services in Finland remains strong and net sales increased compared to 2016. The profitability of rail logistics services in Finland increased during the review period due to the improved efficiency of operations, and the utilisation rate of wagons operated by the Russian company remained high.

We believe that the company will continue to grow in the years to come. To support this growth, the company issued a rights offering for its investors in the summer. The offering was excellently received on the markets and all 29,229,764 new shares issued in the rights offering were subscribed. The company raised gross proceeds of approximately EUR 5.7 million through the rights offering. The capital arrangements strengthened the company's capital structure and balance sheet and reduced net gearing and financing costs considerably. The rights offering combined with the increased operating result improved the company's financing position significantly in 2017.

2017 highlights



Operating result improved by

278.4
percent



The company's capital increased by EUR

9.0
million



The total length of the train was around

800
metres

1. POSITIVE RESULT
Nurminen Logistics managed to improve operating result by 278.4% compared to the previous year to EUR 1.7 million. The positive development of the terminal business and the Baltic companies' results supported the company's result turnaround. The flow of goods in the export and import trade at the terminals increased improving terminal utilization rates. The positive development was clearly visible at the Vuosaari location in forest, steel and engineering industries and in the increased demand for e-commerce logistic services.

2. RIGHTS OFFERING
A rights offering for investors issued by the company in the summer was well received on the markets and all 29,229,764 new shares issued in the rights offering were subscribed. The company raised gross proceeds of approximately EUR 5.7 million through the rights offering and the company's capital increased by EUR 9.0 million. The capital arrangements strengthened the company's capital structure and reduced net gearing and financing costs considerably.

3. BLOCK TRAIN SHIPMENT FROM FINLAND TO CHINA
In November Nurminen arranged first block train shipment from Finland to China. The container train comprised 50 40-foot containers, with the total length of the train being around 800 metres. The transport of goods from Finland crossing to Russia and from Russia to Kazakhstan and further to Central China took only 12 days, while a combined sea and overland transport to the same destination would take more than 50 days. Nurminen's goal is to organise a regular train connection to China.

In addition to continuously improving its existing services, the company aims at expanding its range of services. During the review period, the company concentrated on developing rail transports to China. The company successfully arranged the first container train transport from Finland to China in November and plans to open a regular train connection between Finland and China. There is a demand for this service in the export and import industries in Finland and Northern Europe.

In 2017, the company invested over EUR million more in capital assets than in the previous year. The terminal and rolling stock repair and information system renewal, which started this year, were the largest investment projects. The information systems are being renewed in stages: the new customer management system was implemented at the end of the year 2017, the new financial management and

forwarding systems at the turn of the year and the inventory management system will be renewed in 2018. With these modern systems, we are able to improve the efficiency of our operations and competitiveness as well as the level of our services. Furthermore, they provide opportunities to provide new digital services.

The company is on the good path and in a better financial position for continuing to grow its net sales and to improve its operations. We are continuing to analyse our strategic actions in 2018 and our goal is to support our market position and extend our value chain and range of services to customers. Our main goal for 2018 is to continue on our path of profitable growth.

Marko Tuunainen
President and CEO

Strategy

The goal of Nurminen Logistics is to be the most reliable and highest-quality logistics operator in our chosen business segments and areas. The strategy of Nurminen Logistics is to grow both organically and through investments and acquisitions. Key factors in this are our extensive experience in logistics markets both at home and internationally, a high-quality and multi-faceted range of services in central locations and near to existing product streams, and a comprehensive, sufficient, and cost-efficient service value chain that meets our customers' needs.

The Board of Directors has updated the company's long-term financial objectives to reflect the market environment and the company's current level of business activities. The 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%.

STRATEGIC OBJECTIVES FOR 2020

1. Growth through selected acquisitions and projects

- focused investments and acquisitions in growing markets and segments
- developing service concepts that create synergies for the company, and added value for customers
- expanded logistics service offering by lengthening the value chain

2. Improving profitability

- internationalisation and growing profitable business operations
- developing operational productivity and efficiency
- growth of the value chain and development of value-added services

3. Development of rail logistics services

- rail logistics to serve industrial procurement and product streams
- international rail logistics
- rail logistics produced for local services

LONG-TERM FINANCIAL OBJECTIVES

1. **Growth:** Growing at a faster rate than the market.

2. **Profitability:** The company will improve its profitability, reaching an operating profit margin of 7% and return on equity of 12%.

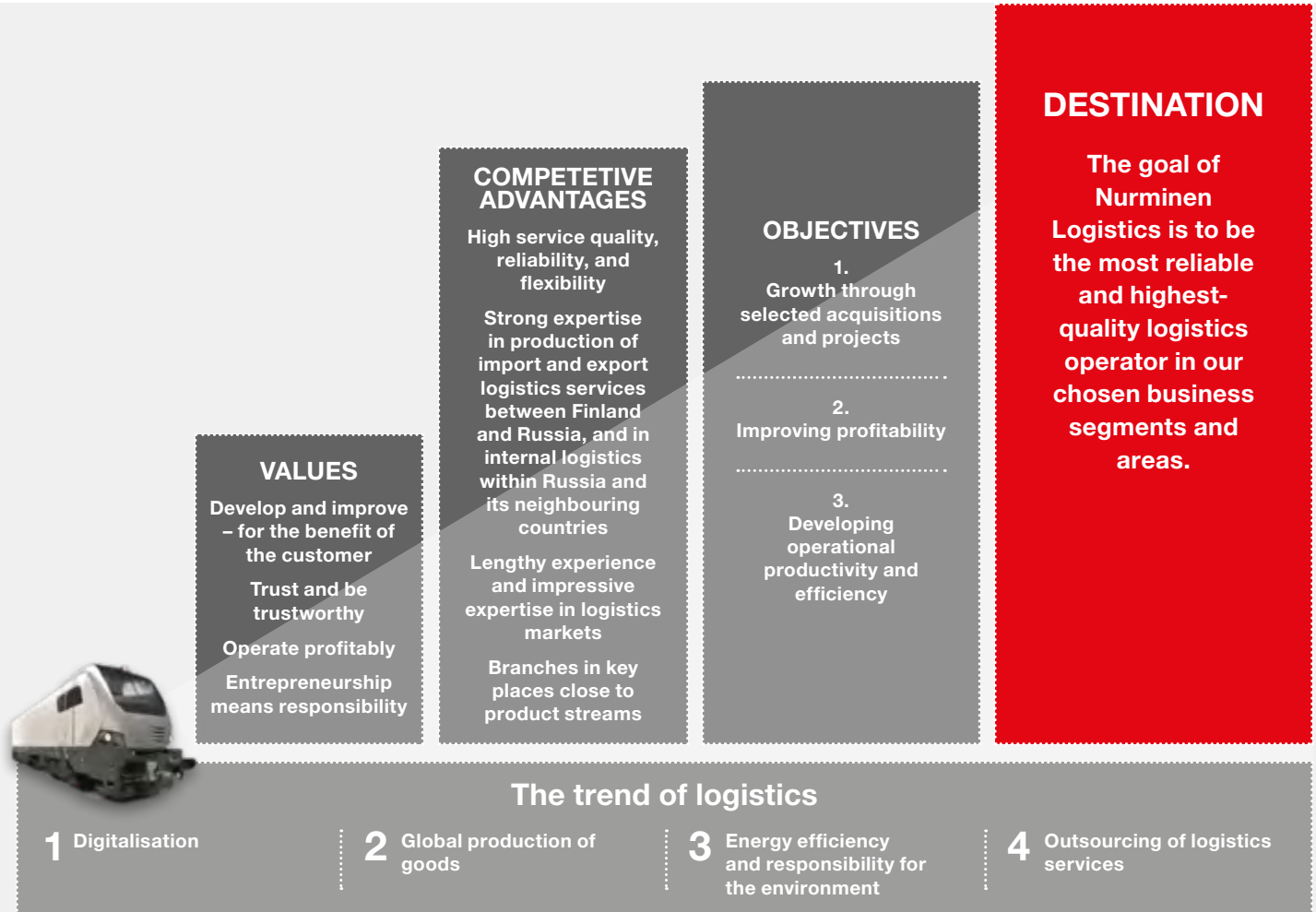
IMPLEMENTATION OF THE STRATEGY IN 2017

In 2017, Nurminen Logistics concentrated on developing its financing structure by organising a rights offering for shareholders in June–July. The goals of the capital arrangements were realised: the company received assets to advance projects according to the strategy, the company's balance sheet improved and the debt structure was reduced. In 2017, Nurminen Logistics determinedly furthered its plan to open a train connection to China, developed the operations of NR Rail Oy and managed to improve its profitability.

IMPROVING THE PROFITABILITY OF OPERATIONS

In 2017, Nurminen Logistics managed to improve the profitability of nearly all of its operations. The company's operating result increased 278.4% compared to the previous year to EUR 1.7 million. The profitability of forwarding and terminal services, railway logistics in Finland and the Baltic companies increased from the previous year. The profitability of the terminal business increased clearly, mainly due to the increase in the flow of goods in the export and import trade at the terminals. The positive development was clearly visible at the Vuosaari location in forest, steel and engineering industries and in the increased demand for e-commerce logistic services. The increased profitability of the forwarding services and railway logistics in Finland resulted from the measures to improve efficiency. The operating result of the Baltic companies was improved due to the strong net sales growth.

Nurminen Logistics' strategy



OPENING A TRAIN CONNECTION TO CHINA

The leading project in the railway logistics service development is the creation of a reliable and quick container train connection for Finnish import products to China. The first big step towards this goal was taken last November when Nurminen arranged a block train shipment from Finland to China. The goods were transported from Luumäki to Central China in just 12 days. At the same time, the company launched a project to open a weekly train connection from the Port of Helsinki to China. The company's clientele will consist of the export industry in Finland and international forwarding companies. In addition to railway transports, container collection and delivery transports from the destination in China to all around China by road will be offered to clients.

DEVELOPING NR RAIL OY'S OPERATIONS

In 2017, NR Rail continued to analyse rail transport markets according to its strategy and achieved reliable service provider status among its clientele, although investments in the railway locomotive equipment are not yet complete. NR Rail Oy is continuing the negotiations into further co-operation with a specifically identified client group and is looking into the possibilities of offering a wider entity in the logistics chain. The co-operation between Nurminen Logistics and the Russian Rustranscom was underpinned by international railway transport agreement that was ratified between Finland and Russia in 2016. According to the plans, the core service of NR Rail Oy will cover the border traffic locomotive transports of the forest and chemical industries through the border crossing points at Niirala, Imatra and Vainikkala in Finland.

Case: **SSAB**

“The location of the Vuosaari terminal right next to the harbour is a significant advantage”

Paula Ojala,
Chartering Manager, SSAB Europe Oy

The collaboration between Nurminen Logistics and SSAB has extended significantly in recent years. Small-scale collaboration started already in 2010. Nurminen handles the containerisation of the SSAB's steel coils in the Vuosaari terminal. In addition to the steel coils, Nurminen has also containerised small amounts of SSAB's steel sheets and tubes as well as handled the delivery of SSAB's sample batches around the world in cooperation with the LCL operator Nordicon.

– SSAB trusts in the Nurminen's strong quality in handling steel products. Planning the containerisation and the secured supporting of the coils at sea are the prerequisites in minimising the damages and reclamations, says Nurminen Logistics Sales Manager **Mika Raunemo**.

– We have been pleased with our cooperation with Nurminen Logistics. It is a significant advantage that the Nurminen Vuosaari terminal is located right next to the harbour. The containers can be easily accessed and Nurminen has been able to handle growing volumes according to schedules and our quality standards, tells SSAB Europe Oy Chartering Manager **Paula Ojala**.

CASE FACTS:

- SSAB is a Nordic and North American steel company operating globally. The company's value-adding products and services have been developed in close collaboration with the clients. SSAB has employees in over 50 countries and production plants in Sweden, Finland and the US. The production plants' annual steel production capacity is 8.8 million tonnes.
- Nurminen handles the loading of the SSAB's steel coils in containers in the Vuosaari terminal.
- The Vuosaari terminal handles steel coils that weigh three tonnes to approximately 20 tonnes.



Optimising shipment size and quantity as well as transport route has **a positive effect on the environment.**

Board of Directors



Olli Pohjanvirta

- b. 1967
- Managing Director of Russian Capital Management Oy
- LL.M.
- Chairman of the Board since 2015, President and CEO of the company in 2013–2015, Chairman of the Board in 2010–2013, Member of the Board in 2005*–2010
- Dependent of the company and independent of the significant shareholders



Alexey Grom

- b. 1971
- President of United Transport and Logistics Company (UTLC)
- Executive MBA
- Member of the Board since 2013
- Independent of the company and significant shareholders



Juha Nurminen

- b. 1946
- M.Sc. (Econ.)
- Member of the Board since 1971*, Chairman of the Board in 1997*–2010
- Independent of the company and dependent of the significant shareholders



Jukka Nurminen

- b. 1979
- Managing director of John Nurminen Events B.V.
- M.Sc. (Econ.)
- Member of the Board since 2009
- Independent of the company and significant shareholders

* Nurminen Logistics Plc was established on 1 January 2008 after the demerging of John Nurminen Oy. The year with an asterisk indicates when the person in question started on the Board of Directors at John Nurminen Oy and, subsequently, Nurminen Logistics Plc.

