Nurminen Logistics ▶▶▶

Nurminen Logistics Plc Financial Statement Release 6 March 2020 13.00

Nurminen Logistics Plc Financial Statement Release 2019

Nurminen Logistics Key Figures 1 January – 31 December 2019	1 Jan to 31 Dec 2019	1 Jan to 31 Dec 2018
EUR Million		
Net sales	69,3	78,9
Operating result	-8,5	-6,0
Operating result-%	-12,3 %	-7,7 %
Net result	-11,4	-7,8
Adjusted operating result	-1,9	0,9
Adjusted operating result-%	-2,8 %	1,2 %
Adjusted net result	-4,8	-0,8
Earnings per Share	-0,29	-0,20
Cash flow from operating activities	0,5	-0,8

Nurminen Logistics Key Figures 1 July – 31 December 2019	1 Jul to 31 Dec 2019	1 Jul to 31 Dec 2018
EUR Million		
Net sales	34,9	38,2
Reported net result	-6,8	-6,6
Operating result-%	-19,5 %	-17,4 %
Net Income	-8,3	-7,5
Adjusted operating result	-0,9	0,2
Adjusted operating result-%	-2,4 %	0,6 %
Adjusted net income	-2,3	-0,6
Cash flow from operating activities	0,3	-0,0

CEO TERO VAURASTE:

Despite good work for developing organization and processes the year 2019 was not satisfactory for Nurminen Logistics. The result of the accounting period was poor, and during the second half the financial performance was modest. The net sales decreased, and the operating result was negative. The turnaround work in the business operations in Finland, that begun in the second half of the year, and progress on profitability on China cargo train towards the end of the year limited operating loss. No significant property investments were made during the financial period.

Differences between business operations by service and region within the Group were quite high. Bi-monthly cargo train service between Vuosaari, Finland and Hefei, China had positive development and increasing filling rate during autumn. We managed to increase filling rate especially in the westbound trains which simultaneously improved profitability of the service. The investments for ramping up this service heavily weighted down on the operating result. Nurminen Logistics expects the business operations in Finland to provide significantly stronger cash flow during 2020 as the cargo train service to China grows and sales increase. Cargo train service provides notable increase in volume for freight forwarding and cargo services.

Demand for freight forwarding services slightly decreased during the second half of 2019 as the volumes of international trade to Finland were in decline. Nurminen Logistic Services Oy responded to this development by acquiring PFC Nordic Oy, which expanded the service portfolio and customer base of the group especially in the maritime freight forwarding. Forwarding services' net sales increased and profitability slightly increased in comparison to previous year.

Business performance in the Baltic countries continued at a good level. Operations in cargo services developed positively excluding Helsinki area. Vuosaari cargo services operates on a high cost level in comparison to net sales development. Due to the high cost level, operations were streamlined by operative realignment and by starting a process improvement program to continue the turnaround work of 2019, and the projects within the improvement program will be concluded in 2020. The program will utilize the functions of the renewed ERP-system.

Nurminen Logistics has had cashflow negative business operations in Finland during the year 2019. Due to the adoption of IFRS 16 from the beginning of 2019, and the new growth forecasts for the coming years, the company recognized impairment loss of EUR 5,3 million on goodwill. The write down has a significant negative impact on company's equity ratio.

We adjusted the operations of the company with changes made after the co-determination procedures. We continued our efforts to improve the efficiency of our core businesses by reorganizing our responsibilities for operational management and the Helsinki production organization. We started ramp down of the Luumäki terminal and discontinued the operations of our subsidiary in Estonia. We are in the process of exploring possibilities for reducing real estate liabilities connected to the Vuosaari terminal during 2020, and new utilization opportunities for the property.

Our customers increasingly appreciate complete service solutions for supply chain management. The reliability and ease of use of these services are key demand drivers. Nurminen Logistics responds to these customer needs by itself and through partnerships. Sales team was doubled during the second half of 2019. Co-operation with customers and intensive sales work are central to 2020 financial performance development. Nurminen Logistics strives to become increasingly customer oriented and to become more active partner in our customer's processes. Our new IT-systems will increase the efficiency of our operations and improve our services.

