Nurminen Logistics

FINANCIAL STATEMENTS AND THE BOARDS REPORT ON OPERATIONS

1 January 2016 – 31 December 2016

Nurminen Logistics

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The Board's Report on Operations

Market conditions improved towards the end of the year

Nurminen Logistics' performance in 2016 was promising. Thanks to an excellent latter half of the year, comparable net sales and profitability improved from 2015. Comparable net sales increased by 12 per cent and operating result improved over EUR 3.3 million. As net sales increased, Nurminen Logistics Group's EBITDA improved considerably from the previous year. EBITDA in the financial year was EUR 416 thousand, an increase of EUR 409 thousand from the previous year.

The positive trend of forwarding services in Finland continued and the company managed to increase its market share in this business area. Net sales of forwarding services grew by 16.6 per cent year-on-year and profitability improved as well. In terminal services, the trend varied considerably between the different locations. The development of net sales and profit of the company's largest terminals, Vuosaari and Kotka, was positive. In the other border and railway terminals, the performance in 2016 remained at the previous year's level. The Russian railway logistics performance was good as a result of efficiency measures taken. In Finnish railway logistics, the volumes declined from the previous year, making it the company's only business area in which the results and profitability fell short of expectations. The net sales and financial results of the Baltic companies in 2016 were at a very good level.

In 2016, Nurminen Logistics started the preparation of the strategic collaboration with the Russian Rustranscom. New subsidiary, NR Rail, focuses on locomotive business. The business of NR Rail is possible due to the new agreement on international railway transport concluded and ratified between Finland and Russia last year. In practice, the bi-lateral agreement sees the deregulation of rail transport between Finland and Russia in the Finnish rail network. The amount and the schedule of NR Rail's investment in locomotives will depend on the development of customer volumes.

The value of Finnish goods exports declined by 4 per cent in 2016. The value of imports remained at the previous year's level. The export of forest industry products remained nearly at the level of the previous year, but the export of machinery and equipment and products of the metal and chemical industries decreased. Nurminen Logistics has a good customer base in these segments and the company managed to retain its market share in spite of the difficult market situation. Total imports in 2016 remained at the level of 2015. The company has a strong market position in the import forwarding of break-bulk cargo and managed to further increase its market share in this segment. The downward trend in the Russian economy showed signs of slowing down, but no upward turn was yet to be seen in 2016. With the price of oil rising, the Russian economy continued to stabilise. The economies of the Baltic countries are growing well and transit traffic in the Baltic countries increased compared to 2015.

During the second half of 2016, the company reviewed and amended the reporting practices for the net sales of the Baltic companies. The reporting practices at the Baltic companies have been harmonised so as to be in line with the Group's reporting guidelines. Due to the change in reporting, the company's net sales have been adjusted upwards by EUR 12.6 million in 2016 (EUR 7.4 million for 2015). The adjustment has no effect on the reported operating result of the Baltic companies.

The company's internal reporting and segment breakdown of external reporting have been changed and, starting from 1 January 2016, Nurminen Logistics reports only one business segment. Prior to 2016, the company reported three business segments, namely Forwarding and Value Added Services, Railway Logistics, and Special Transports and Projects, which was divested in 2015.

Nurminen Logistics has applied the guidance issued by the European Securities and Markets Authority (ESMA) on the presentation of alternative performance measures, which entered into force on 3 July 2016. Nurminen Logistics uses alternative performance measures to illustrate the development of its business and to improve comparability between reporting periods. The alternative performance measures do not, however, replace the key figures reported in accordance with IFRS. Nurminen Logistics has replaced the previously used terms "operating result excluding exchange rate changes" and "operating result excluding non-recurring items" with the new term "comparable operating result". Comparable net sales and operating result are calculated by adjusting the official result by eliminating the net sales and operating result of acquired and divested businesses, the revenue and expenses of discontinued businesses, revenue and expenses allocable to previous financial years and the direct effects of exchange rates.

Comparable net sales increased and operating result turned positive

The net sales for the 2016 financial period amounted to EUR 50.0 million (2015: EUR 50.0 million), which represents a decrease of 0.9% compared to 2015. The operating result for the review period increased by 55.4% to EUR -948 (–2,127) thousand. In 2016, the company reviewed and amended the reporting practices for the net sales of the Baltic companies. Due to the adjustment the reported net sales increased by EUR 12.6 million (2015: 7.4 million).

Comparable net sales amounted to EUR 50.5 (45.3) million, which represents a year-on-year increase of 11.6%. The comparable operating result for the review period increased by 100.3% to EUR 9 (–3,317) thousand.

The appreciation of the Russian ruble during the review period reduced the company's operating result by EUR –793 (+710) thousand and reduced financial expenses by EUR 116 (–217) thousand. These exchange rate changes had no cash flow impact.