Read more: The primary work experience and other positions of trust of the members of the Board of Directors is presented on the Nurminen Logistics website www.nurminenlogistics.com

Case: Nordicon

“Nurminen handles all encountered special situations professionally”

Tommi Antikainen,
Manager, Nordicon

Nordicon is the leading neutral LCL cargo consolidator in the Nordic region with offices in Sweden, Norway, Finland and Denmark. Nordicon's core business is the consolidation of LCL (less than container load) cargo around the world. Nurminen Logistics is the terminal operator of Nordicon in Finland. The service package includes, for example, unloading and loading containers and trailers as well as sorting and reloading shipments in the Vuosaari terminal. Nurminen also offers all the customs clearance related services and the required collection and delivery transports for the Nordicon clients.

– The possibility of electronic data transfer was one of the most significant partner selection criterion when we were planning to start the collaboration with Nurminen approximately three years ago. We are very satisfied with the Nurminen services and we can always trust that Nurminen will handle all the encountered special situations professionally. For example, the unloading of LCL cargo is handled in the Nurminen Vainikkala terminal, when necessary, says Manager **Tommi Antikainen** at Nordicon.

– We have now been collaborating with Nordicon for three productive years. With the help of the electronic integration between the information systems, which was realised in the beginning of the collaboration, all the data is transferred between the systems without delays or errors. In this way, we can offer quick and up-to-date service to Nordicon. The neutrality of the partner is important for Nordicon, as is the sufficient capacity in all situations, tells Vice President **Mike Karjagin** at Nurminen Logistics.

CASE FACTS:

- Nordicon organises consignment consolidation in local terminals in each country of operation to more than 500 export destination and from more than 300 import locations around the world.
- Nurminen Logistics has operated as the Nordicon's terminal operator in Finland since the beginning of 2015.
- The Nurminen flow-through terminal handles goods from more than hundred countries every week. LCL traffic is mostly imports.

The customers of Nurminen Logistics receive **all the logistics services they need from a single service provider.**

Management Team



Marko Tuunainen

- b. 1970
- President and CEO
- M.Sc. (Econ)
- In the service of the company since 2014, in the current position since 2015



Risto Holopainen

- b. 1963
- Vice President, Terminal and Value Added Services
- B.Sc.
- In the service of the company since 2002*, in the current position since 2015



Mike Karjagin

- b. 1968
- Vice President, Forwarding
- In the service of the company since 2012, in the current position since 2015



Markku Puolanne

- b. 1973
- CFO, Finance and Mergers, Acquisitions & IT
- B.Sc. (Econ)
- In the service of the company since 2013, in the current position since 2015

* Nurminen Logistics Plc entered business on 1 January 2008 after the demerging of John Nurminen Oy. The year with an asterisk indicates when the person in question started on the Board of Directors at John Nurminen Oy which subsequently became Nurminen Logistics Plc.

Read more: The primary work experience of the members of the Management Team is presented on the Nurminen Logistics website www.nurminenlogistics.com

Case: **Metsä Tissue**

“Vuosaari Harbour and the Nurminen terminal provide an excellent shipping point for our products”

Seija Piispanen,
Distribution and Logistics Manager FIBA,
Metsä Tissue

Metsä Group is an internationally operating Finnish forestry group. Last April, Nurminen started co-operation with Metsä Group's Metsä Tissue, a company that produces tissue papers and baking and cooking papers. Metsä Tissue's products are transported by rail from the tradition-filled factory in Mänttä to Nurminen's logistics centre in Vuosaari, where the products are loaded onto sea containers and the necessary export documentation is drawn up. The products travel from Vuosaari on container ships all around the world.

– We knew from experience that the Vuosaari Harbour and the Nurminen terminal are an excellent fit for shipping our products to our global clientele, says Metsä Tissue's Seija Piispanen, who is responsible for product logistics and distribution.

– Nurminen's personnel has strong expertise in the processing, forwarding and other logistics operations of Metsä Group's products, so the start of the co-operation was very smooth. Some Metsä Tissue products require recipient-specific special supports in loading the containers, loading rolls onto pallets and other added value services, says **Risto Holopainen**, Vice President at Nurminen Logistics.

CASE FACTS:

- Metsä Tissue is one of the leading tissue providers for households and institutes in Europe and the world leader in providing baking and cooking papers. Metsä Tissue's factory at Mänttä produces WC and kitchen paper, paper hand towels, handkerchiefs, industrial paper towels and baking and cooking papers.
- The factory was established in 1868. The factory's paper production capacity is around 120,000 tonnes a year.
- In 2017, Nurminen Logistics processed more than 175,000 tonnes of Metsä Group's products at its Vuosaari terminal, which corresponds to around 8,500 40-foot sea containers.



Information for shareholders

IR POLICY

Nurminen Logistics Plc's goal is to produce accurate, coherent, sufficient and up-to-date information about the development of business operations within Nurminen Logistics Plc, its strategy and financial position. In order to reach this goal, company will:

- publish a half-yearly report, a result report and annual report on an annual basis
- provide information on factors affecting share value development, whenever needed
- maintain current bulletins and a press release archive on our investor relations web pages

Nurminen Logistics Plc seek to guarantee to everyone, current and future shareholders as well as creditors, the availability of coherent information. The company follows Finnish legislation, the regulations of the authorities and the marketplace, as well as the principles of investor relations that have proven reliable. Main channels of communication are the stock exchange and the Internet.

SHARE INFORMATION

Nurminen Logistics Plc's shares are quoted on the Main List of Nasdaq Helsinki as of 1 January 2008. The company has one series of shares. All shares have the same voting and dividend rights. The share's trading code is NLG1V.

ANNUAL GENERAL MEETING

The Annual General Meeting of Nurminen Logistics Plc will take place on Wednesday, 11 April 2018 starting at 1:00 pm. at the address Pasilankatu 2, 00240 Helsinki, Finland. Shareholders registered in the company's shareholders' register maintained by Euroclear Finland Oy on 28 March 2018 are eligible to attend the Annual General Meeting. Shareholders who wish to take part in the Annual General Meeting shall inform the company of their participation by 6 April 2018 at 10:00 am at the latest.

Notice of attendance can be given

- by post to the address
"General Meeting" /
Nurminen Logistics Plc
Satamakaari 24
00980 Helsinki, Finland
- by phone to +358 10 545 2132
- by email to
yhtiokokous@nurminenlogistics.com.

Registration letters or messages must arrive before the registration period expires. Please deliver any powers of attorney to the above address at the time of registration.

PAYMENT OF DIVIDEND

The Board of Directors proposes to the Annual General Meeting that no dividend shall be distributed for the financial year 2017.

HALF YEAR FINANCIAL REPORT 2018

Half year financial report will be published on 9 August 2018 in Finnish and English.

SILENT PERIOD

Nurminen Logistics Plc applies a 30 days silent period preceding the publication date of the annual or interim report. During this time the company's representatives do not meet investors or analysts, or comment on the company's financial position.

INVESTOR RELATIONS CONTACT PERSONS

President and CEO

Marko Tuunainen

Tel. +358 10 545 7011

e-mail: marko.tuunainen@nurminenlogistics.com

PARTIES FOLLOWING NURMINEN LOGISTICS

Inderes Oy

Nurminen Logistics is not responsible for the comments or estimates submitted by analysts.

ORDERING OF PUBLICATIONS

Nurminen Logistics Plc's printed Annual Report can be ordered by email at info@nurminenlogistics.com and other financial information releases can be ordered at nurminenlogistics.com.



A full-page background image of a large industrial warehouse. On the left, there are several large rolls of material, some labeled 'BOSEAT'. In the center, a worker wearing an orange and blue high-visibility safety vest and dark pants stands on a yellow safety line, looking towards the right. The warehouse has a high ceiling with a complex network of orange steel beams and blue corrugated metal roof panels. The floor is a smooth, light-colored concrete. In the background, more rolls of material and a small orange vehicle are visible.

Financial Statements and the Board's Report on Operations

1.1.–31.12.2017

The Board's Report on Operations

In 2017, Nurminen Logistics improved its profitability. The net sales of the company increased by 51.6 percent, the reported operating result increased by EUR 2.6 million and the reported net result by EUR 2.9 million compared to the previous financial period. The comparable net result turned EUR 0.3 million positive. The operational business developed favorably in 2017. The economic recovery and the growth of the export and import industries in Finland during the review period accelerated demand for the company's services in Finland. The company raised its result guidance for the year in December due to net sales that had increased more than expected and the improved operating result.

The net sales and operating result of nearly all company's services were improved from 2016. The positive development of the terminal business and the Baltic companies' results supported the company's result turnaround. The profitability of forwarding services in Finland remains strong and net sales increased compared to 2016. The profitability of rail logistics services in Finland increased during the review period due to the improved efficiency of operations, and the utilisation rate of wagons operated by the Russian company remained high.

The company organised a rights offering for its investors in the summer. The offering was excellently received on the markets and all 29,229,764 new shares issued in the rights offering were subscribed. The company raised gross proceeds of approximately EUR 5.7 million through the rights offering. The capital arrangements strengthened the company's capital structure and balance sheet and reduced net gearing and financing costs considerably. The rights offering combined with the increased operating result improved the company's financing position significantly in 2017. In connection with the offering, the company 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.

In addition to continuously improving its existing services, the company aims at expanding its range of services. In 2017, the company concentrated on developing rail transports to China. The company successfully arranged the first container train transport from Finland to China in December and plans to open a regular train connection between Finland and China.

In 2017, the company invested over EUR million more in capital assets than in the previous year. The terminal and rolling stock repair and information system renewal, which started this year, were the largest investment projects. In 2017 the company implemented new customer management, financial management and forwarding systems. The inventory management system will be renewed in 2018. With these modern systems, the company is able to improve the efficiency of its operations and competitiveness as well as the level of its services.

Market conditions were favorable

The Finnish economy and foreign trade grew significantly in 2017. The development of Finnish exports showed a visible and clear turnaround, and Finland became involved in the quick growth of export markets. The value of Finnish export goods increased by 15 per cent and import goods by 13 per cent compared to the previous year. The growth of Finland's export industry in the coming years is supported by the continuous growth of the most significant export markets and improvements in cost competitiveness in Finland. The demand of the services remained

at a good level in the company's key segments, such as forest industry and engineering industry products, and the company managed to maintain a strong market position in break-bulk cargo import forwarding. The Russian economy started to grow again after a long-lasting downturn. The economies of the Baltic countries continued the upbeat and the demand for services in the Baltic countries was strong in 2017.

Net sales and operating result improved significantly

The net sales for the 2017 financial period amounted to EUR 75.8 million (2016: EUR 50.0 million), which represents an increase of 51.6% compared to 2016. The operating result for the review period increased by 278.4% to EUR 1,691 (–948) thousand.

Comparable net sales amounted to EUR 74.8 (50.5) million, which represents a year-on-year increase of 48.0%. The comparable operating result for the review period increased by 22,077.8% to EUR 1,996 (9) thousand.

The comparable operating result includes net sales adjustments of EUR –1,026 (536) thousand, adjustments for exchange rate effects of EUR –102 (793) thousand and the bonuses 406 (0) thousand and adjustments to other expenses amounting to EUR 0 (164) thousand. The adjustments to net sales in the review period consist of an increase in the net sales of the Russian subsidiary due to the year-on-year appreciation of the ruble from the exchange rate comparison period (2015). The adjustments to net sales for the comparison period are related to exchange rate fluctuations and adjustments for the previous financial year.

THE GROUP'S COMPARABLE RESULT

EUR 1,000	1–12/2017	1–12/2016
REPORTED NET SALES	75,772	49,971
Changes in exchange rates	–1,026	545
Adjustments between financial periods		–9
COMPARABLE NET SALES	74,746	50,507
REPORTED OPERATING RESULT	1,691	–948
Adjustments to net sales		
Changes in exchange rates	–102	793
Adjustments between financial periods		164
Adjustments to bonuses	406	
COMPARABLE OPERATING RESULT	1,996	9

Net sales of forwarding services increased during the review period and profitability improved from 2016. Net sales increased due to the success in customer acquisition, continued strong demand for import, export and value added services and growing demand for wider service packages. The increase in profitability compared to the previous year resulted from the improvements in efficiency.

Net sales of terminal services increased and profitability also improved compared to the previous year. The flows of goods at terminals increased both in export and import trades which, at the same time, improved the capacity utilisation rate. This positive development was clearly visible in particular at the Vuosaari

location in forest, steel and engineering industries and in the increased demand for e-commerce logistics services. Demand for Russian transit and export traffic services also increased from the comparison period during the first half of the year.

