Nurminen Logistics

Half Year Financial Report 2019

NURMINEN LOGISTICS PLC HALF YEAR FINANCIAL REPORT 1 JANUARY–30 JUNE 2019

Operating result was negative, net sales decreased.

NURMINEN LOGISTICS KEY FIGURES 1 JANUARY – 30 JUNE 2019

- Net sales were EUR 34.5 million (1–6/2018: EUR 40.6 million).
- Operating result was EUR –1.7 million (EUR 0.6 million).
- Operating result-% was –5.0 % (1.5 %).
- Net result was EUR –3.2 million (EUR –0.3 million).
- Adjusted operating result was EUR –1.1 million (EUR 0.7 million).
- Adjusted operating result-% was –3.1 % (1.7 %).
- Adjusted net result was EUR –2.5 million (EUR –0.2 million).
- Earnings per share: –0.07euro (–0.01 euro).
- Cash flow from operating activities was EUR 0.1 million (EUR –0.8 million).

CEO, VILLE IHO

“Our first six months of the year were poor. Net sales decreased and our result was negative. Main reasons for this were heavy investments into ramping up a regular block train connection from Vuosaari to economic area of Shanghai and negative operating result at Vuosaari terminal. We can be satisfied with our operation results in the Baltic countries. We are happy with our predictable schedules and operational reliability of our China block train product. We have also finalized one of the biggest investments in the company’s near history as operationally and commercially very important ERP was activated during the second quarter.”

Company’s strategy was updated during spring – summer -period. The strategy update aimed to define actions that will correct company’s poor performance level. It consists of three categories: 1) improving company’s core business’ effectiveness, 2) investing in increasing volumes in the China block train connection quickly and 3) maintaining preparedness and market understanding in order to recognize and complete beneficial value-add acquisitions.

“I trust a lot in Nurminen Logistics’ chance to succeed in going through with its strategy and that the company’s business will accumulate value for its owners. We have managed to hire new personnel to key positions of company’s development plan, the internal atmosphere has turned and one small acquisition has already been made in accordance with the current strategy. Company’s performance level will increase through these actions during the second half of the year.”

MARKET SITUATION IN THE REVIEW PERIOD

Fastest growth in the Finnish economy waned during the first half of 2019. This was manifested in Nurminen’s operations by fluctuation in forest industry volumes and significantly lower pulp export.

NET SALES AND FINANCIAL PERFORMANCE 1 JANUARY – 30 JUNE

1,000 EUR	1–6/2019	1–6/2018	1–6/2019 adjusted	1–6/2018 adjusted
Net sales	34,470	40,629	34,470	40,629
EBIT	–1,709	595	–1,067	691

The Net sales for the first half of 2019 was 34.5 MEUR (2018: 40.6), decreasing 15,2 % from 2018. EBIT decreased to EUR –1.7 million (2018: 0.6). Primary cause for negative result were the cost from ramping up China block train and the negative operating result at Vuosaari terminal services.

Adjusted EBIT decreased to EUR –1.1 million (0.7).

The adjusted operating result does not include a loss on disposal of the Niirala terminal nor a loss on disposal of the shares in the Russian company ZAO Rubesh, totalling EUR 642 thousand. Comparable figures for adjusted EBIT as well as more detailed determination have been disclosed in table section.

Effect of IFRS 16 on the result for the period

The company adopted the IFRS 16 standard as of 1 January 2019. Implementation has affected to income statement, balance sheet and cash flow statement and related key figures. The company implemented the standard with modifications. For this reason, the comparison figures for 2018 have not been restated in accordance with the new standard. The key difference of IFRS 16 in comparison with the previous standard is that operative leases are capitalized for the complete duration of lease agreements. The new standard has following impact: in balance, liabilities relating to leases are discounted on the balance sheet as of 1 January 2019 and right of use asset is booked to long term assets. Short-term and low value lease agreements are excluded from capitalization. Corresponding lease costs are derecognized from income statement and replaced with depreciation and financing expense of underlying asset and liability. IFRS 16 standard has had EUR 0.7 million positive impact on EBIT and EUR 0.1 million positive impact on net result during the first half of 2019. Use of right depreciation amounted to EUR 1.9 million and financial expenses to EUR 0.6 million. The change is described in more detail in the tables section of the interim report.