THE MARKET SITUATION IN THE REVIEW PERIOD

The economic growth and business cycle remained unchanged in Finland for the second half of 2019. Price decreases in the forest industry had negative impact on business operations of Nurminen Logistics in comparison to previous years.

Several industrial customers in the technology sector reported production records in 2019 even though generally growth in the technology industry can be characterized as stagnant.

Especially the wheeled machines market in 2019 in all business lines (mining, forestry, harbor).

The volume index for chemical industry reached plateau in 2019 after years of increasing. The trend for new orders continued slight increase that slowed down towards the end of the year.

Increasing environmental awareness and appreciation for agile supply chains manifested especially in increasing bookings on China cargo train service. In future the Nurminen Logistics will deliver solutions to a wider range of customers for the whole width of supply chain management. As the economy in China continues to grow faster than in Europe its relative importance for the foreign trade for Finland which creates opportunities to the cargo train service.

NET SALES AND FINANCIAL PERFORMANCE 1 JANUARY – 31 DECEMBER 2019

EUR 1,000	1–12/2019	1–12/2018	1–12/2019 adjusted	1–12/2018 adjusted
Net sales	69,340	78,874	69,340	78,874
EBIT	-8,517	-6,046	-1,919	921

Net sales amounted to EUR 69,3 million (EUR 78,9 million), decreasing 12,1 per cent from prior year. EBIT decreased, mainly due to impairment loss on goodwill by EUR 5,3 million, to EUR -8,5 million (EUR -6,0 million).

Adjusted net sales amounted to EUR 69,3 million (EUR 78,9 million). Adjusted EBIT decreased to EUR -1,9 million (EUR 0,9 million).

Adjusted EBIT excludes loss on disposal of the Niirala terminal EUR 0,6 million, loss on disposal of the shares in the Russian company ZAO Rubesh EUR 0,1 million, expenses from the verdict by the supreme court regarding case on employment EUR 0,1 million, impairment loss on Luumäki terminal totaling EUR 0,5 million and impairment loss on goodwill EUR 5,3 million, in total EUR 6,6 million. No adjustments to the comparable result were made during the reporting period. The figures for adjusted EBIT 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**: on the balance sheet**, liabilities relating to leases are discounted on the balance sheet as of 1 January 2019 and right of use assets are 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 1,3 million positive impact on EBIT and EUR 0,1 million positive impact on net result 2019. Use of right depreciation amounted to EUR 3,9 million and financial expenses to EUR 1,2 million. The change is described in more detail in the tables section of the report.

BUSINESS REVIEW 1 January – 31 December 2019

Net sales in railway logistics increased compared to previous year. The growth in net sales was mainly due to year’s most important project, the integration of regular China cargo train service into Nurminen Logistics’ operations and commercial activities. The profitability clearly increased towards the end of the year. Overall the cargo train service operated at loss during the review period. In the Q4 of 2019 the import trains operated at profit. For the export trains the service ramp-up is proceeding according to the plan. Establishing the train route was significant effort and weighted heavily upon the EBIT of the company. The ramp-up cost for the cargo block train service, instead of being activated, have been accounted as expenses in the income statement for the period in which they are incurred.

Volumes in the project logistics and chemical transport continued steady and profitable.

Nurminen Logistics’ freight forwarding remained profitable. To increase growth and to add diversity to service portfolio Nurminen Logistics Services Oy executed an acquisition in accordance to its strategy in which PFC Nordic Oy, a growing company with high quality service, became part of freight forwarding business by Nurminen Logistics. Freight forwarding net sales increased from the prior year and profitability improved slightly. Slowdown in both import to and export from Finland was visible in the demand for the services during the last quarter of the year.

Cargo services net sales decreased compared to previous year. The adjusted EBIT remained on the prior year’s level. During the review period, cargo services were unprofitable due to low utilization rate at Vuosaari terminal. In Kotka, utilization rate was on good level and services profitable.