Net sales of railway logistics in Finland declined during the review period compared to the previous year. However, the profitability of the business clearly improved despite the challenging first half of the year when the weak demand for railway transports had a negative effect on profitability. Demand started to recover and railway export volumes saw a slight increase at the end of the review period. Chemical transport volumes remained stable throughout the year.

As expected net sales and profitability of the Russian company decreased during the review period due to the sales of covered wagons in 2016. The utilisation rate and profitability of the company's own wagons and platforms were at a good level and the wagons circulated among customers with continuing contracts. Operating profit in Russia was still good in 2017.

Net sales and profitability of the Baltic companies improved significantly compared to the corresponding period. In 2017, the demand for services in the Baltic business saw a significant increase throughout the review period. The favourable development of customer relationships and the continuing growth of the market environment in the Baltic countries enabled this growth.

The development of the key financial, personnel and share indicators for 2015–2017 is included in the Financial Statements separately.

Financial position and balance sheet

The company's cash flow from operations was EUR 3,461 thousand. Cash flow from investments was EUR –1,695 thousand. Cash flow from financing activities amounted to EUR 3,778 thousand. Cash flow from financing was increased by a share issue in the summer (EUR +5,076 thousand).

At the end of the review period, cash and cash equivalents amounted to EUR 7,832 thousand. The company's management estimates that the operating cash flow generated by the company covers the current business needs and current liabilities for the next 12 months.

The company's balance sheet and financial position have improved as a result of significant improvement in operating result and right offering executed during the financial year. On 26 June 2017, the Board of Directors of Nurminen Logistics Plc decided on the arrangement of a rights offering based on the pre-emptive subscription rights of the current shareholders, by authorisation of the company's Annual General Meeting of Shareholders held on 21 April 2017. The purpose of the rights offering was to promote initiatives in accordance with the company's strategy, strengthen the company's balance sheet and relieve its debt structure. Furthermore, the subscription of the directed conversion offering decreased the company's payment obligations pertaining to sale and lease back arrangements by a sum of EUR 2.4 million.

The gross sum of proceeds from the company's rights offering and subsequent private placement amounts to approximately EUR 5.7 million. The subscription of the directed conversion offering was paid in full by setting off the company's payment obligations to

Ilmarinen pertaining to its sale and lease back arrangement, by which the company's debts decreased by approximately EUR 2.4 million but no proceeds were retained. Total net assets gained by the company from the rights offering amounted to approximately EUR 5.1 million. All 29,229,764 new shares issued in the rights offering were subscribed. The new shares were subscribed to the Finnish Trade Register on 28 July 2017.

In addition to the rights offering, Nurminen Logistics and Ilmarinen agreed that a sum of EUR 1,500,000 of the company's payment obligations to Ilmarinen pertaining to the sale and lease back arrangement be offered as a convertible equity hybrid bond, which may in accordance with the bond terms be fully subscribed (convertible bond). This hybrid bond agreement with Ilmarinen was signed on 18 July 2017.

As a result of the aforementioned arrangements, the company's capital increased by EUR 9.0 million and its non-current debt decreased by EUR 3.95 million. This had a significant impact on the company's balance sheet and equity ratio, the latter of which increased to 30.8%. Furthermore, the arrangement will markedly decrease the company's financing expenses in the future.

The company has no bank loans at the present time. The company's current interest-bearing liabilities (EUR 1.5 million) comprise financial leasing debt of EUR 0.6 million and factoring debt of EUR 0.9 million. The company's non-current interest-bearing liabilities decreased to EUR 17.9 million.

The Group's interest-bearing debt totaled EUR 19.3 million and net interest-bearing debt amounted to EUR 11.5 million.

The balance sheet total was EUR 47.6 million, and the equity ratio was 30.8 %.

Capital expenditure

The Group's gross capital expenditure during the review period amounted to EUR 1,624 (498) thousand, accounting for 2.1% of net sales. Depreciation totaled EUR 1.8 (1.4) million, or 2.3% of net sales.

Group structure

During the review period, shareholder base of Nurminen Logistics Plc's subsidiary NR Rail Oy was extended with a directed share issue. As a result of the transaction, Nurminen Logistics Plc's share of ownership decreased from 100% to 51%.

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

Research and development

Nurminen Logistics offers logistics services and aims to constantly develop these services both on its own and in cooperation with its partners. Due to the nature of its operations the company did not have separate research and development costs in its income statement in 2017.

Personnel

At the end of the review period, the Group had 182 employees, compared with 190 on 31 December 2016. The number of employees working abroad was 43.

Personnel expenses in 2017 totaled EUR 8.9 million (2016: EUR 8.7 million).

Changes in the Board

Tero Kivisaari resigned on 6 October 2017 from Nurminen Logistics Plc's Board of Directors. The Board of Directors of Nurminen Logistics will continue to operate as a four-member until the next Annual General Meeting.

Shares and shareholders

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

The trading volume of Nurminen Logistics Plc's shares was 4,677,332 during the period from 1 January to 31 December 2017. This represented 10.6% of the total number of shares. The value of the turnover was EUR 2,593,829. The lowest price during the review period was EUR 0.40 per share and the highest EUR 0.71 per share. The closing price for the period was EUR 0.55 per share and the market value of the entire share capital was EUR 24,339,795 at the end of the period.

At the end of the 2017 financial year the company had 1,193 shareholders. At the end of 2016 the number of shareholders stood at 753.

In the end of 2017 the company held 316,308 of its own shares, corresponding to 0.7% of votes. In October 2017 Nurminen Logistics issued 350,000 new shares in the company to the company without consideration. The issued shares are used for the payment of the remuneration of the Board members and/or for the creation of incentives for, or encouraging commitment in, personnel.

The distribution of shares and ownership by shareholders type are included in the Financial Statements separately.

Dividend policy

The company's Board of Directors has on 14 May 2008 determined the company's dividend policy, according to which 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.

Shareholder agreements related to ownership and the exercise of voting rights

No shareholder agreements related to ownership in Nurminen Logistics Plc and the exercise of voting rights have been brought to the company's attention with the exception of the announcement that was published in stock exchange release on 28 December 2007. According to the announcement, the members of the Board

of directors and Management Team have undertaken not to sell or otherwise transfer shares in John Nurminen Ltd owned by them on this date and the company's shares received as demerger consideration in conjunction with the demerger of John Nurminen Ltd without the advance written consent of the Board of Directors of the company.

Decisions made by the extraordinary general meeting of shareholders

Nurminen Logistics Plc's Extraordinary General Meeting of Shareholders held on 17 July 2017 made the following decision:

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

Based on the authorization, the Board of Directors may issue or assign, either by one or several resolutions, shares and special rights an amount, which corresponds to a maximum of 5,330,000 new shares in the Company. The authorization may be used, inter alia, for the financing of the Company and business acquisitions or other business transactions and investments, diversifying the ownership base, financing arrangement, remuneration of the members of the Board of Directors and/or for the creation of incentive schemes and for engaging personnel.

Pursuant to the authorization, the Board of Directors is entitled to resolve on share issues and on the issuance of options and other special rights entitling to shares in every way to the same extent as could be resolved by the General Meeting, including the Board of Director's right to resolve on directed share issues and on the issue of special rights entitling to shares. The authorization entitles the Board to resolve on a share issue with or without payment. The authorization for deciding on a share issue without payment also includes the right to resolve on a share issue to the Company itself, so that the authorization may be used in such a way that in total no more than one tenth (1/10) of all shares in the Company may from time to time be in the possession of the Company and its subsidiaries.

The authorization will be valid until 17 July 2022 and it does not revoke the authorization granted to the Board of Directors by the Annual General Meeting on 21 April 2017, which is valid until 30 April 2018.

Decisions made by the annual general meeting of shareholders

Nurminen Logistics Plc's Annual General Meeting of Shareholders held on 21 April 2017 made the following decisions:

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

The Annual General Meeting of Shareholders confirmed the company's financial statements and the Group's financial statements for the financial period 1 January 2016–31 December 2016 and released the Board of Directors and the President and CEO from liability.

Payment of dividend

The Annual General Meeting of Shareholders approved the Board's proposal that no dividend shall be paid for the financial year 1 January 2016–31 December 2016.

Composition and remuneration of the Board of Directors

The Annual General Meeting of Shareholders resolved that the Board of Directors shall consist of five (5) ordinary members. The Annual General Meeting of Shareholders re-elected the following ordinary members to the Board of Directors: Olli Pohjanvirta, Tero Kivisaari, Juha Nurminen, Jukka Nurminen and Alexey Grom. In its organising meeting immediately following the Annual General Meeting of Shareholders, the Board of Directors elected Olli Pohjanvirta as the Chairman of the Board. The Board of Directors also appointed an Audit Committee. The Chairman of the Audit Committee is Tero Kivisaari and the member of the Audit Committee is Jukka Nurminen.

The Annual General Meeting of Shareholders resolved that for the members of the Board elected at the Annual General Meeting for the term ending at the close of the Annual General Meeting in 2018 remuneration level will be as follows: annual remuneration of EUR 40,000 for the Chairman and EUR 20,000 for the other members. In addition, a meeting fee of EUR 1,000 per meeting for the Board and Board Committee meetings shall be paid for each member of the Board living in Finland and EUR 1,500 per meeting for a member of the Board living outside Finland. 50 per cent of the annual remuneration will be paid in the form of Nurminen Logistics Plc's shares and the remainder in money. A member of the Board of Directors may not transfer shares received as annual remuneration before a period of three years has elapsed from receiving shares. The Chairman of the Board will get, in addition, the remuneration of EUR 7,500 per month plus car benefit with the maximum value of EUR 1,600 per month and telephone benefit.

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

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

Based on the aforesaid authorisation the Board of Directors is entitled to release or assign, either by one or several resolutions, shares and/or special rights up to a maximum equivalent of 30,000,000 new shares so that aforesaid shares and/or special rights can be used, e.g., for the financing of company and business acquisitions corporate and business trading or for other business arrangements and investments, for the expansion of owner structure, paying of remuneration of the Board members and/or for the creating incentives for, or encouraging commitment in, personnel.

The authorisation gives the Board the right to decide on share issue with or without payment. The authorisation for deciding on a share issue without payment also includes the right to decide on the 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 right whereby the Board of Directors is entitled to decide of all other issues of shares and special rights. Furthermore, the Board of Directors is entitled to

decide on share issues, option rights and other special rights, in every way, as the same as General Meeting could decide. The authorisation also includes right to decide on directed issues of shares and/or special rights.

The authorisation shall remain in force until 30 April 2018.

Auditor

Auditing firm Ernst & Young Oy was elected as Nurminen Logistics Plc's auditor. Mr. Antti Suominen, APA, acts as the responsible auditor. The auditor's term ends at the end of the first Annual General Meeting following the election. Auditor's fee will be paid in accordance with the auditor's invoice accepted by the company.

Environmental factors

Nurminen Logistics seeks environmentally friendly and efficient transport solutions as part of the development of its services. All services provided by the company in Finland are covered by a certified environmental management system that meets the requirements of the ISO 14001:2004 standard.

Outlook

Nurminen Logistics believes that the positive trend in the economy and markets will continue in 2018. Nurminen Logistics expects that its comparable net sales and comparable operating result will improve from the level of 2017.

Long-term financial objectives

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

Short-term risks and uncertainties

The general deterioration of the world trade from the current situation would have a negative impact on the demand for the services of the company and, consequently, on the result.

The company's financial risks are described in more detail in the Financial Position and Balance Sheet section. More detailed information about risk management can be found on Investors page on Nurminen Logistics' website www.nurminenlogistics.com.

Events after the review period

The company had no significant events after the review period.

Board of directors' proposal for profit distribution

Based on the financial statements as at 31 December 2017, the parent company's distributable equity is 26,344,617.38 euros. The Board of Directors proposes to the Annual General Meeting that that no dividend shall be distributed for the financial year 2017.

Corporate governance statement

The Corporate Governance Statement of Nurminen Logistics Plc will be published on 8 March 2018 on the company's website at www.nurminenlogistics.com.