BUSINESS REVIEW 1 JANUARY – 30 JUNE

The most important project for the first half of 2019 was establishing regular block train connection to China and integrating this service into Numinen Logistics’ operational and commercial activities. Establishing regular block train connection is remarkable investment and the ramping up costs for the block train are a significant burden to company’s operating result until critical volume has been reached. These costs from the ramp-up have not been activated but they are recognized in income statement.

In company’s other core businesses, the decline net sales that begun in 2018 continued in the first half of 2019. The turbulent period from Q3 in 2018 to Q1 2019 had a negative impact on commercial activities. Demand for export failed to meet the forecast, especially on forestry industry’s export to China, which was a disappointment. This is believed to be a temporary state of affairs.

Company’s forwarding business remained profitable but failed to reach the aimed growth rate. In accordance with Numinen Logistics’ strategy the company acquired after the review period a high-end forwarding company, PFC Nordic. This transaction is to boost growth and widen service portfolio. PFC Nordic is to be integrated as part of Numinen Logistics’ forwarding operations. The net sales of forwarding business remained at level with previous year’s performance from the same review period. Demand for import, export and value-add services was strong. The volume and result of operations remained at a good level during the review period.

The operating result of terminal services was on loss driven by too low utilization rate of Vuosaari terminal. The operating result for Kotka and Hamina was positive and utilization rate of these locations was good. The net sales of terminal services went down during the review period and profitability fell short of the comparison period. As of May the company managed real estate by decreasing previous real estate commitments and streamlining company’s financial situation. Of the real estate mentioned, the Niirala terminal was sold during the review period. The company recognized an operative loss EUR 0.6 million due to the disposal. The rest of Sale and lease back arrangements made with Ilmarinen Mutual Pension Insurance Company were completed in advance, in July after this review period. The aim is to continue removing such real estate from company's portfolio which fail to support company's core businesses. In parallel to this the aim is to ensure the decrease on expense from strategic real estate.

The net sales of railway logistics services increased significantly compared to the corresponding period in the previous year. At the same time, the profitability of business operations weakened, making a loss. In particular, the ramp-up of the China block train in Vuosaari contributed to the growth in net sales. Operations were still at a loss during the half-year period which was due to the ramp-up phase of the block train service. Project and chemical transport volumes remained stable and profitable.

The company divested its Russian based train wagons and related business in late 2018. The new business is based on leasing and brokering train wagons. Net sales for the Russian company and its profitability decreased year-on-year. The company's result was slightly positive during the review period.

The net sales of the Baltic companies decreased as the volumes of transit traffic went down, but their profitability clearly improved. The profitability of the Baltic business operations is at a good level. The economy in the Baltics has continued to grow, and the prerequisites for business are good.

The company updated its strategy at the end of the review period. The aim is to turn company's development so that it will accumulate value for company's shareholders. The strategy is based on turn-around -program which has three corner stones:

1) Increasing the profitability of company's core business' by renewing company's commercial plan and improving internal processes. The necessary actions have been divided into several sub-projects, which are supported by the ERP system, that went live in the spring, and the digital development stemming from it. The renewal of commercial plan aims to diversify company's customer portfolio, to increase Nurminen Logistics' participation at the customer's operations and to improve the margin of service portfolio. Company's diverse portfolio, well defined key products and new IT-platforms enable integration with customer's operations and create a strong basis for this. Operational improvements enable increasing volumes without increasing fixed costs.

2) Further increasing the number of services provided by developing the block train to China with increasing volume and through that the scheduled train arrivals and departures. The goal is to reach profitability threshold in volume during the H1 of 2020.

3) Actively seeking to recognize and remain ready to act upon possible beneficial acquisition opportunities that will support company's current business. The acquisition of PCF Nordic was accomplished in accordance with this strategy point.