From the beginning of May 2019, Nurminen Logistics rearranged real estate by discharging real estate obligations and clarifying financial situation of the company. Of the included real estate property, the Niirala terminal was sold during the review period. The sales amounted to EUR 0,6 million operating loss. The remaining Sale- and lease back arrangements with Ilmarinen Mutual Pension Insurance Company were concluded in advance in July. The aim is to continue removal of such real estate which is not in support of the core businesses of the company and to also reduce the level of strategic real estate cost.

Nurminen Logistics divested its Russian based train wagons and related business in late 2018. The new business is based on leasing and brokering train wagons. Russian subsidiary OOO Nurminen Logistics’ net sales and profitability decreased year-on-year due to change in business concept. The company’s result was slightly positive during the review period.

Baltic companies’ net sales decreased as the transit traffic volumes declined. Simultaneously profitability increased. Baltic operations’ profitability is on a good level.

Nurminen Logistics updated its strategy at the end of the spring 2019. 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, 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 cargo block train to China, with increasing volume and scheduled train arrival and departure frequency. 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 Ltd was accomplished in accordance with this strategy point.

The actions based on the strategy renewal continued as turnaround work during the autumn 2019. This work continues in accordance with business prerequisites. Company strategy is to be updated during the spring 2020.

Tero Vauraste became the President and CEO of the company on 6 December 2019 and Ville Iho stepped down to work elsewhere. Ari Penttinen, SVP Forwarding and Terminal Services left the company on 19 August 2019. On 11 December the company announced that Iiris Pohjanpalo will become CFO from the 1 January 2020.

NET SALES AND FINANCIAL PERFORMANCE 1 JULY – 31 DECEMBER

EUR 1,000	7-12/2019	7–12/2018	7–12/2019 adjusted	7–12/2018 adjusted
Net sales	34,870	38,245	34,870	38,245
EBIT	-6,808	-6,640	-852	229

Net sales of the second half of 2019 amounted to EUR 34,9 million (EUR 38,2 million), decreasing 8,8 % from prior year. EBIT decreased, mainly due to impairment loss on goodwill, to EUR -6,8 million (EUR -6,6 million).

Adjusted net sales amounted to EUR 34,9 million (EUR 38,2 million). Adjusted EBIT decreased to EUR -0,9 million (EUR 0,2 million). Adjusted EBIT excludes expenses from the judgement by the supreme court regarding case on employment EUR 0,1 million, impairment loss on Luumäki terminal totaling EUR 0,5 million and impairment loss on goodwill totaling EUR 5,3 million, in total EUR 6,0 million. No adjustments to the comparable result were made during the reporting period.

Business review 1 July – 31 December 2019
Freight forwarding net sales increased from prior year as the freight forwarding company PFC Nordic Oy became part of Nurminen Logistics' freight forwarding business operations. Profitability remained at a good level. During the second half of the year the demand for freight forwarding services decreased as Finnish export and import businesses slowed down especially during the last quarter of the year.

Cargo services' net sales decreased but adjusted EBIT remained at level with previous year. The volumes and utilization rate at Vuosaari terminal increased in the second half of the year in comparison to the previous year, resulting in slight growth in both net sales and profitability. Growth in transit and export services for import to Russia was moderate.

Railway logistics services' net sales increased from prior year. Establishing the China cargo train route was significant effort and weighted heavily upon the EBIT of the company. The operation became profitable only from November onwards. Overall the cargo train service operated at loss during the review period. The chemical deliveries were on slight decline in comparison to the previous year.

Nurminen Logistics divested its Russian based train wagons and related business in late 2018. The new business is based on leasing and brokering train wagons. Russian subsidiary OOO Nurminen Logistics' net sales and profitability decreased year-on-year due to change in business concept. The company's result was slightly negative during the review period.

In the Baltic subsidiaries the net sales decreased during the latter half of the year in comparison to the previous year. The profitability improved from the previous year and remained at good level. The business operations in Lithuania had improved profitability.

THE FUTURE OUTLOOK

It is estimated by the company that the economic and market growth will develop slower yet remain positive during the first half of the year 2020. No earnings guidance is given by Nurminen Logistics for the year 2020.