Consolidated Statement of Comprehensive Income, IFRS

1,000 EUR	Note	1-12/2017	1-12/2016
NET SALES	2	75,772	49,971
Other operating income	3	118	365
Materials and services		-52,516	-28,858
Employee benefit expenses	5	-8,921	-8,707
Depreciation, amortisation and impairment losses	6	-1,778	-1,447
Other operating expenses	4	-10,984	-12,271
OPERATING RESULT		1,691	-948
Financial income	7	149	266
Financial expenses	7	-1,554	-1,785
Share of profit of equity-accounted investees	15	-12	-31
		-1,417	-1,550
RESULT BEFORE INCOME TAX		275	-2,497
Income tax expense	8	-517	-622
RESULT FOR THE YEAR		-243	-3 119
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Translation differences		-314	1,865
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-556	-1,255
Result attributable to			
Equity holders of the parent company		-1,167	-3,516
Non-controlling interest		925	397
Total comprehensive income attributable to			
Equity holders of the parent company		-1,481	-1,651
Non-controlling interest		925	397
Earnings per share calculated from result attributable to equity holders of the parent company			
Earnings per share, undiluted, euro		-0,04	-0,24
Earnings per share, diluted, euro		-0,04	-0,24

Consolidated Statement of Financial Position, IFRS

1,000 EUR	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Property, plant and equipment	11	13,042	13,253
Goodwill	12,14	8,970	8,970
Other intangible assets	12	58	61
Investments in equity-accounted investees	15	232	263
Receivables	16	4,093	5,713
Deferred tax assets	17	567	659
Non-current assets, total		26,961	28,918
Current assets			
Inventories		67	41
Trade and other receivables	18	12,727	12,498
Current tax receivables			92
Cash and cash equivalents	19	7,832	2,304
Current assets, total		20,626	14,936
TOTAL ASSETS		47,587	43,854
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent company			
Share capital		4,215	4,215
Share premium reserve		86	86
Other reserves		28,808	21,273
Translation differences		-7,511	-7,285
Retained earnings		-13,689	-12,584
Hybrid bond		1,500	0
Equity attributable to holders of the parent company		13,409	5,705
Non-controlling interest		1,261	695
Equity, total		14,670	6,400
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	17	385	400
Other liabilities	23	329	375
Financial liabilities	22	17,857	22,198
Non-current liabilities, total		18,571	22,972
Current liabilities			
Current tax liabilities		331	141
Financial liabilities	22	1,472	1,919
Trade payables and other liabilities	23	12,543	12,422
Current liabilities, total		14,346	14,482
Liabilities, total		32,917	37,454
EQUITY AND LIABILITIES, TOTAL		47,587	43,854

Consolidated Cash Flow Statement, IFRS

1,000 EUR	Note	1-12/2017	1-12/2016
Cash flow from operating activities			
PROFIT/LOSS FOR THE YEAR		-243	-3,119
Adjustments for:			
Depreciation, amortisation & impairment losses	6	1,778	1,447
Gains (-) and losses (+) on disposals of property, plant and equipment and other non-current assets		-34	-83
Share of profit of associates, profit (-) / loss (+)		12	31
Unrealised foreign exchange gains (-) and losses (+)		105	-14
Financial income (-) and expenses (+)		1,300	1,533
Income taxes	8	517	622
Cash flow before changes in working capital		3,436	416
Working capital changes:			
Increase (-) / decrease (+) in inventories		-25	-41
Increase (-) / decrease (+) in non-interest bearing current receivables		-207	1,602
Increase (+) / decrease (-) in non-interest bearing current payables		1,753	-448
Net cash from operating activities before financial items and taxes		4,956	1,529
Interest paid		-1,195	-1,392
Interest received		117	84
Other financial items		-224	-229
Income taxes paid		-194	-471
Net cash from operating activities		3,461	-479
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets		-1,745	-448
Proceeds from sale of property, plant and equipment and intangible assets		49	5,762
Repayments of loan receivables		0	512
Net cash used in investing activities		-1,695	5,826
Cash flow from financing activities			
Share issue against payment	20	5,076	0
Proceeds from current borrowings		74	-2
Repayment of current borrowings		-600	-5,214
Increase (+) / decrease (-) of current liabilities		0	147
Proceeds from non-current borrowings		66	0
Repayment of non-current borrowings		-8	-200
Repayment of finance lease liabilities		-471	-890
Dividends paid / repayments of equity		-359	-191
Net cash used in financing activities		3,778	-6,351
Net increase / decrease in cash and cash equivalents		5,544	-1,004
Cash and cash equivalents at the beginning of the year		2,304	3,273
Translation differences of cash and cash equivalents at the beginning of the year		-16	18
Net increase / decrease in cash and cash equivalents		5,544	-1,004
Translation differences of net increase / decrease in cash and cash equivalents		-1	17
Cash and cash equivalents at the end of the year	19	7,832	2,304

Consolidated Statement of Changes in Equity, IFRS

1,000 EUR	Note	Equity attributable to equity holders of the parent company								
		Share capital	Share premium reserve	Legal reserve	Reserve for invested un-restricted equity	Hybrid bonds	Translation differences	Retained earnings	Total	Non-controlling interest
1-12/2016										
Equity on 1 Jan 2016		4,215	86	2,378	18,890		-8,168	-10,116	7,286	489
Comprehensive income										
Result for the year								-3,516	-3,516	397
Other comprehensive income										
Translation differences							883	982	1,865	
Total comprehensive income for the year							883	-2,534	-1,651	397
Business transactions with share holders										
Other changes					5			66	71	
Dividends										-191
Total business transactions with share holders					5			66	71	-191
Equity on 31 Dec 2016		4,215	86	2,378	18,895	-7,285	-12,584	5,705	695	6,400

1,000 EUR	Note	Equity attributable to equity holders of the parent company								
		Share capital	Share premium reserve	Legal reserve	Reserve for invested un-restricted equity	Hybrid bonds	Translation differences	Retained earnings	Total	Non-controlling interest
1-12/2017										
Equity on 1 Jan 2017		4,215	86	2,378	18,895		-7,285	-12,584	5,705	695
Comprehensive income										
Result for the year								-1,167	-1,167	925
Other comprehensive income										
Translation differences							-225	-88	-314	
Total comprehensive income for the year							-225	-1,255	-1,481	925
Business transactions with share holders										
Issue of shares					7,534				7,534	
Other changes								150	150	0
Dividends										-359
Total business transactions with share holders					7,534			150	7,685	-359
Hybrid bonds						1,500			1,500	
Equity on 31 Dec 2017		4,215	86	2,378	26,430	1,500	-7,511	-13,689	13,409	1,261

The change in equity of the share issue is presented as a net. The transaction costs for the share issue amounted to EUR 0.6 million.

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 its' neighbouring areas. The parent company of the Group is Nurminen Logistics Plc. The parent company is domiciled in Helsinki, Finland, and its registered address is Satamakaari 24, Helsinki.

Copies of the consolidated financial statements are available in internet at www.nurminenlogistics.com. The consolidated financial statements were authorised for issue by the Board of Directors on 8 March 2018. 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 make a decision to amend the financial statements.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in accordance with the IAS and IFRS standards and SIC and IFRIC interpretations effective on 31 December 2017. 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 IFRSs.

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.

As from 1 January 2017 the Group has applied the following amendments to standards that did not have a significant impact on the consolidated financial statements:

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after 1 January 2017). The amendments issued on 19 January 2016 clarifies the recognition of deferred tax assets when decreases below cost in carrying amount of a fixed-rate debt instrument measured at fair value of which the tax base remains at cost gives rise to a deductible temporary difference.
- Amendments to IAS 7 *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017). The amendments issued on 20 January 2016 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows (e.g. borrowings and repayments) and non-cash changes (i.e. acquisitions, disposals, accumulated interests, unrealised foreign currency translation differences).
- *Annual Improvements to IFRSs (2014–2016 cycle)* (effective for annual periods beginning on or after 1 January 2017/2018). In the annual improvement process the non-urgent but necessary amendments to IFRS are collected and issued annually. The nature of the improvements depends on the standards, but they do not have material impact on the consolidated financial statements. The nature of changes varies by standards. The improvements include several changes to several IFRS standards.

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 has the ability to 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 recognised 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 recognised 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 unrealised 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 recognised 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 recognised 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. Unrealised 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 recognised 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 recognised 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

recognised 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 recognised 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 of time to get ready for its intended use or sale, are capitalised as part of the carrying amount of the asset. Subsequent costs are recognized in the carrying amount of the item only if it is probable that future economic benefits associated with the asset will flow to the Group and its cost can be measured reliably. Other repair and maintenance costs are expensed as incurred.

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

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

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

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

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

Intangible assets

Goodwill

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

Goodwill is not amortised 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 capitalised when certain criteria are met. Due to the nature of its operations the company did not have separate research and development costs in its income statement in 2016 and 2015.

Other intangible assets

An intangible asset is recognised 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 amortisation and any impairment losses. Group's intangible assets include mainly IT software which is amortised on a straight-line basis over 3 to 5 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 recognised 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 recognised 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 recognised for the asset. An impairment loss on goodwill is never reversed.

Financial instruments

Financial assets

The financial assets of Nurminen Logistics are classified to the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification is made based on their purpose of use upon initial recognition. The basis of classification is reassessed at each reporting date. For financial assets not carried at fair value through profit or loss, transaction costs are included in the initial carrying amounts. Purchases and sales of financial instruments are accounted for at settlement date. Fair values of financial instruments are determined by discounting their cash flows.

Financial assets are derecognised when the Group loses the rights to receive the contractual cash flows on the financial asset or it transfers substantially all the risks and rewards of ownership outside the Group.

At the end of the reporting period, the Group estimates whether there is objective evidence on impairment of items other than financial assets measured at fair value through profit or loss. A financial asset is assumed to be impaired if there is objective evidence on impairment and the effect on the estimated future cash flows to be generated by the financial assets can be reliably measured. Objective evidence on impairment may be e.g. a significant deterioration in the counterparty's results or a contract breach by the debtor. An impairment loss is recognised immediately either in other operating expenses or in financial items, depending on the item in question.

Financial assets at fair value through profit or loss

This category includes those derivatives that do not qualify for hedge accounting, and they are classified as held-for-trading instruments. The financial assets in this category are initially measured at fair value and are subsequently re-measured at their fair values. Gains and losses arising from fair value adjustments, both unrealised and realised, are recognised in profit or loss in the period in which they occur.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables arise when the Group gives out a loan or delivers goods or services directly to a debtor. They are included in Trade and other receivables in the balance sheet, either in current or non-current items, based on their nature.

Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses. Loans and receivables are included in non-current assets, unless their maturity is less than 12 months from the balance sheet date.

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 amortised 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 unrealised and realised, are recognised 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 amortised 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 derecognised 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

The company's revenue consists mainly of forwarding services, rail services and terminal services. The company also receives revenue from short-term and long-term warehousing services. Revenue from forwarding services, rail services and terminal services is recognised on an accruals basis after the services have been supplied. Revenue from short-term warehousing services is recognised at the point when goods stored in the Group's premises are forwarded. Revenue from long-term warehousing is accounted for as rental income and it is recognised on a straight-line basis over the period of warehousing.

Employee benefits

Pension arrangements

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

Share-based payments

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

Income taxes

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

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

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

Leases

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

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

Sale and leaseback

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

Operating profit

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

Hybrid bond

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

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

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

The Group's segment reporting is based on segments identified by management. The company report only one segment from 2016.

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

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

Due to uncertainty regarding use of confirmed losses the Group has not recorded deferred tax assets in the consolidated balance sheet

Property, plant and equipment as well as intangible assets are reviewed annually as to whether any indications exist that these assets might be impaired. If indications exist, the asset's recoverable amount is estimated.

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

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

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

Application of new and revised IFRS standards

The IASB has published the following new or revised standards and interpretations that the Group has not yet applied. The Group will adopt these standards as of the effective date of each of the standards, or if the effective date is not the first day of the financial year, as of the beginning of the next financial year following the effective date. These standards are not expected to have a significant impact on the consolidated financial statements.

- New IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018): IFRS 9 will supersede current IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduced new requirements for the classification and measurement of financial asset and introduces a new impairment model for financial assets, which is based on expected credit losses. The general hedge accounting requirements has also been revised. Recognition and measurement of financial liabilities will mainly continue to be on the same bases as currently adopted under IAS 39.
- New IFRS 15 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or service underlying the particular performance obligation is transferred to customer. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group has not decided whether a full retrospective application will be applied. During 2016 the company has performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the company is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

The Group's most significant revenue stream comes from the sale of services. The Group does not see any changes in Finnish and Russian businesses due to implementation of the new standard. The effects to Baltics business requires more analysis before final conclusions. Based on the preliminary assessment, the company does not expect to have any significant changes from adoption of the new standard. The services provided by the company are delivered to customers and the revenue recognised at a point in time. In addition, extensive disclosures are required by the new revenue recognition standard. Based on the preliminary assessment, the company does not expect to have any significant changes from adoption of the new standard. The services provided by the company are delivered to customers and the revenue recognised at a point in time.

- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018). The clarifications issued on 12 April 2016 provides guidance on (a) identifying performance obligations; (b) principle versus agent considerations; and (c) licensing application. The clarifications have been endorsed by the EU.
 - IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019). IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the current guidance including IAS 17 *Leases* and the related interpretations. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by the customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting in requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a financial lease. Furthermore, extensive disclosure is required by IFRS 16.
- According to the forthcoming standard IFRS16, all of the lessees lease agreements will be booked as fixed assets in the balance sheet, except for short-term contracts under 12 months and immaterial contracts. The new standard transfers off-balance sheet commitments to the balance sheet, which results in an increase of fixed assets and liabilities and moves former lease expenses to Depreciation and Interest expenses. The amount of commitments was EUR 59 million on 31st December 2017. Agreements treated as commitments however differ from the lease agreements determined by IFRS16 and thus the amount of agreements that will be booked on balance sheet can differ from these commitments. Based on Groups' industry and business model, it acts mostly as lessee in numerous contracts. Major part of the contracts that will be booked on balance sheet consist of the lease contracts of offices and warehouses as well as some machinery and equipment. Nurminen Logistics has continued with standard workshops and impact analysis during the second half of 2017 and will launch a more specified assessment of standard impacts during the first half of 2018, as it has been observed that the variety of contracts in the scope of the standard is comprehensive. Group expects that there will be an impact on both accounting principles and reported figures. This change will also impact financial indicators which are based on the balance sheet, such as gearing.
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after 1 January 2018). The interpretation issued on 8 December 2016 provides guidance on "the date of the transaction" when an entity pays or received consideration in advance in a foreign currency. IAS 21 *The Effects of Changes in Foreign Currency Rates* requires an entity to record a transaction in a foreign currency transaction, initially, at the spot rate at "the date of the transaction". IAS 21 defines the date of the transaction as "the date on which the transaction first qualifies for recognition in accordance with IFRSs". The interpretation clarifies that "the date of the transaction" is the date of the advance consideration. The clarifications have been endorsed by the EU.
 - IFRS 9 *Financial Instruments and subsequent amendments* (effective for financial years beginning on or after January 1, 2018). The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting and replaces current IAS 39. The impairment model in IFRS 9 is based on the premise of providing for expected losses.
 - *Annual Improvements to IFRS Standards 2014–2016 Cycle* (effective for financial years beginning on or after January 1, 2018). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. Their impacts vary standard by standard but are not significant. New or amended standards have not been endorsed for use by the European Union yet.
 - *Annual Improvements to IFRS Standards 2015–2017 Cycle* (effective for financial years beginning on or after January 1, 2019). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. Their impacts vary standard by standard but are not significant. New or amended standards have not been endorsed for use by the European Union yet.
 - Amendments to IFRS 9: *Prepayment Features with Negative Compensation* (effective for financial years beginning on or after January 1, 2019). The amendment covers two issues: What financial assets may be measured at amortised cost and how to account for the modification of a financial liability. The amended standard has not been endorsed for use by the European Union yet.
 - IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for financial years beginning on or after January 1, 2019). Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. The amended standard has not been endorsed for use by the European Union yet.

Other, here not listed revised standards or interpretations are not expected to have an impact on the consolidated financial statements.

2. SEGMENT INFORMATION

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

Information on geographical areas

1,000 EUR	Finland	Russia	Baltic countries	Total
2017				
Net sales	30,383	5,725	39,664	75,772
Non-current assets	23,648	3,156	157	26,961
2016				
Net sales	29,011	6,114	14,846	49,971
Non-current assets	25,304	3,173	72	28,549

Information on major customers

The Group's revenue from Cosco Shipping was EUR 13,474 thousand in 2017, which was approximately 18% of Group's net sales. Revenue from a single customer didn't exceed 10 % of Group's net sales in 2016.

3. OTHER OPERATING INCOME

1,000 EUR	2017	2016
Gains from sale of property, plant and equipment	45	92
Rent income	18	22
Other items	55	250
Total	118	365

4. OTHER OPERATING EXPENSES

1,000 EUR	2017	2016
Losses on sales and disposals of property, plant and equipment	12	9
Expenses relating to premises	7,345	6,213
Administrative expenses	2,385	2,211
Other cost items	1,242	3,838
Total	10,984	12,271

Auditor fees

1,000 EUR	2017	2016
Audit fees	59	50
Other services	84	19
Total	143	69

5. EMPLOYEE BENEFIT EXPENSES

1,000 EUR	2017	2016
Wages and salaries	7,270	7,107
Pension expenses, defined contribution plans	1,269	1,209
Other social security costs	231	332
Share-based payments	150	60
Total	8,921	8,707

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

Personnel of the Group during the year in average

	2017	2016
Total	188	193

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

Depreciation and amortisation by asset category:

1,000 EUR	2017	2016
Intangible assets		
Intangible rights	5	8
Other intangible assets	42	122
Total	48	131
Property, plant and equipment		
Buildings	1,138	1,160
Machinery and equipment	583	145
Other tangible assets	9	12
Total	1,730	1,317

The Group has not recognised value losses in the financial year 2017. The company booked in 2016 a EUR 900,000 loss in the value of buildings. The booking was booked against the retained earnings because it was a correction for the annual period of 2014. The value loss was booked for Niirala premises closed in 2014.

7. FINANCIAL INCOME AND EXPENSES

1,000 EUR	2017	2016
Financial income		
Interest income	117	84
Exchange rate gains	13	157
Other financial income	19	26
Total financial income	149	266
Financial expenses		
Interest expenses	1,194	1,715
Exchange rate losses	138	41
Other financial expenses	223	29
Total financial expenses	1,554	1,785

Items above the operating profit include exchange rate differences totalling EUR 26 thousand in 2017 (EUR –793 thousand in 2016).

8. INCOME TAX EXPENSE

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

1,000 EUR	2017	2016
Current tax expense	484	312
Other direct taxes	36	358
Deferred taxes, net	-2	-48
Total	517	622

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	2017	2016
Profit before income tax	275	-2,497
Income tax calculated using the Finnish corporate tax rate	56	-499
Effect of tax rates used in foreign subsidiaries	-108	-48
Share of profit equity-accounted investees	304	6
Non-deductible expenses	2	8
Usage of prior unrecognised tax assets on losses	23	-36
Unrecognised deferred tax assets on losses	323	835
Other differences	-81	356
Total adjustments	462	1,121
Income tax expense in the statement of comprehensive income	517	622

9. EARNINGS PER SHARE

	2017	2016
Result attributable to the equity holders of the parent company (1,000 EUR)	-1,167	-3,516
Interest on the hybrid bond	22	0
Weighted average number of shares, undiluted	29,253,069	14,484,433
Earnings per share, undiluted, euro	-0.04	-0.24
Result attributable to the equity holders of the parent company (1,000 EUR)	-1,167	-3,516
Weighted average number of shares, diluted	31,143,692	14,484,433
Earnings per share, diluted, euro	-0.04	-0.24

10. SUBSIDIARIES AND ASSOCIATES

The companies belonging to Nurminen Logistics are the following:

	Domicile	Ownership (%)	Share of the voting power (%)
Subsidiaries			
RW Logistics Oy	Finland	100.0 %	100.0 %
Nurminen Logistics Services Oy	Finland	100.0 %	100.0 %
Nurminen Maritime Latvia SIA	Latvia	51.0 %	51.0 %
UAB Nurminen Maritime	Lithuania	51.0 %	51.0 %
Nurminen Maritime Eesti AS	Estonia	51.0 %	51.0 %
OOO Nurminen Logistics	Russia	100.0 %	100.0 %
Zao Terminal Rubesh	Russia	100.0 %	100.0 %
Associates and joint ventures			
NR Rail Oy	Finland	51.0 %	51.0 %
Pelkolan Terminaali Oy	Finland	20.0 %	20.0 %
Team Lines Latvia SIA	Latvia	23.0 %	23.0 %

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

Name	Country of incorporation	Group ownership (%)	Group share of voting rights (%)
Nurminen Maritime Latvia SIA	Latvia	51.0 %	51.0 %
UAB Nurminen Maritime	Liettua	51.0 %	51.0 %
Nurminen Maritime Eesti AS	Eesti	51.0 %	51.0 %

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

1,000 EUR	Baltic companies	
	2017	2016
Summary of comprehensive income statements		
Net sales	39,664	14,855
Profit before taxes	2,263	966
Income tax	-377	-157
Total comprehensive income	1,887	810
Total comprehensive income attributable to NCI	925	397
Summary of balance sheets		
Current assets	6,206	4,423
Non-current assets	157	86
Current liabilities	3,732	3,114
Non-current liabilities	58	12
Net assets	2,573	1,384
Net assets attributable to NCI	1,261	678
Summary of cash flows		
Cash flow from operating activities	1,958	621
Cash flow from investing activities	-9	-19
Cash flow from financing activities	-966	-404
Net increase in cash and cash equivalents	984	198
Dividends paid to NCI during the year	460	191

11. PROPERTY, PLANT AND EQUIPMENT

1,000 EUR	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Pre-payments and assets under construction	Total
2017						
Cost at 1 January	147	15,766	18,126	730	85	34,854
Additions		13	648	9	1,011	1,682
Disposals			-11			-11
Effect of movements in exchange rates						0
Cost at 31 December	147	15,779	18,764	739	1,096	36,525
Accumulated depreciation and impairment losses at 1 January	0	-5,400	-15,537	-665	0	-21,602
Depreciation for the year		-1,137	-525	-9		-1,671
Effect of movements in exchange rates		-37	-173			-210
Accumulated depreciation and impairment losses at 31 December	0	-6,573	-16,235	-674	0	-23,482
Carrying amount at 1 January 2017	147	10,367	2,589	65	85	13,253
Carrying amount at 31 December 2017	147	9,206	2,529	65	1,096	13,042
2016						
Cost at 1 January	147	16,409	15,464	716	0	32,736
Additions			399	14	85	498
Divestitures		-768	-49	-1		-817
Effect of movements in exchange rates		125	2,312			2,437
Cost at 31 December	147	15,766	18,126	730	85	34,854
Accumulated depreciation and impairment losses at 1 January	0	-4,473	-13,522	-653	0	-18,649
Depreciation for the year		-1,167	-160	-12		-1,338
Accumulated depreciation on disposals		254	4			258
Effect of movements in exchange rates		-14	-1,859			-1,873
Accumulated depreciation and impairment losses at 31 December	0	-5,400	-15,537	-665	0	-21,602
Carrying amount at 1 January 2015	147	11,936	1,942	63	0	14,088
Carrying amount at 31 December 2015	147	10,367	2,589	65	85	13,253

Assets acquired under finance leases

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

1,000 EUR	Machinery and equipment	Buildings	Total
2017			
Cost at 1 January	1,861	13,756	15,618
Additions	141		141
Cost at 31 December	2,002	13,756	15,758
Accumulated depreciation and impairment losses at 1 January	-1,814	-4,276	-6,090
Depreciation for the year	-31	-1,029	-1,059
Accumulated depreciation and impairment losses at 31 December	-1,845	-5,304	-7,150
Carrying amount at 31 December	157	8,452	8,609
2016			
Cost at 1 January	1,896	14,524	16,420
Changes to previous financial periods	-34		-34
Additions		-768	-768
Cost at 31 December	1,861	13,756	15,618
Accumulated depreciation and impairment losses at 1 January	-1,814	-3,476	-5,290
Depreciation for the year	0	-1,055	-1,055
Accumulated depreciation on disposals		254	254
Accumulated depreciation and impairment losses at 31 December	-1,814	-4,276	-6,090
Carrying amount at 31 December	47	9,480	9,527

12. INTANGIBLE ASSETS

1,000 EUR	Goodwill	Intangible rights	Other intangible assets	Total
2017				
Cost at 1 January	8,970	838	3,234	13,043
Additions			44	44
Cost at 31 December	8,970	838	3,279	13,087
Accumulated amortisation and impairment losses at 1 January	0	-829	-3,183	-4,012
Amortisation for the year		-5	-42	-48
Accumulated amortisation and impairment losses at 31 December	0	-835	-3,225	-4,060
Carrying amount at 1 January 2017	8,970	9	52	9,031
Carrying amount at 31 December 2017	8,970	4	54	9,028
2016				
Cost at 1 January	8,970	838	3,234	13,043
Additions				0
Cost at 31 December	8,970	838	3,234	13,043
Accumulated amortisation and impairment losses at 1 January	0	-821	-3,060	-3,882
Amortisation for the year		-8	-122	-131
Accumulated amortisation and impairment losses at 31 December	0	-829	-3,183	-4,012
Carrying amount at 1 January 2016	8,970	17	174	9,161
Carrying amount at 31 December 2016	8,970	9	52	9,031

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	Loans and receivables	Liabilities measured at amortised cost	Carrying amounts in the balance sheet
2017				
Non-current financial assets				
Other receivables	16	4,093		4,093
Current financial assets				
Trade and other receivables	18	8,323		8,323
Cash and cash equivalents	19	7,832		7,832
Non-current financial liabilities				
Interest-bearing liabilities	22		17,857	17,857
Current financial liabilities				
Interest-bearing liabilities	22		1,472	1,472
Trade payables	23		5,838	5,838
2016				
Non-current financial assets				
Other receivables	16	5,713		5,713
Current financial assets				
Trade and other receivables	18	7,739		7,739
Cash and cash equivalents	19	2,304		2,304
Non-current financial liabilities				
Interest-bearing liabilities	22		22,198	22,198
Current financial liabilities				
Interest-bearing liabilities	22		1,919	1,919
Trade payables	23		5,756	5,756

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

14. IMPAIRMENT OF ASSETS

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

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

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

Group goodwill

1,000 EUR	Business operations in Finland and Russia	Business operations in Baltics	Total
	8,970	0	8,970

Indications of possible impairment of assets are reviewed regularly, based on indicators from the Group's internal and external information sources. Such indicators may be, for example, unexpected discrepancies in key assumptions used in the calculations discovered in Group reporting. In addition, indicators may also be changes in competition or other conditions prevailing in the market or new authority regulations affecting different industries or matters concerning service concession. During the years 2017 and 2016 there was not any indicators that would have led to impairment testing of assets.