OUTLOOK

Nurminen Logistics estimates that the growth of the economy and markets will slow down yet remains positive during the second half of 2019 despite increasing uncertainty of the global market situation. Nurminen Logistics is not issuing a profit guidance for 2019.

SHORT-TERM RISKS AND UNCERTAINTIES

World trade weakening from the current situation would have a negative impact on the demand for the company's services and thereby result. The launch and market entry of the new China block train still involve significant ramp-up costs and investments that have impact on the result during the latter half of 2019. It is possible for the trade political factors to influence the China block train.

In case that company's transformation program and market launch of the block train service are delayed from the forecast set by the management, there might be negative impact on company's result and financial position.

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

FINANCIAL POSITION AND BALANCE SHEET

Cash flow from operations amounted to EUR 0.1 million. Cash flow from investments was EUR 0.4 million. Factors influencing it included the divestment of the Niirala terminal, with a net impact of EUR 0.7 million, and the divestment of shares in ZAO Terminal Rubesh, EUR 0.1 million. Cash flow from financing activities amounted to EUR –2,6 million. The adoption of IFRS 16 had an impact on the structure of the cash flow statement. The change is described in the tables section.

At the end of the review period, cash and cash equivalents amounted to EUR 9.3 million. The company's buy-back obligations due to leasing arrangements with Ilmarinen, amounting to EUR 3.5 million, was to fall due for payment in October 2019. However, the company announced on 31 July 2019 that it has paid back leasing obligations in advance. The company's management estimates that cash flow from operations will be sufficient to cover the expenses and liabilities of the company's current business for the next 12 months.

The company's current interest-bearing liabilities (EUR 6.5 million) are comprised of financial leasing debt of EUR 5.6 million and factoring debt of EUR 0.8 million. As expressed above the company has amortized EUR 3.5 million of the current financial leasing debt. The non-current interest bearing debt amounts to EUR 41.2 million, of which EUR 27.6 million is relating to rent liabilities capitalized pursuant to IFRS 16. The non-current loans amount to EUR 13.6 million. Loans totaling EUR 13.5 million taken out from Ilmarinen will mature in June 2023.

The Group's interest-bearing debt totaled EUR 47.7 million and net interest-bearing debt amounted to EUR 38.3 million. The company has an equity-based hybrid loan from Ilmarinen, amounting to EUR 1.5 million.

The balance sheet total was EUR 65.2 million, and the equity ratio was 13.9 %. The effect from the IFRS 16 amounts to –11.7 percentage points.

CAPITAL EXPENDITURE

The Group's gross capital expenditure during the review period amounted to EUR 0.4 (0.6) million, accounting for 1.2 % of net sales. Depreciation totaled EUR 2.7 (0.9) million, or 7.9 % (2.2 %) of net sales. IFRS 16, use of rights depreciations were EUR 1.9 million.

GROUP STRUCTURE

RW Logistics, a subsidiary of Nurminen Logistics Plc, sold the share in the Russian company ZAO Terminal Rubesh to Metsäliitto Cooperative during the review period. The Latvian associated company Team Lines Latvia SIA has discontinued its operations.

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

PERSONNEL

At the end of the review period, the Group had 177 employees, compared with 172 on 31 December 2018. The number of employees working abroad was 31. Personnel expenses for the review period totaled EUR 4.4 million (2018: EUR 4.5 million).

CHANGES IN THE MANAGEMENT TEAM

On 30 June 2019, Nurminen Logistics' Management Team consisted of the following members: Ville Iho, President and CEO as of 18 March 2019, Teppo Talvinko, CFO (interim CEO until 18 March 2019), Ari Penttinen, SVP Forwarding and Terminal Services in Finland, as well as Mikko Järvinen, SVP Sales as of 27 March 2019. Petri Luurila was appointed as the company's CIO and member of the Management Team on 27 June 2019. In addition, the Management Team included Mike Karjagin (SVP Forwarding and Railway Logistics in Finland) until 15 February 2019.