Increasing importance of environmental values to both, our customers and consumers, supports the competitive edge of low emission railway connections to and from China and in the supply chains of the neighboring areas in comparison with other transport methods. The significance of carbon footprint increases for both to our customers and consumers.

Demand for freight and freight services is expected to develop in line with developments in foreign trade. Changes in trade policy and increased regulation may increase the need for professional freight forwarding services in international trade.

SHORT-TERM RISKS AND UNCERTAINTIES

In case the world trade would slow down there would be negative impact on the demand for the services offered by the company and on the operating result. Decrease in foreign trade in Finland would influence demand. Foreign trade with Russia, which is important for the company, has been increasing for the last few years, but towards the end of 2019 there were signs of a slowdown. Should the slowdown continue, it might influence demand.

Possible pandemic or large epidemic occurrences might impact the market areas especially in China. These may also influence the Finnish foreign trade by reducing the customer service needs and the company's revenues. Changes in the political situation of the China cargo block train transit countries or challenges of the capacity of rail network utilization, could influence the operating circumstances of the cargo train. Trade policy risks may affect the business operations. Competition is expected to intensify with a potential impact on unit revenue.

Labor market disturbances may influence customers' production volumes. Furthermore, the demand on services as well as supply chain functionality especially in harbors may be affected.

In case profitability improvement efforts in core businesses and sales growth in China cargo train service should advance at a slower pace than expected, there might be negative impacts on the result and financial position of the company.

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

FINANCIAL POSITION AND BALANCE SHEET

Cash flow from operating activities amounted to EUR 0,5 million. Cash flow from investing activities totaled EUR -0,1 million. Cash flow from investing activities was impacted by investments in IT-systems and digitalization EUR 0,7 million, divestments of Niirala terminal and ZAO Rubesh subsidiary and acquisition PFC Nordic Oy, in total EUR 0,6 million. Cash flow from financing activities amounted to EUR -7,8 million. Implementation of IFRS 16 -standard affected the structure of financial statements. The change is described in more detail in the tables section of the report.

At the end of the review period, cash and cash equivalents amounted to EUR 4,1 million of which EUR 0,5 million had separate designated purpose which has been determined in co-operation with Ilmarinen Mutual Pension Insurance Company. Cash and cash equivalents attributable to the Baltic operations amount to EUR 2,7 million.

The financial statements have been prepared assuming business continuity. The management of the company estimates that the operating cash flow generated by the company covers the current business needs and current liabilities for the next 12 months.

Current interest-bearing liabilities of the company, total of EUR 3,0 million, consist of financial leasing liabilities of EUR 2,3 million and factoring debt of EUR 0,7 million. The company's non-current interest-bearing liabilities are EUR 39,9 million, of which EUR 26,9 million are in connection with leases capitalized in accordance with IFRS 16 standard. Long term loans amount to EUR 13,0 million. These loans from Ilmarinen amounting to EUR 13,0 million are due in June 2023. A partial payment of EUR 0,5 million to loan from Ilmarinen was paid in November 2019 in advance.

The Group's interest-bearing liabilities totaled EUR 42,9 million and the net interest-bearing debt amounted to EUR 38,9 million. The company has an equity-based hybrid loan from Ilmarinen, amounting to EUR 1,5 million.

The balance sheet total was EUR 52,1 million, and the equity ratio was 1,5 %. The equity ratio excluding the effect of IFRS 16 was 2,8 %.

CAPITAL EXPENDITURE

The Group's gross capital expenditure during the review period amounted to EUR 0,7 million (EUR 0,7 million), accounting for 1% of net sales. Depreciation totaled EUR 5,2 (1,8) million, or 7,5% (2,3) of net sales. In accordance to IFRS 16 standard, use of rights depreciation amounted to EUR 3,9 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. Nurminen Maritime Estonia AS 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%), PFC Nordic Oy (100%), Kiinteistö Oy Kotkan Siikasaarentie 78 (100%), Kiinteistö Oy Luumäen Suoanttilantie 101 (100%), Kiinteistö Oy Vainikkalan Huolintatie 13 (100%), NR Rail Oy (51%), Pelkolan Terminaali Oy (20 %), OOO Nurminen Logistics (100 %), Nurminen Maritime Latvia SIA (51%), UAB Nurminen Maritime (51%) and Nurminen Maritime Eesti AS (51%).

