

Nurminen Logistics Plc Half-Year Financial Report 1 January-30 June 2022

Nurminen Logistics Plc
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Half-Year Financial Report 4 August

This release is a summary of Nurminen Logistics' Half-Year Financial Report January-June 2022. The full report is attached to this stock exchange release and is available on Nurminen Logistics' website at <https://nurminenlogistics.com/investors/publications/>

Growth continued despite the war in Ukraine. Net sales increased by 14 per cent to EUR 71.7 million and the comparable operating profit adjusted for non-recurring items was EUR 4.6 million.

JANUARY-JUNE 2022

- Net sales increased organically by 14 per cent to EUR 71.7 million (EUR 63.0 mill.).
- The comparable operating profit was EUR 4.6 million (EUR 4.6 mill.).
- The reported operating profit was EUR 2.4 million (EUR 3.7 mill.).
- Diluted earnings per share was EUR 0.01 (EUR 0.01).
- Cargo and Multimodal businesses grew, and profitability improved due to new customers.
- In the Baltic business, net sales and the operating profit started to increase in April, although the figures for the review period still fell a little short from the comparison period's record high level.
- The net sales of the container train business in China and Asia grew during the review period, although war in Ukraine has complicated rail transport and has significantly decreased the customer demand for a container train service. There are no sanctions or other restrictions targeting the railway connection. The COVID-19 restrictions in China throughout the spring have had a negative impact on rail transport volumes.
- In May, the Narvik-Gävle container train connection was opened. Also, a new Trans-Caspian container train connection, which goes around Russia, was opened for freight between China and Europe.
- In June, agreement on sales and service cooperation with the Shanghai-based Way-easy Supply Chain company was signed.

FINANCIAL GUIDANCE

Nurminen Logistics expects that net sales in 2022 will increase or remain at the level of 2021. Comparable operating profit margin guidance is on 4-7 % level.

Nurminen Logistics has not given prior instruction for 2022 as a result of the uncertainty caused by the war in Ukraine before the situation is clearer in terms of operating conditions and economic development.

GROUP'S KEY FIGURES	1-6/2022	1-6/2021
Net sales, EUR 1,000	71,738	62,986
Increase in net sales, %	13.9 %	72.7 %
Operating profit (EBIT), EUR 1,000	2,402	3,709
% of net sales	3.3 %	5.9 %
Comparable operating profit, EUR 1,000	4,639	4,624
Comparable operating profit, %	6.5 %	7.3 %
Result for the financial year, EUR 1,000	1,767	2,200
% of net sales	2.5 %	3.5 %
Return on equity (ROE), %	8.8 %	15.1 %
Return on investment (ROI), %	4.7 %	6.7 %
Equity ratio %	29.6 %	21.6 %
Gearing %	112.4 %	232.0 %
Gearing % excluding IFRS 16	73.4 %	165.3 %
Interest-bearing net debt, EUR 1,000	28,012	35,552
Interest-bearing net debt, excluding IFRS 16, EUR 1,000	18,337	25,417
Interest-bearing net debt to EBITDA (12 months rolling)	2.49	4.52
Cash flow from operating activities, EUR 1,000	4,866	1,992
Gross investments, EUR 1,000	111	119
Average number of employees	139	148
Share price development		
Share price at beginning of period	2.01	0.45
Share price at end of period	0.78	1.15
Highest price	2.07	1.68
Lowest price	0.77	0.39
Equity / share, EUR	0.20	0.08
Earnings / share, EUR, undiluted	0.01	0.01
Earnings / share, EUR, diluted	0.01	0.01

OLLI POHJANVIRTA, PRESIDENT AND CEO:

Net sales for January–June increased organically by 14 per cent to EUR 71.7 million. The comparable operating profit adjusted for non-recurring items related to the transfer of container equipment as a result of the war in Ukraine was EUR 4.6 million (EUR 4.6 mill.*). The reported operating profit amounted to EUR 2.4 million (EUR 3.7 mill.).

The results from January–June strongly demonstrate Nurminen Logistics' ability to produce services that are in high international demand with good pricing power despite the war in Ukraine, which has complicated rail transport and has significantly decreased the customer demand for a container train service for the time being. In addition, the COVID-19 restrictions in China throughout the spring have had a negative impact on rail transport volumes. As the geopolitical situation becomes clearer, the prerequisites for returning demand are there, as there are no sanctions or other restrictions targeting the railway connection. Nurminen Logistics' train connection between China and Finland is the fastest on the market, in June 13-14 days. The need for a fast route between China and Europe has not disappeared. The operations readiness of the route is good with regards to growth in volumes.