MANAGEMENT TRANSACTIONS

On 21 March 2019, Nurminen Logistics Plc was informed that Russian capital management oy, a company under the control of Chairman of the Board of Directors Olli Pohjanvirta, had purchased 42,000 shares at a price of EUR 0.3487 per share.

SHARES AND SHAREHOLDERS

The trading volume of Nurminen Logistics Plc's shares was 1,025,397 during the period from 1 January to 30 June 2019, representing 2.3 % of the total number of shares. The value of the turnover was EUR 333,264. The lowest price during the review period was EUR 0.250 per share and the highest EUR 0.44 per share. The closing price for the period was EUR 0.30 per share and the market value of the entire share capital was EUR 13,276,252 at the end of the period.

At the end of the review period, the company had 1,239 shareholders. The holdings of the ten largest shareholders of the company are presented in the tables section.

During the review period, the company had 44,254,174 shares. On 30 June 2019, the company held 2,760 of its own shares, corresponding to 0.01 % of votes.

DECISIONS OF THE ANNUAL GENERAL MEETING

Nurminen Logistics Plc's Annual General Meeting held on 12 April 2019 passed the following decisions:

Adoption of the annual accounts and resolution on discharge from liability

The General Meeting adopted the annual accounts, including the consolidated annual accounts for the financial year 1 January 2018 – 31 December 2018 and discharged the members of the Board of Directors, the President and CEO and the interim President and CEO from liability.

Payment of dividend

The General Meeting approved the Board's proposal that no dividend shall be paid for the financial year 1 January 2018 – 31 December 2018.

Composition and remuneration of the Board of Directors

The General Meeting resolved that the Board of Directors is composed of six members. The General Meeting re-elected the following members to the Board of Directors: Olli Pohjanvirta, Juha Nurminen, Jukka Nurminen, Irmeli Rytkönen and Alexey Grom and elected Hannu Leinonen as a new member of the Board of Directors.

The General Meeting resolved that for the members of the Board elected at the General Meeting for the term expiring at the close of the Annual General Meeting in 2020, the remuneration is paid as follows: annual remuneration of EUR 40,000 for the Chairman and EUR 20,000 for the other members of the Board.

In addition, a meeting fee of EUR 1,000 per meeting for the Board and Board Committee meetings is 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. Of the annual remuneration, 50 per cent will be paid in Nurminen Logistics Plc's shares and the rest in cash. A member of the Board of Directors may not dispose shares received as annual remuneration before a period of three years has elapsed from receiving shares. In addition, the Chairman of the Board will be paid a remuneration of EUR 7,500 per month as well as a car benefit with a 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

The Annual General Meeting authorised the Board to decide on the issuance of shares and/or special rights entitling to shares as referred to in chapter 10, section 1 of the Finnish Limited Liability Companies Act.

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

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

The authorisation includes the Board of Director's right to decide on all other terms and conditions of the share issuances and the issuances of special rights. The authorisation entitles the Board of Directors to decide on share issuances, issuances of option rights and other special rights entitling to shares in every way to the same extent as could be decided by the General Meeting, including the Board of Director's right to decide on directed share issuances and/or issuance of special rights.

The authorisation is valid until 30 April 2020 and the authorisation does not revoke the authorisation granted to the Board of Directors by the Extraordinary General Meeting on 17 July 2017 on the issuance of shares as well as the issuance of options and other special rights entitling to shares.

Election of the auditor and resolution on their remuneration

Ernst & Young Oy was elected the auditor of the company for the term ending at the close of the Annual General Meeting 2020. Antti Suominen, Authorised Public Accountant, acts as the principal auditor.

The auditor's fee will be paid in accordance with the auditor's invoice accepted by the company.

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.

OTHER EVENTS DURING THE REVIEW PERIOD

On 19 June 2019, the company announced that it had sold the underused Niirala Terminal to Cemagro Oy and municipality of Tohmajärvi for a price of 1.25 million euros. The terminal has been part of a sale and lease back arrangement which Nurminen agreed upon with Ilmarinen Mutual Pension Insurance Company in 2009. In accordance with the agreement, the sites included in the arrangement must be purchased back by the end of October 2019.