The comparable operating result includes net sales adjustments of EUR 536 (–5,136) thousand, adjustments for exchange rate effects of EUR 793 (–710) thousand and adjustments to other expenses amounting to EUR 164 (–480) thousand. The adjustments to net sales in the review period consist of a reduction in the net sales of the Russian subsidiary due to the year-on-year depreciation of the average exchange rate of the ruble. The adjustments to net sales for the comparison period are related to a divested business. A more detailed breakdown of the adjustments can be found in the tables section.

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THE GROUP'S COMPARABLE RESULT EUR 1,000	1–12/2016	1–12/2015
REPORTED NET SALES	**49,971**	**50,402**
Divested businesses		–5,145
Changes in exchange rates	545	
Adjustments between financial periods	–9	9
COMPARABLE NET SALES	**50,507**	**45,266**
REPORTED OPERATING RESULT	**–948**	**–2,127**
Adjustments to net sales		
Divested businesses		–316
Changes in exchange rates	793	–710
Adjustments between financial periods	164	–164
COMPARABLE OPERATING RESULT	**9**	**–3,317**

The net sales of forwarding services grew by 16.6% and also profitability improved compared to 2015. The drivers of net sales growth were successful new customer acquisitions, the development of the new services and a higher market share in export and import forwarding. During the review period, the forwarding operations of Turku office were transferred to Rauma office, and the operations of office in Vartius were transferred to Niirala office. The profit performance of forwarding services was good during the review period due to the continuous improvement of operational efficiency as well as successful sales efforts.

The net sales of terminal services increased by 0.3% compared to 2015. The profitability of terminal services increased significantly, thanks to improved efficiency in operations and increased traffic in Vuosaari. Demand for Russian transit and export traffic services continued at a low level during the review period.

The net sales of railway logistics in Finland declined by 38.0% year-on-year. The profitability of railway logistics in Finland also declined substantially from the comparison period, due to lower export volumes and a challenging market situation. Railway export volumes reflected the general trend of Finnish exports to Russia. Chemical transport volumes remained stable.

Demand for internal railway logistics services in Russia remained at the level of 2015 during the reporting period. Logistics in Russia is heavily based on railway transport and, because of the sanctions, the country's internal logistic flow of goods was lively during the period. The efficiency improvement measures carried out in the Russian office, covered wagon sales and successful sales efforts improved the result compared to the previous review period.

The net sales and financial results of the Baltic companies in 2016 were at a very good level despite the difficult first half of the year. The first half of the year was burdened by a decline in railway transport deliveries and transit traffic to Russia.

The development of the key financial, personnel and share indicators for 2014–2016 is included in the Financial Statements separately.

Financial position and balance sheet

The company's cash flow from operations was EUR –479 thousand. Cash flow from investments was EUR 5,826 thousand. In 2016 finalised wagon sales increased cash flow from investments. Cash flow from financing activities amounted to EUR –6,351 thousand. Cash flow from financing activities reflected the agreed short-term bank loan repayments.

At the end of the financial period, cash and cash equivalents amounted to EUR 2,304 thousand. The company has current interest–bearing liabilities of pension loans of EUR 0.6 million. The company's management estimates that the operating cash flow generated by the company covers the current business needs and current liabilities for the next 12 months.

The covenants of the guarantee for Group's pension loans, namely the ratio of net debt to operating margin and the equity ratio, were breached as of the financial statement date of 31 December 2016. Also the covenant governing the company's guarantees was breached on 31 December 2016. The Group has received a commitment from its creditors confirming that the breach of the covenants will not have any consequences on the Group.

Guarantee for pension loan covenants are assessed on a quarterly basis. Guarantee for pension loan covenants will be assessed next time on 31 March 2017. The covenants for financing guarantees are assed on a half year basis. These covenants will be assessed next time on 30 June 2017.

The Group's interest-bearing debt totalled EUR 24.1 million, while net interest-bearing debt amounted to EUR 21.8 million.

In June 2015 Nurminen Logistics Plc has agreed with Ilmarinen Mutual Pension Insurance Company on an arrangement concerning the lease payment schedule for years 2015–2021 of terminals located at the Vuosaari harbor as well as in Luumäki, Niirala and Vainikkala. This agreement increased the company's long-term interest-bearing net liabilities of EUR 13.5 million.

The balance sheet total was EUR 43.9 million and the equity ratio was 14.6%.

Capital expenditure

The Group's gross capital expenditure during the review period amounted to EUR 498 (468) thousand, accounting for 1% of net sales. Depreciation totaled EUR 1.4 (2.2) million, or 2.9% of net sales.