The impairment testing calculations are based on, by management approved estimates concerning the future cash flows, covering a five-year period. The estimated cash flows beyond the five-year period (terminal value) are determined by using long-term growth estimates.

The cash flow is estimated to develop according to the Group's medium-term growth and profitability expectations in the next five years. The growth of sales and the profitability development are defined based on latest progress in business and common forecasts. The terminal value is based on a cash flow growth of 1 % . The assumptions are based on the positive development in Finland, Russia and its neighboring areas as well as carried out efficiency improving operations.

The discount rate is based on after-tax weighted average cost of capital. The used discount rate is 12.1 % and terminal interest 12.3 %. In determining the discount rate and impairment testing calculations, the market risks and capital intensiveness relating to these businesses have been taken into account. The cost of equity that affects to the discount rate is in line with the Group's long term objectives of return on equity. The turnover of the business in Finland and Russia was EUR 36.1 million in 2017 and it is expected to grow 15 % during forecast period. The EBIT margin is expected to grow from 3 % to 5 % (the Group's long term EBIT margin target is 7 %).

In impairment testing the essential assumptions have been tested. The management considers that there are no grounds for an impairment loss. The accumulated cash flows exceed the booking value by EUR 18.5 million. An increase of 5 percentage points in the discount rate would not lead to recognition of an impairment loss when it comes to the calculations for the year 2017. If the terminal value growth was 1 percentage points lower (being 0 %), the increase in the discount rate could be 5 % percentage points respectively. The operating profit could fall by over 2,7 % percentage points each reporting year without the need for recognition of an impairment loss.

15. EQUITY-ACCOUNTED INVESTEEES

1,000 EUR	2017	2016
At 1 January	263	293
Share of profit / loss for the year	-114	-31
Investments in equity accounted investees	102	0
Dividends	-21	0
Translation differences / other changes	2	1
At 31 December	232	263

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

	Domicile	Ownership (%)
Pelkolan Terminaali Oy	Lappeenranta	20.0
Team Lines Latvia SIA	Riga	23.0

16. NON-CURRENT RECEIVABLES

1,000 EUR	2017	2016
Other receivables	4,067	5,680
Total	4,067	5,680

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

17. DEFERRED TAX ASSETS AND LIABILITIES

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

1,000 EUR	1 Jan 2016	Recognised in the income statement		Exchange rate differences	31 Dec 2016
Movements in deferred taxes during year 2016:					
Deferred tax assets:					
Component depreciation and sales profit of spare parts	609	-78		128	659
Total	609	-78		128	659
Deferred tax liabilities:					
Cumulative depreciation and amortisation difference	1				1
Timing differences and temporary differences / reversal of deductible goodwill amortisation	278	0			278
Other items	168	-48			120
Total	447	-48		0	400

1,000 EUR	2017	2016
Deferred taxes		
Losses of Group companies from previous financial years	30,430	24,059
Confirmed losses expires in 2020–2024		
Deferred tax assets on losses from previous financial years	6,086	4,812

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

18. TRADE AND OTHER RECEIVABLES

1,000 EUR	2017	2016
Trade receivables	7,429	6,687
Prepaid expenses and accrued income	4,405	4,759
VAT receivables	231	255
Other receivables	663	797
Total	12,727	12,498
Trade and other receivables in currencies		
Euro	9,982	10,266
US Dollar	1,660	1,986
Russian Rouble	1,085	246
	12,727	12,498

The most significant items under prepaid expenses and accrued income, EUR 2,108 thousand in 2017 (EUR 2,108 in 2016), consists of pre-rental for year 2018 to Ilmarinen and EUR 300 thousand in 2017 (EUR 1,200 thousand in 2016), consists of services rendered at the balance sheet date but yet not invoiced from the customers.

The Group has recognised credit losses amounting to EUR 9 thousand in 2017 (EUR 78 thousand in 2016).

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	2017	2016
Cash and bank balances	7,832	2,304
Cash and cash equivalents in the balance sheet	7,832	2,304

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

20. EQUITY DISCLOSURES

The Board members of the parent company review the capital structure and gearing 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 78.4 % in the end of 2017 and 340.8 % in the end of 2016.

	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 December 2015	14,574,410	4,215	86	2,378	18,890
Directed issue	100,000				
Repayments of equity					5
31 December 2016	14,674,410	4,215	86	2,378	18,895
Directed issue	350,000				
Rights offering	29,229,764				7,534
Repayments of equity					
31 December 2017	44,254,174	4,215	86	2,378	26,430

The company's shares have no nominal value.

The maximum share capital of the company is EUR 4,215 thousand.

Share issue

On 26 June 2017, the Board of Directors of Nurminen Logistics Plc decided on the arrangement of a rights offering based on the pre-emptive subscription rights of the current shareholders, by authorisation of the company's Annual General Meeting of Shareholders held on 21 April 2017. The purpose of the rights offering was to promote initiatives in accordance with the company's strategy, strengthen the company's balance sheet and relieve its debt structure. Furthermore, the subscription of the directed conversion offering decreased the company's payment obligations pertaining to sale and lease back arrangements by a sum of EUR 2.4 million.

The gross sum of proceeds from the company's rights offering and subsequent private placement amounts to approximately EUR 5.7 million. The subscription of the directed conversion offering was paid in full by setting off the company's payment obligations to Ilmarinen pertaining to its sale and lease back arrangement, by which the company's debts decreased by approximately EUR 2.4 million but no proceeds were retained. Total net assets gained by the company from the rights offering amounted to approximately EUR 5.1 million. All 29,229,764 new shares issued in the rights offering were subscribed. The new shares were subscribed to the Finnish Trade Register on 28 July 2017.

Reserves included in equity

Share premium reserve

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

Legal reserve

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

Reserve for invested unrestricted equity

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

21. SHARE-BASED PAYMENTS

The Board of Directors of Nurminen Logistics Plc has on 13 January 2014 decided, by virtue of an authorization granted by the Annual General Meeting of Nurminen Logistics Plc held on 15 April 2013, to issue stock options to the key employees of the Company and its subsidiaries. The stock options shall be issued gratuitously to the key employees of the Group. The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase shareholder value and to commit the key employees to the employer. The Board of Directors has set the target for the options to be positive net result of the Group. The maximum total number of stock options issued is 1,500,000, and they entitle their owners to subscribe for a maximum total of 1,500,000 new shares in the Company or existing shares held by the Company. The Share subscription price of the stock options 2014 is EUR 1.60 per share. Shares subscribed for and fully paid shall be registered on the book-entry account of the subscriber.

The Share subscription period shall be

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

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

There was no expenses from stock options in 2017 or in 2016.

Members of the Board have been paid 50% of the Board fees in shares. In 2017, these amounted to EUR 55 thousand. 25% of management's 2017 performance bonuses will be paid in shares. These bonuses paid in shares amounted to EUR 95 thousand and are recognised in result in 2017. These fees will be paid during the first half of the 2018.

In July 2017 there was a directed issue for members of the Board of Directors and the President and CEO and Group management team of the company and/or the companies, in which they exercise control. The share issue of 1,329,317 new shares was subscribed fully totalling EUR 372,209.

22. FINANCIAL LIABILITIES

1,000 EUR	2017	2016
Non-current		
Loans from financial institutions	13,558	13,500
Finance lease liabilities	4,299	8,698
Total	17,857	22,198
Current		
Loans from financial institutions	897	1,423
Finance lease liabilities	575	496
Total	1,472	1,919
Interest-bearing liabilities in currencies		
Euro	19,328	24,117
Finance lease liabilities		
	2017	2016
Total amount of minimum lease payments		
Less than one year	1,622	1,148
Between one and five years	3,841	9,790
Total	5,463	10,939
Future finance expenses	-590	-1,745
Present value of minimum lease payments	4,874	9,194
Present value of minimum lease payments are due according to following		
Less than one year	575	496
Between one and five years	4,299	8,698
Total	4,874	9,194

23. TRADE PAYABLES AND OTHER LIABILITIES

1,000 EUR	2017	2016
Current		
Trade payables	5,835	5,756
Other liabilities	402	409
Accrued expenses and deferred income	6,306	6,257
Total trade payables and other liabilities	12,543	12,422
Trade payables and other liabilities in currencies		
Euro	9,559	10,476
US Dollar	2,671	1,898
Russian Rouble	313	48
	12,543	12,422
Non-current		
Other liabilities	329	375
Total non-current liabilities	329	375

The most significant item under accrued expenses, EUR 4,613 thousand in 2017 (EUR 4,139 thousand in 2016), consists of periodization of operative expenses and personnel expenses EUR 1,358 thousand (EUR 1,144 thousand in 2016).

24. FINANCIAL RISK MANAGEMENT

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

Currency risk

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

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

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

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

Interest rate risk

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

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

Liquidity risk

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

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

Credit risk

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

The Group has not applied hedge accounting during 2017 and 2016.

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

Sensitivity analysis for variable interest rate loans

1,000 EUR	31 Dec 2017	2017			
		Income statement 100 bp		Equity 100 bp	
		increase	decrease	increase	decrease
Total amount of variable interest rate loans	14,397				
Variable interest rate instruments		-203	203	-203	203
Total effect		-203	203	-203	203

1,000 EUR	31 Dec 2016	2016			
		Income statement 100 bp		Equity 100 bp	
		increase	decrease	increase	decrease
Total amount of variable interest rate loans	14,323				
Variable interest rate instruments		-111	111	-111	111
Total effect		-111	111	-111	111

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.

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 +/- 30%
- other variables remain constant

1,000 EUR	Russian Rouble	2017			
		Income statement 30 %		Equity 30 %	
		increase	decrease	increase	decrease
Total currency items					
Income statement	10,573				
Equity	248,386				
Total effect		-69	37	-1,534	826

1,000 EUR	Russian Rouble	2016			
		Income statement 30 %		Equity 30 %	
		increase	decrease	increase	decrease
Total currency items					
Income statement					
Equity	253,625				
Total effect		0	0	-1,690	910

Exchange rates used	Exchange rate for the period		Balance sheet exchange rate	
	2017	2016	2017	2016
RUB	65,94	74,14	69,39	64,30

LIQUIDITY RISK

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

1,000 EUR	1 month	1-3 months	3 months- 1 year	1-5 years	5 years ->
Loans from financial institutions	0,	0	0	0	13,500
Finance lease liabilities	39	47	489	4,299	
Trade payables	4,715	1,123	1		
Interest	29	2	480	1,812	203
Total	4,783	1,172	969	6,111	13,703

The contractual cash flows of loan instalments and interests at 31 December 2016 were the following :

1,000 EUR	1 month	1-3 months	3 months- 1 year	1-5 years	5 years ->
Loans from financial institutions	0	0	600	0	13,500
Finance lease liabilities	61	109	327	8,698	
Trade payables	1,984	3,772			
Interest	0	6	431	1,738	623
Total	2,045	3,886	1,357	10,436	14,123

The EUR 8.5 million loan from Ilmarinen includes condition that the company pays premature repayments 30% of free cash flow. According to agreement, free cash flow is calculated by deducting financial expenses, 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 linearly with installments."

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

Changes in long term interest bearing debts

	1.1.2017	Cash flow change	Increase	Loan con- versions	Other changes	31.12.2017
Long term loans from financial institutions	13,500	-8	66			13,558
Long term finance lease liabilities	8,698		70	-3,958	-510	4,299
Total	22,198	-8	136	-3,958	-510	17,857

Changes in short term interest bearing debts

	1.1.2017	Cash flow change	Increase	Loan con- versions	Other changes	31.12.2017
Short term loans from financial institutions	1,423	-600	74			897
Short term finance lease liabilities	496	-471	40		510	575
Total	1,919	-1,071	114		510	1,472

CREDIT RISK

Maximum exposure to credit risk	1,000 EUR
2017	8,092
2016	7,484

Saamisten ikäjaukauma

1,000 EUR	Erääntymätön	Alle 30 päivää	30–120 päivää	yli 120 päivää	Yhteensä
2017	5,685	1,381	224	138	7,429
2016	5,296	956	288	146	6,687

Nurminen Logistics has no significant concentrations of credit risk.