EVENTS AFTER THE REVIEW PERIOD

The company announced on 27 June 2019 that Petri Luurila was appointed as a member of Nurminen Logistics Plc's Management Team and CIO.

The company announced on 31 July 2019 that it has paid back leasing obligations to Ilmarinen, arising from 2009 sale and lease back arrangement, that were due on October 2019.

The company announced on 2 August 2019 that it has bought shares and business of PFC Nordic. PFC Nordic is a high-end forwarding company specialized in international forwarding.

The company annouced on 8 August 2019 that CEO Ville Iho had resigned to pursue new opportunities at another company by 8 Febryare 2020 the latest.

Next financial release

Nurminen Logistics announces the release date for Financial Statement from the year 2019 and other dates for releasing financial information during 2020 in December 2019.

Disclaimer

Certain statements in this bulletin are forward-looking and are based on the management's current views. Due to their nature, they involve risks and uncertainties and are susceptible to changes in the general economic or industry conditions.

Nurminen Logistics Plc
Board of Directors

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DISTRIBUTION
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Major media
www.nurminenlogistics.com

Nurminen Logistics is a listed company established in 1886 that offers logistics services. The company provides high-quality forwarding and cargo handling services as well as railway transport and related project transport services. The main market areas of Nurminen Logistics are Finland, Russia and its neighbouring countries.

TABLES SECTION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME EUR 1,000	1–6/2019	1–6/2018	1–12/2018
NET SALES	**34,470**	**40,629**	**78,874**
Other operating income	16	63	109
Use of materials and supplies	–25,200	–28,573	–56,826
Employee benefit expenses	–4,433	–4,484	–9,025
Depreciation, amortisation and impairment losses	–2,706	–889	–1,817
Loss on disposal of Russian subsidiary			–6,224
Other operating expenses	–3,856	–6,150	–11,135
OPERATING RESULT	**–1,709**	**595**	**–6,046**
Financial income	5	98	58
Financial expenses	–1,165	–752	–1,387
Share of profit of equity-accounted investees	16	–10	–21
RESULT BEFORE INCOME TAX	**–2,852**	**–70**	**–7,397**
Income tax expense	–312	–235	–414
RESULT FOR THE PERIOD	**–3,164**	**–304**	**–7,811**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Translation differences	–48	–397	7,567
Other comprehensive income after income taxes	–48	–397	7,567
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**–3,212**	**–701**	**–243**
Result attributable to			
Equity holders of the parent company	–3,928	–802	–8,804
Non-controlling interest	764	498	993
Total comprehensive income attributable to			
Equity holders of the parent company	–3,976	–1,199	–1,237
Non-controlling interest	764	498	993
Earnings per share, undiluted	–0,07	–0,01	–0,20
Earnings per share, diluted	–0,07	–0,01	–0,20