PERSONNEL

At the end of the review period, the Group had 176 employees, compared with 172 on 31 December 2018. The number of employees working abroad was 31. Personnel expenses in 2019 totaled EUR 9,2 million (EUR 9,0 million).

CHANGES IN THE GROUP MANAGEMENT TEAM

On 31 December 2019, Nurminen Logistics' Management Team consisted of the following members: Tero Vauraste, President and CEO, Teppo Talvinko, CFO (interim CEO until 18 March 2019), Mikko Järvinen, SVP Sales and Petri Luurila, CIO. In addition, the Management Team included Ville Iho, previous CEO, from 15 March until 5 December 2019 and Ari Penttinen, SVP Forwarding and Terminal Services in Finland until 19 August 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.

On 25 October the company announced the remuneration in shares for the Board of Directors. Juha Nurminen, member of the Board of Directors subscribed for 41,071 shares, Jukka Nurminen, member of the Board of Directors subscribed for 41,071 shares, Irmeli Rytkönen member of the Board of Directors subscribed for 41,071 shares, Olli Pohjanvirta, the Chair of the Board of Directors subscribed for 82,143 shares, Alexey Grom, member of the Board of Directors subscribed for 41,071 shares and Hannu Leinonen, member of the Board of Directors subscribed for 35,714 shares.

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 44,604,174 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 1,802,568 during the period from 1 January to 31 December 2019. This represented 4,0% of the total number of shares. The value of the turnover was EUR 549,000. The lowest price during the review period was EUR 0,26 per share and the highest EUR 0,44 per share. The closing price for the period was EUR 0,27 per share and the market value of the entire share capital was EUR 11,865,000 at the end of the period.

At the end of the 2019 financial year the company had 1,320 shareholders. At the end of 2018 the number of shareholders stood at 1,215.

At the end of 2019 the company held 106,333 of its own shares, corresponding to 0,2% 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.

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

The company announced on 19 August 2019 that Ari Penttinen, who had been the steering team member responsible for ramp-up of China blocktrain service and reorganizing Vuosaari terminal, had left the company to pursue new opportunities.

The company announced on 20 September 2019 on issuance of 350,00 new shares in the company to the company itself without consideration.

The company announced on 4 October 2019 that the new shares had been listed with the trade register.

The company announced on 25 October on the remuneration in shares for the Board of Directors.

The company announced on 14 November 2019 that Tero Vauraste was appointed as CEO and president from 6 December 2019.

The company announced on 11 December 2019 that Iiris Pohjanpalo was appointed as CFO and a member of Group Management Team from 1 January 2020.

EVENTS AFTER THE REVIEW PERIOD

The company announced 28 January 2020 on issuance of shares for the long-term incentive plan for the CEO, in which the CEO may purchase maximum of 180,00 shares at price of EUR 0,28 per share.

The company announced on 17 January 2020 that it initiated co-determination negotiation considering the personnel of Finnish subsidiaries in order to prepare for possible decline of goods flow due to labor marker disturbances in manufacturing industries and other client industries. The co-determination negotiations were concluded on 4 February 2020. As the labor market disturbances ceased the company was not required to establish any adjusting arrangements with the personnel.

The company announced on 4 March 2020 that it recognizes a write down of EUR 5,3 million on goodwill impacting negatively on equity ratio. The company has reached an agreement with financiers regarding the abandonment of covenant terms on equity ratio.

BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION

Based on the financial statements as at 31 December 2018, the parent company's distributable equity is EUR 14,847,850. The Board of Directors proposes to the Annual General Meeting that no dividend shall be distributed for the financial year 2019.