25. OPERATING LEASES**The Group as lessee**

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

1,000 EUR	2017	2016
Less than one year	4,972	4,077
Between one and five years	20,859	19,310
More than five years	33,488	38,501
Total	59,320	61,888

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

26. CONTINGENCIES AND COMMITMENTS

1,000 EUR	2017	2016
Liabilities for which business mortgages have been given and subsidiary shares pledged		
Loans from financial institutions	14,397	14,923
Mortgages given	15,500	19,500
Book value of pledged subsidiary shares	10,108	4,266
Other commitments		
Customs duties and other guarantees	9,965	9,945

27. RELATED PARTY TRANSACTIONS

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

Related party transactions with companies under control of Board members

1,000 EUR	2017	2016
Sales	11	16
Purchases	181	68

Management remuneration

EUR	2017	2016
CEO, the members of the Board and the Executive Board		
Salaries and other short-term employee benefits	869,353	933,883
Statutory pension payments	87,922	95,486
Share-based payments	65,000	115,834
Total	1,022,275	1,145,203
Salaries and wages		
CEO		
Marko Tuunainen	305,600	265,304
Statutory pension payments 25,172 in 2017		
Members of the Board		
Alexey Grom	36,000	17,500
Tero Kivisaari (until 6 October 2017)	17,000	19,167
Tommi Matomäki (until 7 April 2015)	0	17,137
Juha Nurminen	28,000	17,000
Jukka Nurminen	27,000	21,000
Olli Pohjanvirta	155,915	131,680
Total	569,515	488,788

Members of the Board and CEO own 29.68 % of company shares on 31 December 2017.

28. EVENTS AFTER THE BALANCE SHEET DATE

There are no substantial events affecting the financial statement after the balance sheet date.

Parent Company's Income Statement

EUR	Note	2017	2016
NET SALES	1	1,870,425.22	1,961,603.89
Other operating income	2	33,090.91	215,252.00
Materials and services		0.00	-2,106.34
Employee benefit expenses	3	-1,545,945.17	-1,304,351.68
Depreciation, amortisation and impairment losses	4	-1,004,060.43	-86,303.91
Other operating expenses	5	-539,338.22	-1,476,353.55
OPERATING RESULT		-1,185,827.69	-692,259.59
Financial income and expenses	6	-211,002.36	5,662,344.98
RESULT BEFORE EXTRAORDINARY ITEMS		-1,396,830.05	4,970,085.39
RESULT BEFORE APPROPRIATIONS AND TAXES		-1,396,830.05	4,970,085.39
Taxes		6,790.47	0.00
RESULT FOR THE YEAR		-1,390,039.58	4,970,085.39

Parent Company's Balance Sheet

EUR	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets	1	6,407.24	23,200.39
Property, plant and equipment	1	9,522,494.13	9,590,062.91
Investments	2	33,541,609.66	30,903,712.66
Total non-current assets		43,070,511.03	40,516,975.96
Current assets			
Non-current receivables	3	4,067,270.17	5,679,638.22
Current receivables	3	5,077,480.25	5,995,960.92
Cash and cash equivalents		5,437,946.89	871,202.34
Total current assets		14,582,697.31	12,546,801.48
TOTAL ASSETS		57,653,208.34	53,063,777.44
EQUITY AND LIABILITIES			
Equity			
Share capital	4	4,214,521.00	4,214,521.00
Share premium reserve	4	86,479.00	86,479.00
Other reserves			
Legal reserve	4	2,373,537.86	2,373,537.86
Reserve for invested unrestricted equity	4	27,079,440.07	18,895,106.15
Retained earnings	4	655,216.89	-4,314,868.50
Profit / loss for the financial year	4	-1,390,039.58	4,970,085.39
Total equity		33,019,155.24	26,224,860.90
Liabilities			
Capital loan		1,500,000.00	0.00
Non-current liabilities	6	17,706,586.00	22,282,569.08
Current liabilities	7	5,427,467.10	4,556,347.46
Total liabilities		24,634,053.10	26,838,916.54
TOTAL EQUITY AND LIABILITIES		57,653,208.34	53,063,777.44

Parent Company's Cash Flow Statement

EUR	2017	2016
Cash flow from operating activities		
PROFIT / LOSS FOR THE YEAR	-1,390,039.58	4,970,085.39
Adjustments		
Depreciation, amortisation and impairment losses	1,004,060.43	86,303.91
Gains (-) and losses (+) on sale of non-current assets	4,720.00	6,114.94
Unrealised foreign exchange gains (-) and losses (+)	0.00	-22,094.23
Financial income (-) and expenses (+)	211,002.36	-5,640,250.75
Taxes	-6,790.47	0.00
Other adjustments	13.63	0.00
Cash flow before changes in working capital	-177,033.63	-599,840.74
Changes in working capital		
Current non-interest bearing receivables, increase (-) / decrease (+)	253,332.81	5,156,621.84
Current liabilities, non-interest bearing, increase (+) / decrease (-)	-157,173.63	-7,027,281.19
Net cash from operating activities before financial items and taxes	-80,874.45	-2,470,500.09
Interest paid	-1,059,129.37	-585,037.43
Dividends received	921,086.66	6,422,304.81
Interest received	84,488.22	62,908.54
Other financial items	-130,706.43	-264,079.64
Income taxes paid	6,790.47	0.00
Net cash from operating activities	-258,344.90	3,165,596.19
Cash flow from investing activities		
Investments in property, plant and equipment and intangible assets	-960,995.50	-84,807.99
Proceeds from disposals of property, plant and equipment and intangible assets	280.00	-6,114.94
Payments to acquire equity accounted investments	-101,600.00	0.00
Capital repayment of subsidiaries	0.00	2,992,568.13
Loans granted	-2,500,000.00	-6,769,828.79
Repayments of loan receivables	2,769,828.79	512,000.00
Net cash used in investing activities	-792,486.71	-3,356,183.59
Cash flow from financing activities		
Share issue against payment	5,725,933.92	0.00
Proceeds from current liabilities	491,642.24	2,272,716.70
Repayments of current liabilities	-600,000.00	-3,105,629.30
Repayments of non-current liabilities	0.00	0.00
Group contribution paid	0.00	-200,000.00
Net cash used in financing activities	5,617,576.16	-1,032,912.60
Change in cash and cash equivalents	4,566,744.55	-1,223,500.00
Cash and cash equivalents at the beginning of the year	871,202.34	2094702.34
Change in cash and cash equivalents	4,566,744.55	-1,223,500.00
Cash and cash equivalents at year-end	5,437,946.89	871,202.34

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).

Pysyvien vastaavien arvostus

Käyttöomaisuus on merkitty taseeseen hankintamenoa vähennettynä suunnitelman mukaisilla poistoilla. Suunnitelmanmukaiset poistot on laskettu tasapoistoina käyttöomaisuusesineiden taloudellisen pitoajan perusteella.

Poistoajat ovat:

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

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

Company's sale and lease back assets are included in the 2017 and 2016 balance sheet as well as sale and lease back liabilities. The 2016 income statement has not been adjusted but the depreciations would have been EUR 1,051 thousand and interest expenses EUR 650 thousand in 2016.

Measurement of receivables

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

Pensions

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

Foreign currency items

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

Leases

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

Capital loan

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

Notes to the Income Statement

1,000 EUR	2017	2016
1. Net sales		
Sale of services	1,867	1,919
Total	1,867	1,919
2. Other operating income		
Rent income	1	43
Other items	33	215
Total	34	258
3. Disclosures for personnel and members of company organs		
Employee benefit expenses		
Wages and salaries	-1,394	-1,186
Pension expenses and pension contributions	-124	-71
Other social security costs	-28	-48
Total	-1,546	-1,304
4. Depreciation, amortisation and impairment losses		
Planned depreciation and amortisation:		
Intangible rights	-3	-4
Other capitalised long-term expenditure	-14	-82
Machinery and equipment	-1,029	0
Write-downs	41	0
Total	-1,004	-86
5. Other operating expenses		
Other operating expenses	-539	-1,476
Total	-539	-1,476
Auditors' fees		
Audit fees	-25	-23
Other fees paid to auditors	-84	-19
Total	-109	-42
6. Financial income and expenses	2017	2016
Dividend income		
Dividend income from Group companies	921	6,422
Total	921	6,422
Interest and other financial income		
Interest and other financial income from others	91	77
Total	91	77
Interest and other financial expenses		
Interest and other financial expenses to others	-1,223	-837
Total	-1,223	-837
Total financial income and expenses	-211	5,662

Notes to the Balance Sheet

1,000 EUR	2017	2016
1. Property, plant and equipment and intangible assets		
Intangible rights:		
Cost at 1 Jan	148	148
Cost at 31 Dec	148	148
Accumulated planned amortisation at 1 Jan	143	139
Amortisation for the year	3	4
Accumulated planned amortisation at 31 Dec	146	143
Carrying amount at 31 Dec	2	5
Other capitalised long-term expenditure		
Cost at 1 Jan	754	754
Cost at 31 Dec	754	754
Accumulated planned amortisation at 1 Jan	735	653
Amortisation for the year	14	82
Accumulated planned amortisation at 31 Dec	749	735
Carrying amount at 31 Dec	4	18
Land area		
Cost at 1 Jan	17	17
Carrying amount at 31 Dec	17	17
Sale and lease back assets		
Cost at 1 Jan	13,756	13,756
Cost at 31 Dec	13,756	13,756
Accumulated planned amortisation at 1 Jan	4,276	3,221
Amortisation for the year	1,029	1,055
Accumulated planned amortisation at 31 Dec	5,305	4,276
Carrying amount at 31 Dec	8,452	9,480

1,000 EUR	2017	2016
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	85	0
Additions	961	85
Cost at 31 Dec	1,046	85
Carrying amount at 31 Dec	1,046	85
2. Investments		
Holdings in Group companies	15,606	21,409
Investments in reserve for invested unrestricted equity of Group companies	10,100	4,258
Holdings in associates	308	204
Other shares and holdings	28	33
Capital loan receivable	7,500	5,000
Total	33,542	30,904

	Domicile	Ownership %
Subsidiaries		
RW Logistics Oy	Helsinki	100
Nurminen Logistics Services Oy	Helsinki	100
Nurminen Maritime Latvia SIA	Riga	51
Nurminen Maritime Estonia AS	Tallinn	51
Nurminen Maritime UAB	Klaipeda	51
OOO Nurminen Logistics	St. Petersburg	100
Associates and joint ventures		
NR Rail Oy	Helsinki	51
Pelkolan Terminaali Oy	Imatra	20

1,000 EUR	2017	2016
3. Receivables		
Non-current		
Advance payments from others	4,067	5,680
Total	4,067	5,680
Current		
Current receivables from Group companies		
Trade receivables	719	10
Other receivables	2,201	3,492
Total	2,920	3,502
Trade receivables	5	6
Other receivables	9	197
Prepayments and accrued income		
Other items	2,143	2,291
Total	2,157	2,494
Total current receivables	5,077	5,996
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	18,895	18,890
Issue of shares	8,184	5
Reserve for invested unrestricted equity at 31 Dec	27,079	18,895
Retained earnings	1,444	-3,526
Changes to previous financial periods	-789	0
Profit / loss for the year	-1,390	4,970
Unrestricted equity	26,345	20,339
Equity total	33,019	27,013
Distributable funds		
Reserve for invested unrestricted equity	27,079	18,895
Retained earnings	655	-3,526
Profit / loss for the year	-1,390	4,970
Total	26,345	20,339
<i>The company owns 316,308 of its own shares.</i>		
5. Deferred taxes		
Deferred tax assets on losses	2,261	2,259
Deferred taxes have not been recorded in the parent company's separate financial statements.		
6. Non-current liabilities		
Interest-bearing liabilities		
Capital loan	1,500	0
Loans from financial institutions	13,500	13,500
Interest bearing sale and lease back loans	4,207	8,675
Other liabilities	0	107
Total	19,207	22,283
Total non-current liabilities	19,207	22,283

1,000 EUR	2017	2016
7. Current liabilities		
Current liabilities to Group companies		
Other liabilities	2,764	2,273
Accrued expenses and deferred income	956	469
Total	3,720	2,742
Interest-bearing liabilities		
Loans from financial institutions		600
Interest bearing sale and lease back loans	510	471
Trade payables	482	303
Other liabilities	76	98
Accrued expenses and deferred income		
Employee benefit expense accruals	461	310
Other items	177	32
Total	1,707	1,815
Total current liabilities	5,427	4,556

Other notes

1,000 EUR	2017	2016
Liabilities for which business mortgages have been given and subsidiary shares pledged		
Loans from financial institutions	14,397	14,923
Mortgages given	15,500	19,500
Book value of pledged subsidiary shares	10,108	4,266
Collaterals given on behalf of Group companies		
Book value of pledged subsidiary shares	10,108	4,266
Other commitments		
Customs duties and other guarantees	9,965	9,945
Rental obligations		
Payable in next year	4,416	5,445
Payable after that	53,829	71,798
Amounts payable under leases		
Payable in next year	73	107
Payable after that	62	85

Notes Regarding Personnel and Company Organs

	2017	2016
The number of personnel		
Personnel, average	15	13
Personnel, at year-end	16	13
Management remuneration (1,000 EUR)		
The Board of Directors and CEO	570	489

Auditor's Report (Translation of the Finnish original)

To the Annual General Meeting of Nurminen Logistics Oyj

Report on the Audit of Financial Statements Opinion

We have audited the financial statements of Nurminen Logistics Oyj (business identity code 0109707-8) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, [income statement], statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Key Audit Matters