CONSOLIDATED ADJUSTED OPERATING RESULT EUR 1,000	1–6/2019	1–6/2018	1–12/2018
REPORTED OPERATING RESULT	**–1,709**	**595**	**–6,046**
Gains and losses arising from purchases and divestments of business operations	642		6,225
Restructuring costs		16	329
Development and ramp-up costs of new China train product		80	413
ADJUSTED OPERATING RESULT	**–1,067**	**691**	**921**
Adjusted operating result %	–3.1%	1.7%	1.2%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION EUR 1,000	30 June 2019	30 June 2018	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	39,388	12,645	8,757
Goodwill	5,970	8,970	5,970
Other intangible assets	1,818	48	1,390
Investments in equity-accounted investees	201	219	194
Receivables	317	3,356	2,639
Deferred tax assets		499	14
NON-CURRENT ASSETS	**47,694**	**25,736**	**18,964**
Current assets			
Inventories	92	79	81
Trade and other receivables	8,042	11,675	10,952
Deferred tax assets based on the taxable income for the financial period		18	
Cash and cash equivalents	9,389	5,452	11,514
CURRENT ASSETS	**17,523**	**17,223**	**22,547**
TOTAL ASSETS	**65,217**	**42,960**	**41,511**
EQUITY AND LIABILITIES			
Share capital	4,215	4,215	4,215
Other reserves	28,894	28,894	28,894
Translation differences	–13	–7,585	35
Retained earnings	–27,552	–14,809	–22,616
Non-controlling interest	1,983	845	1,123
Hybrid loan	1,500	1,500	1,500
EQUITY, TOTAL	**9,027**	**13,059**	**13,151**
Non-current liabilities			
Deferred tax liabilities	52	288	28
Other liabilities	74	292	328
Interest-bearing financial liabilities	41,181	17,597	13,600
NON-CURRENT LIABILITIES	**41,307**	**18,178**	**13,956**
Current liabilities			
Deferred tax liabilities based on the taxable income for the financial period	273		366
Interest-bearing financial liabilities	6,471	1,538	5,252
Trade payables and other liabilities	8,138	10,185	8,786
CURRENT LIABILITIES	**14,883**	**11,724**	**14,404**
LIABILITIES, TOTAL	**56,190**	**29,901**	**28,360**
EQUITY AND LIABILITIES, TOTAL	**65,217**	**42,960**	**41,511**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, impact of IFRS 16 EUR 1,000	31.12.2018 IAS 17	Impact	1.1.2019 IFRS 16
ASSETS			
Non-current assets			
Property, plant and equipment	8,757	35,465	44,222
Goodwill	5,970		5,970
Other intangible assets	1,390		1,390
Investments in equity-accounted investees	194		194
Receivables	2,639	–2,322	317
Deferred tax assets	14		14
NON-CURRENT ASSETS	**18,964**	**33,142**	**52,106**
Current assets			
Inventories	81		81
Trade and other receivables	10,952	–2,047	8,905
Deferred tax assets based on the taxable income for the financial period	11,514		11,514
Cash and cash equivalents	**22,547**	**–2,047**	**20,500**
CURRENT ASSETS	**41,511**	**31,095**	**72,606**
EQUITY AND LIABILITIES			
Share capital	4,215		4,215
Other reserves	28,894		28,894
Translation differences	35		35
Retained earnings	–22,616		–22,616
Non-controlling interest	1,123		1,123
Hybrid loan	1,500		1,500
EQUITY, TOTAL	**13,151**		**13,151**
Non-current liabilities			
Deferred tax liabilities	28		28
Other liabilities	328		328
Interest-bearing financial liabilities	13,600	28,819	42,419
NON-CURRENT LIABILITIES	**13,956**	**28,819**	**42,774**
Current liabilities			
Deferred tax liabilities based on the taxable income for the financial period	366		366
Interest-bearing financial liabilities	5,252	2,276	7,528
Trade payables and other liabilities	8,786		8,786
CURRENT LIABILITIES	**14,404**	**2,276**	**16,680**
LIABILITIES, TOTAL	**28,360**	**31,095**	**59,455**
EQUITY AND LIABILITIES, TOTAL	**41,511**	**31,095**	**72,606**

Consolidated cash flow statement, IFRS EUR 1,000	1–6/2019	1–6/2018	1–12/2018
Profit/loss for the period	–3,164	–304	–7,811
Adjustments	4,137	972	11,978
Cash flow before change in working capital	972	668	4,168
Changes in working capital	263	–323	–3,735
Financing items and taxes	–1,120	–1,130	–1,263
Cash flow from operating activities	**116**	**–785**	**–830**
Cash flow from investing activities	**360**	**–711**	**6,024**
Cash flow from financing activities	**–2,600**	**–868**	**–1,512**
Net increase / decrease in cash and cash equivalents	**–2,125**	**–2,364**	**3,682**
Cash and cash equivalents at the beginning of the year	11,514	7,832	7,832
Net increase / decrease in cash and cash equivalents	–2,125	–2,364	3,682
Cash and cash equivalents at the end of the period	**9,389**	**5,467**	**11,514**