ANNUAL GENERAL MEETING 2020

The Annual General Meeting of Nurminen Logistics Plc will take place on Monday, 6 April 2020 starting at 1.00 p.m. at the address Pasilankatu 2, 00101 Helsinki, Finland.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement of Nurminen Logistics Plc will be published on 6 March 2020 on the company's website at http://www.nurminenlogistics.com/

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
Nasdaq Helsinki
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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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1-12/2019	1-12/2018
EUR 1,000		
NET SALES	69,340	78,874
Other operating income	64	109
Materials and services	-50,418	-56,826
Employee benefit expenses	-9,196	-9,025
Depreciation, amortization and impairment losses	-11,044	-1,817
Loss on sales of Russian subsidiary		-6,224
Other operating expenses	-7,262	-11,135
OPERATING RESULT	-8,517	-6,046
Financial income	12	58
Financial expenses	-2,382	-1,387
Share of profit in equity-accounted investees	25	-21
RESULT BEFORE TAX	-10,864	-7,397
Income taxes	-570	-414
PROFIT / LOSS FOR THE PERIOD	-11,433	-7,811
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Translation differences	-41	7,567
Other comprehensive income for the period after tax		
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-11,474	-243
Result attributable to		
Equity holders of the parent company	-12,903	-8,804
Non-controlling interest	1,470	993
Total comprehensive income attributable to		
Equity holders of the parent company	-12,944	-1,237
Non-controlling interest	1,470	993
EPS, undiluted	-0,29	-0,20
EPS, diluted	-0,29	-0,20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**7-12/2019**	**7-12/2018**
EUR 1,000		
NET SALES	34,870	38,245
Other operating income	48	46
Materials and services	-25,218	-28,253
Employee benefit expenses	-4,763	-4,541
Depreciation, amortization and impairment losses	-8,338	-929
Loss on sales of Russian subsidiary		-6,224
Other operating expenses	-3,406	-4,985
OPERATING RESULT	-6,808	-6,640
Financial income	7	-40
Financial expenses	-1,217	-635
Share of profit in equity-accounted investees	9	-11
RESULT BEFORE TAX	-8,012	-7,327
Income taxes	-258	179
PROFIT / LOSS FOR THE PERIOD	-8,269	-7,506
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Translation differences	7	7,964
Other comprehensive income for the period after tax	48	397
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-8,262	458
Result attributable to		
Equity holders of the parent company	-8,975	-8 002
Non-controlling interest	706	495
Total comprehensive income attributable to		
Equity holders of the parent company	-8,968	-37
Non-controlling interest	706	495

Adjusted EBIT	**1–12/2019**	**1–12/2018**
EUR 1,000		
EBIT	-8,517	921
Profit and loss on sales and acquisitions	642	
Expenses from the verdict by the supreme court regarding case on employment	137	
Impairment loss on Luumäki terminal	548	
Impairment loss on goodwill	5,271	
Adjusted EBIT	-1,919	921

Adjusted EBIT	**7–12/2019**	**7–12/2018**
EUR 1,000		
EBIT	-6,808	229
Cost adjustments due to the Supreme Court judgement on employment matter	137	
Impairment loss on Luumäki terminal	548	
Impairment loss on goodwill	5,271	
Adjusted EBIT	-852	229

CONSOLIDATED BALANCE SHEET	**31.12.2019**	**31.12.2018**
EUR 1,000		
ASSETS		
Non-current assets		
Property, plant and equipment	35,810	8,757
Goodwill	899	5,970
Other intangible assets	1,933	1,390
Investments in equity-accounted investees	209	194
Receivables	244	2,639
Deferred tax assets		14
NON-CURRENT ASSETS	39,095	18,964
Current assets		
Inventories	87	81
Trade and other receivables	7,822	10,952
Cash and cash equivalents	4,187	11,514
Non-current assets held for sale	897	
CURRENT ASSETS	12,993	22,547
ASSETS TOTAL	52,088	41,511
EQUITY AND LIABILITIES		
Share capital	4,215	4,215
Other reserves	28,894	28,894
Translation differences	-6	35
Retained earnings	-35,497	-22,616
Hybrid bond	1,500	1,500
Non controlling interest	1,695	1,123
EQUITY TOTAL	802	13,151
Non-current liabilities		
Deferred tax liability	24	28
Other liabilities	212	328
Financial liabilities	39,900	13,600
NON-CURRENT LIABILITIES	40,136	13,956
Current liabilities		
Current tax liabilities	237	366
Financial liabilities	3,102	5,252
Trade payables and other liabilities	7,811	8,786
CURRENT LIABILITIES	11,150	14,404
TOTAL LIABILITIES	51,287	28,360
TOTAL EQUITY AND LIABILITIES	52,088	41,511