Group structure

During the review period Nurminen Logistics Plc abolished its subsidiary Nurminen Logistics LLC (100 %) and changed the name of its subsidiary Nurminen Logistics Finland Oy to NR Rail Oy.

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

Research and development

Nurminen Logistics offers logistics services and aims to constantly develop these services both on its own and in cooperation with its partners. Due to the nature of its operations the company did not have separate research and development costs in its income statement in 2016.

Personnel

At the end of the review period, the Group had 190 employees, compared with 196 on 31 December 2015. The number of employees working abroad was 52.

Personnel expenses in 2016 totaled EUR 8.7 million (2015: EUR 10.3 million).

Changes in the top management

Nurminen Logistics Plc announced on 15 June 2016 that Maija Dietrich, Vice President and member of Nurminen Logistics Plc's Management Team, is leaving her post on 10 September 2016. Maija Dietrich has been a member of the Management Team since 2014. Vice President Risto Holopainen assumed responsibility for Nurminen Logistics' new railway logistics development projects in addition to his current duties. The size of Nurminen Logistics' Management Team decreased from five members to four as a result of the change.

As of 31 December 2016, Nurminen Logistics' Management Team consisted of the following members:

Marko Tuunainen, President and CEO
Markku Puolanne, CFO
Risto Holopainen, Vice President, Terminal and Value Added Services
Mike Karjagin, Vice President, Forwarding
and Railway Logistics in Finland.

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 14,674,410 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 992,980 during the period from 1 January to 31 December 2016. This represented 6.8% of the total number of shares. The value of the turnover was EUR 753,508. The lowest price during the review period was EUR 0.64 per share and the highest EUR 1.10 per share. The closing price for the period was EUR 0.70 per share and the market value of the entire share capital was EUR 10,272,087 at the end of the period.

At the end of the 2016 financial year the company had 753 shareholders. At the end of 2015 the number of shareholders stood at 629.

In the end of 2016 the company held 74,234 of its own shares, corresponding to 0.5% of votes. In December 2016 Nurminen Logistics issued 100,000 new shares in the company to the company without consideration. The issued shares are used for the payment of the remuneration of the Board members and/or for the creation of incentives for, or encouraging commitment in, personnel.

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

Shareholder agreements related to ownership and the exercise of voting rights

No shareholder agreements related to ownership in Nurminen Logistics Plc and the exercise of voting rights have been brought to the company's attention with the exception of the announcement that was published in stock exchange release on 28 December 2007. According to the announcement, the members of the Board of directors and Management Team have undertaken not to sell or otherwise transfer shares in John Nurminen Ltd owned by them on this date and the company's shares received as demerger consideration in conjunction with the demerger of John Nurminen Ltd without the advance written consent of the Board of Directors of the company.

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.

Decisions made by the annual general meeting of shareholders

Nurminen Logistics Plc's Annual General Meeting of Shareholders held on 12 April 2016 made the following decisions:

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

The Annual General Meeting of Shareholders confirmed the company's financial statements and the Group's financial statements for the financial period 1 January 2015 - 31 December 2015 and released the Board of Directors and the President and CEO from liability.

Payment of dividend

The Annual General Meeting of Shareholders approved the Board's proposal that no dividend shall be paid for the financial year 1 January 2015 - 31 December 2015.

Composition and remuneration of the Board of Directors

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

The Annual General Meeting of Shareholders resolved that for the members of the Board elected at the Annual General Meeting for the term ending at the close of the Annual General Meeting in 2017 remuneration level will be as follows: annual remuneration of EUR 40,000 for the Chairman and EUR 20,000 for the other members. In addition, a meeting fee of EUR 1,000 per meeting for the Board and Board Committee meetings shall be paid for each member of the Board living in Finland and EUR 1,500 per meeting for a member of the Board living outside Finland. 50 per cent of the annual remuneration will be paid in the form of Nurminen Logistics Plc's shares and the remainder in money. A member of the Board of Directors may not transfer shares received as annual remuneration before a period of three years has elapsed from receiving shares. The Chairman of the Board will get, in addition, the remuneration of EUR 7,500 per month plus car benefit with the maximum value of EUR 1,600 per month and telephone benefit.

Authorising the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares

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

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

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

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

The authorisation shall remain in force until 30 April 2017.

Auditor

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

Environmental factors

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

Outlook

Nurminen Logistics believes that the market conditions begin to recover due to the slight grow in Finland and Russian economies in 2017. Nurminen Logistics expects that its comparable net sales, comparable result and earnings per share will improve compared to 2016. Exchange rate fluctuations have an impact on the reported net sales and operating result.

Short-term risks and uncertainties

A decline of the Finnish economy and the Russian economy compared to the current situation would have a negative impact on the company's operations and result. Fluctuations in the rouble exchange rate have an impact on company's business operations and on the Group's reported result.