Consolidated cash flow statement, impacts of IFRS 16 EUR 1,000	1–6/2019 IAS 17	Impact	1–6/2019 IFRS 16
Cash flow from operating activities	–755	871	116
Cash flow from investing activities	360		360
Cash flow from financing activities	–1,729	–871	–2,600
Net increase / decrease in cash and cash equivalents	–2,125		–2,125

A = Share capital
B = Share premium reserve
C = Legal reserve
D = Reserve for invested unrestricted equity
E = Hybrid loans
F = Translation differences
G = Retained earnings
H = Non-controlling interest
I = Total

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1–6/2019 EUR 1,000	A	B	C	D	E	F	G	H	I
Equity on 1 Jan 2019	4,215	86	2,378	26,430	1,500	35	–22,615	1,123	13,151
Result for the year							–3,928	764	–3,164
Comprehensive income for the year / translation differences						–48			–48
Interest of hybrid loan after taxes							–24		–24
Share renumeration							35		35
Dividends distribution								–937	–937
Other changes							–25	39	14
Equity on 30 Jun 2019	4,215	86	2,378	26,430	1,500	–13	–26,558	990	9,027

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1–6/2018 EUR 1,000	A	B	C	D	E	F	G	H	I
Equity on 1 Jan 2018	4,215	86	2,378	26,430	1,500	–7,511	–13,689	1,261	14,670
Result for the year							–802	498	–304
Comprehensive income for the year / translation differences						–75	–322		–397
Interest of hybrid loan after taxes									
Share renumeration									
Dividends distribution								–901	–901
Other changes							4	–14	–10
Equity on 30 Jun 2018	4,215	86	2,378	26,430	1,500	–7,585	–14,809	845	13,059

Changes in property, plant and equipment

Changes in property, plant and equipment EUR 1,000	Tangible	Intangible	Total
Carrying amount on 1 Jan 2019	**8,757**	**7,360**	**16,117**
Impact of the application of the new IFRS 16 standard	35,465		35,465
Increases	44	565	609
Decreases	–2,368		–2,368
Depreciation, amortisation and impairment losses	–2,569	–137	–2,706
Exchange rate differences	59		59
Carrying amount on 30 Jun 2019	39,388	7,788	47,176

The adoption of IFRS 16 resulted in an increase of EUR 1,940 thousand in depreciations in property, plant and equipment.

Changes in property, plant and equipment EUR 1,000	Tangible	Intangible	Total
Carrying amount on 1 Jan 2018	**13,042**	**9,028**	**22,070**
Increases	566	9	575
Decreases	–4		–4
Depreciation, amortisation and impairment losses	–823	–19	–842
Exchange rate differences	–137		–137
Carrying amount on 30 Jun 2018	12,645	9,018	21,662

Related party transactions

The company's 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 as well as the associate companies.

Related party transactions EUR 1,000	1–6/2019
Sales	11
Purchases	247
Non-current receivables	
Current receivables	
Non-current liabilities	
Current liabilities	35

Key performance indicators

KEY PERFORMANCE INDICATORS	1–6/2019	1–6/2018	1–12/2018
Gross capital expenditure, EUR 1,000	444	575	709
Personnel	177	196	177
Operating result %	–5.0 %	1.5 %	–7.7 %
Share price development			
Share price at the beginning of the period	0.25	0.55	0.55
Share price at the end of the period	0.30	0.47	0.25
Highest price	0.44	0.63	0.60
Lowest price	0.25	0.46	0.24
Equity per share, EUR	0.20	0.28	0.27
Earnings per share, EUR, undiluted	–0.07	–0.01	–0.20
Earnings per share, EUR, diluted	–0.07	–0.01	–0.20
Equity ratio, %	13.9 %	30.4 %	31.7 %
Net gearing, %	424.7 %	104.8 %	55.8 %