CONSOLIDATED BALANCE SHEET, IFRS 16 IMPACT	**31.12.2018**	**Impact**	**1.1.2019**
EUR 1,000	**IAS 17**		**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
Cash and cash equivalents	11,514		11,514
CURRENT ASSETS	22,547	-2,047	20,500
ASSETS TOTAL	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 liability	28		28
Other liabilities	328		328
Financial liabilities	13,600	28,819	42,419
NON-CURRENT LIABILITIES	13,956	28,819	42,774
Current liabilities			
Current tax liabilities	366		366
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
TOTAL LIABILITIES	28,360	31,095	59,455
TOTAL EQUITY AND LIABILITIES	41,511	31,095	72,606

CONSOLIDATED CASH FLOW STATEMENT EUR 1,000	**1.1.-31.12.2019**	**1.1.-31.12.2018**
Cash flow before change in working capital	1,224	4,168
Changes in working capital	1,179	-3,735
Financing items and taxes	-1,945	-1,263
Cash flow from operating activities	**458**	**-830**
Cash flow from investing activities	**-81**	**6,024**
Cash flow from financing activities	**-7,837**	**-1,512**
Cash and cash equivalents at the beginning of the year	11,514	7,832
Net increase / decrease in cash and cash equivalents	-7,460	3,682
Cash and cash equivalents at the end of the period	**4,054**	**11,514**

CONSOLIDATED CASH FLOW STATEMENT, impact of IFRS 16	**1-12/2019**		**1-12/2019**
EUR 1,000	**IAS 17**	**Impact**	**IFRS 16**
Cash flow from operating activities	-1,867	2,325	458
Cash flow from investing activities	-81		-81
Cash flow from financing activities	-5,512	-2,325	-7,837
Net increase / decrease in cash and cash equivalents	-7,460		-7,460

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

STATEMENT OF CHANGES IN EQUITY 1-12/2019 EUR 1,000	A	B	C	D	E	F	G	H	I
Equity 1.1.2019	4,215	86	2,378	26,430	1,500	35	-22,615	1,123	13,151
Result for the period							-12,903	1,470	-11,433
Comprehensive income for the period/ translation differences						-41			-41
Interest for hybrid loan after taxes							-48		-48
Shares remuneration							70		70
Other changes								39	39
Dividends								-937	-937
Equity 31.12.2019	4,215	86	2,378	26,430	1,500	-6	-35,498	1,696	802

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

STATEMENT OF CHANGES IN EQUITY 1-12/2018 EUR 1,000	A	B	C	D	E	F	G	H	I
Equity 1.1.2018	4,215	86	2,378	26,430	1,500	-7,511	-13,689	1,261	14,670
Result for the period							-8,804	993	-7,811
Comprehensive income for the period/ translation differences						7,546	21		7,567
Interest for hybrid loan after taxes							-48		-48
Shares renumeration							70		70
Other changes							-166	-15	-181
Dividends								-1,116	-1,116
Equity 31.12.2018	4,215	86	2,378	26,430	1,500	35	-22,615	1,123	13,151

Changes in property, plant and equipment	Tangible	Intangible	Total
EUR 1,000			
Book value 1 January 2019	8,757	7,360	16,117
Impact of implementing IFRS 16 -standard to use	35,465		35,465
Additions	429	1,058	1,487
Disposals	-3,433		-3,433
Depreciation and amortization	-4,910	-314	-5,224
Impairment losses	-548	-5,271	-5 819
Exchange rate differences	52		52
Book value 31 December 2019	35,810	2,831	38,641
IFRS 16 implementation increased material depreciations by EUR 3,888 thousand.			
Changes in fixed assets	Tangible	Intangible	Total
EUR 1,000			
Book value 1 January 2018	13,042	9,028	22,070
Additions	638	1,464	2,102
Disposals	-3,178	-3,002	-6,180
Depreciation, amortization and impairment losses	-1,688	-129	-1,817
Exchange rate differences	-59		-59
Book value 31 December 2018	8,757	7,360	16,117

Related Party Transactions	1-12/2019
EUR 1,000	
Sales	17
Purchases	284

The related parties comprise the members of the Board of Directors and Management Team of Nurminen Logistics and companies in which these members have control. Related parties are also deemed to include shareholders with direct or indirect control or substantial influence.