The railway transport delivery volumes between Finland and China, which had been growing significantly, decreased when compared to the end of 2021 as a result of the start of the war in Ukraine. We reacted quickly to the changing external conditions and made necessary decisions to adjust track capacity to suit the situation. Reducing container capacity resulted in a one-time cost of EUR 2.2 million. We began change negotiations regarding the reduction of personnel and operations costs at our offices at the eastern border, whose prerequisites for business were weakened by the sanctions.

In order to secure the continued development and growth of our business as well as to minimise the impacts of the war in Ukraine, we opened a new Trans-Caspian container train connection for freight between China and Europe, which goes around Russia. We succeeded in starting up the route in record-breaking time, with the first train embarking already in May. The route also serves the growing container traffic between the countries of Central Asia and Europe. The target market of the Trans-Caspian route in Central Europe (including the DACH countries, the area of Czechia, Slovakia, and the Balkans as well as the areas of Hungary and Northern Italy) is, in the Asian market, many times that of Scandinavia. The area's clientele is located along good railway connections, but far from Europe's harbours.

We are currently building a sales and subcontracting network in the countries of Central and Eastern Europe, and will be opening a customer service and sales point for multimodal services in Vienna in the autumn. In China, we agreed on a sales and service cooperation with the Shanghai-based Way-easy Supply Chain company, strengthening our position in the market.

In the Nordic countries, we are investing in the growing Multimodal and Cargo services, as well as growing the container train service. In the spring we opened a Narvik–Gävle container train connection and we expanded our multimodal service offering in Sweden.

We continued to invest in the development of digital tools and systems, which will improve our efficiency. We grew our sales organisation and strengthened our support function at the start of the year through several key recruitments. At the beginning of the autumn, we will expand our container train service organisation.

The continued improvement of our balance sheet can be seen in the improvement in gearing. The company has only EUR 6.3 million of net debt, excluding debts related to the Vuosaari real estate company, which are secured by the real estate property, the market value of which is significantly higher than the liabilities. The net sales per employee increased by 21 per cent and the number of employees decreased by six per cent.

The business' organic growth is based on the strengthened market position of Nurminen Logistics in its operating areas, new customers from international markets, and the new service concepts in the Multimodal and Cargo businesses. The global field of logistics is undergoing a great change; customers are looking for service providers who can respond to their needs quickly with new solutions. This change will bring significant growth opportunities for the Multimodal, Cargo and container train businesses.

There is notable interest towards Nurminen's container train services in the DACH countries, and we expect a great deal from the market going forward. The climate measures required by industry and consumers contribute to the shift of cargo from other modes of transport to railways. Change is further accelerated by the rise in fuel prices and shortages in drivers.

I am very glad about the will and ability of our personnel to develop and improve our business in rapidly changing conditions. A good example of this is the strong growth we have achieved in our Cargo business and the Multimodal service concept, which is being built at a quick pace. The measures we have taken are reflected in growth that outpaces the market and the quick adjusting of the cost structure, which enables us to target resources in Central Europe and Asia.

* More information on adjustments in tables section on bridge calculation of comparable operating profit.

OUTLOOK

The macro-level estimates of the global economy show that the economy will slow down. Nurminen Logistics estimates that business volumes will remain at a good level and there will be no large one-time costs incurred in the near future. The demand for services is supported by global megatrends, such as environmental awareness, the re-evaluation of supply chains and the need for more efficiency in working capital and delivery reliability, which are highlighted by the increasing inflation and interest pressures. The end of coronavirus restrictions in China will increase the flow of goods in product groups which are important to Nurminen. Nurminen Logistics anticipates that the prices of railway freight will remain at the current level and that prices will rise in other services.

The main goal of Nurminen Logistics in July–December will be to increase the sales of the current cargo train routes and the versatility of Multimodal services in Asia and Europe. To enable continued growth, the company will focus on international sales, international recruitment and the development of the partnership and subcontracting network in Central Europe and China in July–December. A stronger development of foreign operations will become possible as the travel restrictions caused by the COVID-19 pandemic are gradually lifted in China.

Based on the positive customer feedback and growing customer relationships, the good development of the Cargo operations will continue in July–December.

Nurminen Logistics Plc

Board of Directors

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Nurminen Logistics is a Finnish listed company founded in 1886 that offers high-quality railway transport and terminal and multimodal solutions between Asia and Europe, in the Nordic countries and in the Baltic countries.