Other commitments and contingent liabilities

Contingent liabilities, EUR 1,000	30 June 2019	30 June 2018	31 December 2018
Loans from financing institutes	14,285	14,444	14,511
Mortgages given	15,500	15,500	15,500
Book value of pledged subsidiary shares and loan receivables	10,108	10,108	10,108
Other commitments			
Customs warranties and others	6,135	6,956	6,014
Rental liabilities	735	55,295	48,606

Rent liabilities 1000 EUR, bridge calculation	1.1.2019
Rent liabilities 31.12.2018	48,606
Vuosaari revaluation	–9,109
Finance leasing	–1,029
Short term, low value	–695
Other corrections and increases	1,385
Nominal value 1.1.2019	39,158
Discounting	4%
Present value of capitalized rent liabilities	**31,095**

Ten largest shareholders 30 June 2019	Number of shares	Share of votes-%
ILMARINEN KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ	8,780,000	19.8
NURMINEN JUHA MATTI	5,640,426	12.7
SUKA INVEST OY	5,169,588	11.7
K. HARTWALL INVEST OY AB	3,837,838	8.7
AVANT TECNO OY	3,446,392	7.8
JN ULJAS OY	3,049,388	6.9
RUSCAP OY	2,163,962	4.9
HISINGER-JÄGERSKIÖLD EVA CONSTANCE	1,279,279	2.9
NURMINEN JUKKA MATIAS	1,014,554	2.3
TUULI MARKKU JUHANI	953,850	2.2
TOTAL	**35,335,277**	**79.8 %**

Accounting principles

The half year financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies applied are consistent with those applied in the consolidated financial statements for 2018. The adoption of the new IFRS 16 standard has a material impact on the interim report. Other new or amended IFRS standards or interpretations that have entered into force did not have a material impact on the half year financial report. The interim report has not been audited.

IFRS 16 Leases

The company adopted the new IFRS 16 Leases standard on 1 January 2019. The starting point of the standard is that if a lease grants a right of use to an asset, is managed by the user and provides the lessee with economic added value, it is included in the scope of the standard. The company acts as the lessee in its leases. The company applies IFRS 16 with modifications. The comparison figures for the previous year have not been adjusted to match the new IFRS 16 standard. In accordance with the standard, leases are discounted to the present (1 January 2019), which results in the current value and corresponding liability. The discounted value includes a fixed component, any index components and residual value guarantees in accordance with the standard.

The company has reviewed all of its material leases. The most important and financially most significant leases concern terminal properties. In addition, the company has leases on offices, IT hardware, company cars, warehouse handling machinery and equipment. Contracts, less than 12 months or contracts with minor economic value or with a period of notice of no more than 6 months and with no significant financial expenses associated with their termination, have been excluded from the application of the standard. Typically, they are IT hardware or office leases. It has been necessary, in some occasions when implementing the standard, for the management to use its discretion.

Tables and calculation formulas for indicators

All figures are rounded, so the sums of individual figures may differ from the reported sum. The key performance indicators have been calculated using exact values. The half year financial report has not been audited.

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

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

$$\text{Equity per share (EUR)} = \frac{\text{Equity attributable to equity holders of the parent company}}{\text{Undiluted number of shares at closing date}}$$

$$\text{Net gearing (\%)} = \frac{\text{Interest bearing debt - cash and cash equivalents}}{\text{Equity}} \times 100$$

Adjusted operating result

Adjusted operating result = Operating result less certain items affecting comparability

Items affecting comparability include events or transactions significant in terms of understanding Nurminen's financial performance when comparing the reported period with previous periods. These items may include:

1) gains and losses and transaction expenses from disposals and purchases 2) exceptional write-downs 3) restructuring costs 4) other items not associated with normal business operations according to an assessment of Nurminen's management.

The company has discontinued the use of the concept of “Comparable result” it used in previous years. The comparable net sales and operating result are associated with an era when the structure and capital intensity of the Russian operations were different and exchange rate fluctuations were most significant to the Group. The company considers that the new concept of “adjusted operating result” provides a better understanding of the state and development of business operations.