Key Figures	1-12/2019	1-12/2018
Gross capital expenditure, EUR 1,000	722	709
Personnel	176	177
Operating profit-%	-12,3 %	-7,7 %
Share price development		
Share price at beginning of period	0,25	0,55
Share price at end of period	0,27	0,25
Highest for the period	0,44	0,60
Lowes for the period	0,26	0,24
Equity/ share, EUR	-0,02	0,27
Earnings/share (EPS) EUR, undiluted	-0,29	-0,20
Earnings/share (EPS) EUR, diluted	-0,29	-0,20
Equity ratio %	1,5	31,7
Net gearing %	4849,1	55,8

The equity ratio excluding the impact of IFRS 16 -standard would be at 2,8 per centages.

Other Liabilities and Commitments		
Contingencies and commitments, EUR 1,000	31.12.2019	31.12.2018
Mortgages given	15,500	15,500
Book value of pledged subsidiary shares and -loan receivables	23,352	10,108
Other contingent liabilities	5,999	6,014
Rental obligations	1,064	48,606

Rent liabilities EUR 1,000 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**

10 largest sharehloders 31 December 2019	Number of Shares and Votes	%
Keskinäinen eläkevakuutusyhtiö Ilmarinen	8,780,000	19,7
Nurminen Juha Matti	5,640,426	12,6
K. Hartwall invest Oy Ab	3,837,838	8,6
Avant Tecno Oy	3,446,392	7,7
JN Uljas Oy	3,049,388	6,8
Ruscap Oy	2,163,962	4,9
Hisinger-Jägerskiöld Eva Constance	1,279,279	2,9
Nurminen Jukka Matias	1,055,625	2,4
Tuuli Markku Juhani	953,850	2,1
Nurminen Mikko Johannes	870,108	2,0
TOTAL	36,246,456	81,3

Accountig Policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the standards in force on 31 December 2019 have been applied. The Financial Statement Release has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies applied are consistent with those applied in the 2018 Financial Statements, except changes arising from implementation of IFRS 16 standard. The new IFRS 16 -standards has had significant impact on the financial statements. Other new or amended IFRS standards or interpretations that have entered into force did not have a material impact on the Financial Statements.

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 value (1 January 2019), which results in the right of use asset and corresponding liability in the balance sheet. Right of use depreciation and financing expense is recognized in the income statement for the lease period.

The company has reviewed all 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.

Calculation of Key Figures

All figures have been rounded and consequently the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

Equity ratio (%)	= Equity / Balance sheet total – advances received x 100
Earnings per share (EUR)	= Result attributable to equity holders of the parent company / Weighted average number of ordinary shares outstanding
Equity per share (EUR)	= Equity attributable to equity holders of the parent Company / Undiluted number of shares outstanding at the end of the financial year
Gearing (%)	= Interest-bearing liabilities / Equity x 100

Adjuster Operating Profit (EBIT)

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

Items affecting to the comparability are transactions that have significance to understand Nurminen Logistics financial development when comparing reporting period to previous periods. These items may include: 1) sales gains and losses and transaction costs related to sales and purchases 2) exceptional write offs 3) restructuring costs 4) Other items and transactions that are not belonging to normal business according to Nurminen Logistics management.
The company has rejected ”comparable EBIT” -concept. Comparable EBIT and comparable net sales are from a time period during which business structure and capital intensity at Russia were significant and currency translation differences held more significance for the company. It has been estimated that now established “adjusted EBIT”-concept provides the reader with better understanding on the business and its development.