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of Goodwill</p> <p><i>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.</i></p> <p>The annual impairment test was significant to our audit because the assessment process is judgmental, it is based on assumptions relating to market or economic conditions extending to the future, and because of the significance of the goodwill to the financial statements. As of balance sheet date December 31, 2017, the value of goodwill amounted to 9,0 million euro representing 19 % of the total assets and 61 % of the total equity.</p> <p>The valuation of goodwill is based on the management's estimate about the value-in-use calculations of the cash generating units.</p> <p>Management must use judgment in defining the cash generating units. There are a number of assumptions used to determine the value-in-use of the cash generating unit, including the revenue growth, the operating result and the 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.</p>	<p>Our audit procedures included involving valuation specialists to assist us in evaluating the assumptions and methodologies used by the management. Our audit procedures comprised comparing the management's assumptions to externally derived data and to our independently calculated industry averages. In particular those relating to</p> <ul style="list-style-type: none"> • the forecasted revenue growth, • the operating result and • the weighted average cost of capital used to discount the net cash-flows. <p>We tested the accuracy of the impairment calculations prepared by the management and assessed the sufficiency of the disclosures as well as the disclosures about the sensitivity of the impairment testing.</p>
<p>Revenue Recognition</p> <p><i>We refer to the accounting principles for the consolidated financial statements in the note 1 of the consolidated financial statements and the note 18 about the trade and other receivables.</i></p> <p>The revenue recognition is considered as a key audit matter because of the significance of the net sales to the financial statements. Relevant areas from the net sales perspective are accuracy of the recognized amounts and timing of revenue recognition.</p> <p>Revenue recognition was determined to be a key audit matter and a significant risk of material</p> <p>misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).</p>	<p>Our audit procedures comprised the analysis of the revenue recognition accounting policies and comparison of revenue transactions to the supporting documentation in order to assess whether the requirements for the revenue recognition have been met. In addition, we acquired 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.</p>
<p>Valuation of investments of the parent company</p> <p><i>We refer to the accounting principles of the parent company and to the note 2 of the balance sheet of the parent company.</i></p> <p>The valuation of the investments requires management to estimate whether there are indications about the impairment and to estimate the value of the investments at the end of the reporting period. The carrying value of the parent company's investments at the balance sheet date December 31, 2017 amounted to 33,5 m€ and it mainly consisted of investments in group and affiliated companies. Investments represented some 58 % of the parent company's total assets and some 102 % of the total equity. The assessment process related to the investments was significant to our audit because the assessment process is judgmental and because of the significance of the investments to the financial statements.</p>	<p>Our audit procedures in connection with the valuation of investments comprised the analysis of the assumptions and methodologies used by the management. We tested on a sample basis the calculations related to each investment significant to the financial statements and assessed the sufficiency of the disclosures.</p>

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on April 12, 2016, and our appointment represents a total period of uninterrupted engagement of 2 years.

Other information

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

Our opinion on the financial statements does not cover the other information.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, March 8, 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Antti Suominen
Authorized Public Accountant

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

Helsinki 8 March 2018

Olli Pohjanvirta
Chairman of the Board

Juha Nurminen

Alexey Grom

Jukka Nurminen

Marko Tuunainen
President and CEO

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

Helsinki 8 March 2018
Ernst & Young Oy

Antti Suominen
Authorized Public Accountant

Group's Key Figures

Key figures for business	2015	2016	2017
Net sales, EUR 1,000	50,402	49,971	75,772
Increase in net sales, %	-21.2 %	-0.9 %	51.6 %
Operating result (EBIT), EUR 1,000	-2 127	-948	1,691
% of net sales	-4.2 %	-1.9 %	2.2 %
Result before taxes, EUR 1,000	-4 283	-2 497	275
% of net sales	-8.5 %	-5.0 %	0.4 %
Result for the financial year, EUR 1,000	-4 375	-3 119	-243
% of net sales	-8.7 %	-6.2 %	-0.3 %
Return on equity (ROE), %	-45.2 %	-44.0 %	-2.3 %
Return on investment (ROI), %	-5.5 %	-2.1 %	4.1 %
Equity ratio %	15.5 %	14.6 %	30.8 %
Gearing %	321.6 %	340.8 %	78.4 %
Gross investments, EUR 1,000	468	498	1,624
% of net sales	0.9 %	1.0 %	2.1 %
Balance sheet total, EUR 1,000	50,133	43,854	47,587
Average number of employees	225	193	188
Wages and salaries paid, EUR 1,000	10,317	8,707	8,921
Share key figures			
Earnings per share (EPS), EUR, undiluted	-0.33	-0.24	-0.04
Earnings per share (EPS), EUR, diluted	-0.33	-0.24	-0.04
Equity per share, EUR	0.53	0.44	0.33
Dividend per share (adjusted), EUR	0.00	0.00	0.00
Dividend per share (nominal), EUR	0.00	0.00	0.00
Dividend to earnings ratio, %	0 %	0 %	0 %
Effective dividend yield, %	0.0 %	0.0 %	0.0 %
Repayment of equity per share, EUR	0.00	0.00	0.00
Price per earnings (P/E)	-3	-3	-14
Number of shares adjusted for share issue, weighted average	13,745,801	14,484,433	29,253,069
Number of shares adjusted for share issue, at end of financial year	14,574,410	14,674,410	43,937,865
Share price development			
Share price development			
• Highest price	1.66	1.10	0.71
• Lowest price	0.97	0.64	0.40
• Average price	1.20	0.75	0.55
• Share price at balance sheet date	1.10	0.70	0.55
Market capitalisation, MEUR	16.0	10.3	24.3
Number of shares traded	416,183	992,980	4,677,332
Shares traded, % of total number of shares	2.9 %	6.8 %	10.6 %
Number of shareholders	629	753	1,193

Calculation of Key Figures

Return on equity, % =	$\frac{\text{Result for the year}}{\text{Equity (average of beginning and end of financial year)}} \times 100$
Capital employed =	Balance sheet total – non-interest bearing liabilities
Return on capital employed, % =	$\frac{\text{Result for the year before taxes + interest and other financial expenses}}{\text{Capital employed (average of beginning and end of financial year)}} \times 100$
Equity ratio, % =	$\frac{\text{Equity}}{\text{Balance sheet total – advances received}} \times 100$
Gearing, % =	$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Equity}} \times 100$
Earnings per share (EPS) =	$\frac{\text{Result attributable to equity holders of the parent company}}{\text{Weighted average number of ordinary shares outstanding}}$
Equity per share =	$\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Undiluted number of shares outstanding at the end of the financial year}}$
Dividend per earnings, % =	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Effective dividend yield, % =	$\frac{\text{Dividend per share}}{\text{Adjusted share price at the end of the financial year}} \times 100$
Price per earnings (P/E) =	$\frac{\text{Share price at the end of the financial year}}{\text{Earnings per share}}$
Comparable net sales (EUR) =	Reported net sales +/- net sales of acquired and divested businesses +/- net sales of discontinued businesses +/- net sales allocable to previous financial years +/- direct effects of exchange rates
Comparable operating result (EUR) =	Reported operating result +/- revenue and expenses of acquired and divested businesses +/- revenue and expenses of discontinued businesses +/- revenue and expenses allocable to previous financial years +/- direct effects of exchange rates +/- management performance bonus

Distribution of Ownership

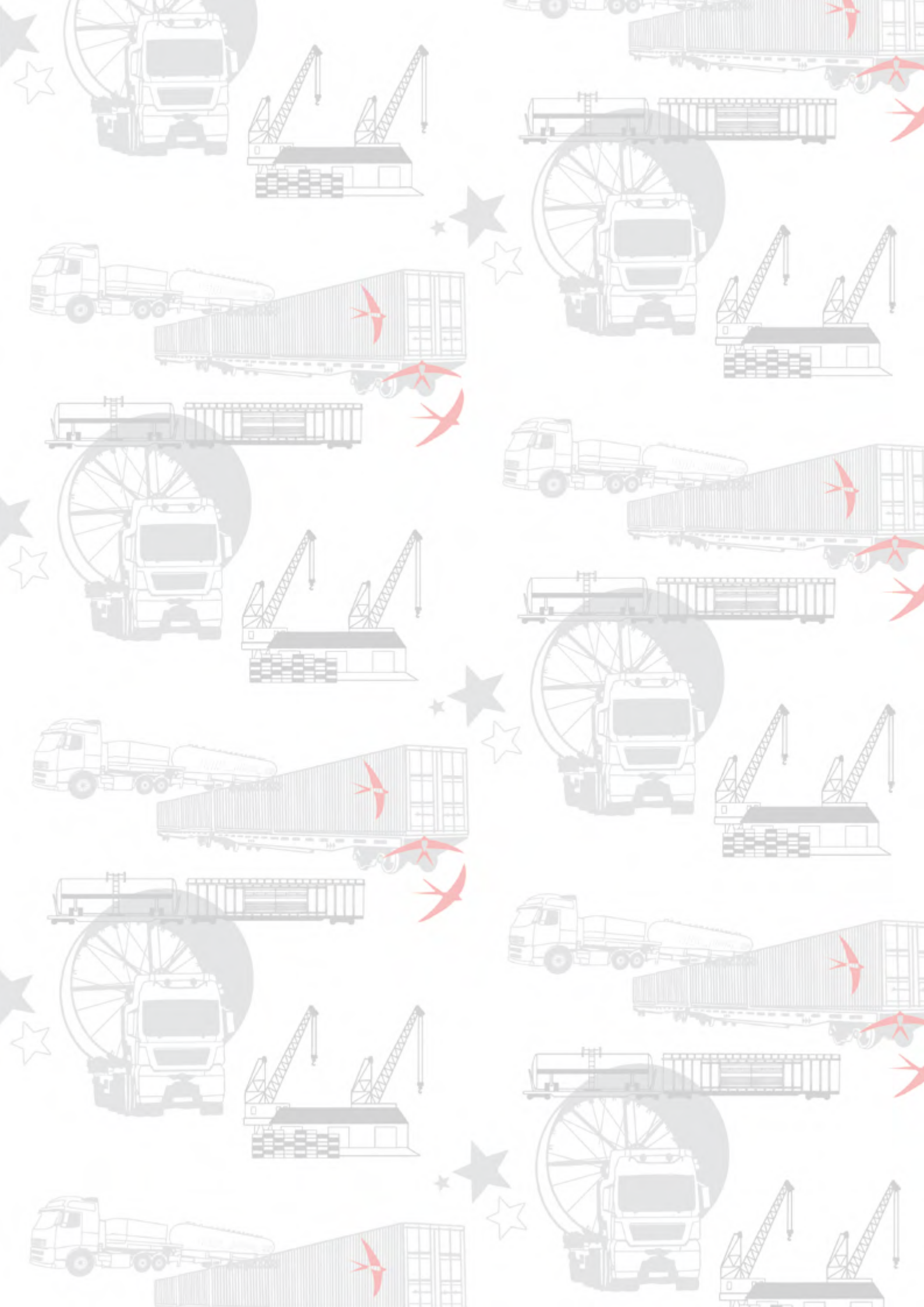
Number of shares	Number of shareholders	% of shareholders	Number of shares	% of total shares and votes
1–100	244	20.45	11,367	0.03
101–1,000	479	40.15	225,640	0.51
1,001–10,000	375	31.43	1,215,902	2.75
10,001–100,000	69	5.78	1,938,879	4.38
100,001–1,000,000	17	1.43	7,642,751	17.27
yli 1,000,000	9	0.75	33,219,635	75.07
Yhteensä	1193	100.00	44,254,174	100.00
joista hallintarekisteröityjä	4		788,846	1.78

Largest shareholders

	Number of shares	% of total shares and votes
Ilmarinen Mutual Pension Insurance Company	8,780,000	19.84
Nurminen Juha	5,570,188	12.59
Suomen Kauppayhtiöt Oy	5,169,588	11.68
Avant Tecno Oy	3,446,392	7.79
JN Uljas Oy	3,099,388	7.00
K. Hartwall Invest Oy Ab	2,558,559	5.78
Ruscap Oy	2,036,962	4.60
Apteekkien Eläkekassa	1,279,279	2.89
Hisinger-Jägerskiöld Eva Constance	1,279,279	2.89
Nurminen Jukka Matias	994,316	2.25
Tuuli Markku Juhani	953,850	2.16
Nurminen Mikko Johannes	870,108	1.97
Lassila Satu Maaria	648,696	1.47
VGK Invest Oy	648,000	1.46
Sjöblom Katri	529,112	1.20
Hällävaliä Oy	417,491	0.94
Nurminen Logistics Oyj	316,308	0.71
Tuunainen Marko Juhani	270,326	0.61
Vuorinen Hannu Markku	253,227	0.57
Altonen Manu Veikko	198,000	0.45
Other 1,173 shareholders	4,935,105	11.15
Total	44,254,174	100.00

Shareholders by type

	Number of shares	% of total shares
Private companies	18,373,186	41.52
Financial institutions	14,639	0.03
Public sector organisations	10,059,279	22.73
Households	14,898,915	33.67
Foreign	119,306	0.27
Non-profit organizations	3	0.00
Registered in the name of nominee	788,846	1.78
Total	44,254,174	100.00





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