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

The company has received a total of 32 subsequent levy decisions from the National Board of Customs' Eastern District Office in Lappeenranta, which state that the company and VG Cargo Plc, which has filed for bankruptcy, are liable to pay import taxes from the year 2009. The company's liability for the import taxes is, at a maximum, EUR 0.5 million. The company does not consider itself liable for the aforementioned import taxes and has not recorded provisions for the associated costs. If there is a case for subsequent levy, the company's view is that the levy should primarily be directed at the bankruptcy estate of VG Cargo Plc and be paid from its valid customs guarantee. The company has filed an appeal with the Helsinki District Court against the subsequent levy decisions made by the National Board of Customs.

Events after the review period

The company had no significant events after the review period.

Board of directors' proposal for profit distribution

Based on the financial statements as at 31 December 2016, the parent company's distributable equity is 20,339,015.15 euros. The Board of Directors proposes to the Annual General Meeting that that no dividend shall be distributed for the financial year 2016.

Corporate governance statement

The Corporate Governance Statement of Nurminen Logistics Plc will be published on 9 March 2017 on the company's website at www.nurminenlogistics.com.

Consolidated Statement Of Comprehensive Income, IFRS

1,000 EUR	Note	1–12/2016	1–12/2015
NET SALES	2	49,971	50,402
Other operating income	3	365	219
Materials and services		–28,858	–26,823
Employee benefit expenses	5	–8,707	–10,317
Depreciation, amortisation and impairment losses	6	–1,447	–2,201
Other operating expenses	4	–12,271	–13,406
OPERATING RESULT		**–948**	**–2,127**
Financial income	7	266	169
Financial expenses	7	–1,785	–2,468
Share of profit of equity-accounted investees	15	–31	143
		–1,550	–2,156
RESULT BEFORE INCOME TAX		**–2,497**	**–4,283**
Income tax expense	8	–622	–93
RESULT FOR THE YEAR		**–3,119**	**–4,375**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Translation differences		1,865	–1,363
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–1,255**	**–5,738**
Result attributable to			
Equity holders of the parent company		–3,516	–4,551
Non-controlling interest		397	176
Total comprehensive income attributable to			
Equity holders of the parent company		–1,651	–5,914
Non-controlling interest		397	176
Earnings per share calculated from result attributable to equity holders of the parent company			
Earnings per share, undiluted, euro		–0,24	–0,33
Earnings per share, diluted, euro		–0,24	–0,33

Consolidated Statement of Financial Position, IFRS

1,000 EUR	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Property, plant and equipment	11	13,253	14,088
Goodwill	12,14	8,970	8,970
Other intangible assets	12	61	191
Investments in equity-accounted investees	15	263	293
Receivables	16	5,713	7,223
Deferred tax assets	17	659	609
Non-current assets, total		**28,918**	**31,374**
Current assets			
Inventories		41	0
Trade and other receivables	18	12,498	10,709
Current tax receivables		92	67
Cash and cash equivalents	19	2,304	3,273
Current assets, total		**14,936**	**14,049**
For sale non-current assets		**0**	**4,710**
TOTAL ASSETS		**43,854**	**50,133**
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent company	20		
Share capital		4,215	4,215
Share premium reserve		86	86
Other reserves		21,273	21,268
Translation differences		–7,285	–8,168
Retained earnings		–12,584	–10,116
Equity attributable to holders of the parent company		**5,705**	**7,285**
Non-controlling interest		**695**	**489**
Equity, total		**6,400**	**7,775**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	17	400	447
Other liabilities	23	375	305
Financial liabiliites	22	22,198	23,759
Non-current liabilities, total		**22,972**	**24,511**
Current liabilities			
Current tax liabilities		141	79
Financial liabilities	22	1,919	4,517
Trade payables and other liabilities	23	12,422	13,252
Current liabilities, total		**14,482**	**17,847**
Liabilities, total		**37,454**	**42,358**
EQUITY AND LIABILITIES, TOTAL		**43,854**	**50,133**

Consolidated Cash Flow Statement, IFRS

1,000 EUR	Note	1–12/2016	1–12/2015
Cash flow from operating activities			
PROFIT/LOSS FOR THE YEAR		**–3,119**	**–4,375**
Adjustments for:			
Depreciation, amortisation & impairment losses	6	1,447	2,201
"Gains (–) and losses (+) on disposals of property, plant and equipment and other non-current assets"		–83	–69
Share of profit of associates, profit (–) / loss (+)		31	–143
Unrealised foreign exchange gains (–) and losses (+)		–14	196
Financial income (–) and expenses (+)		1,533	2,103
Income taxes	8	622	93
Cash flow before changes in working capital		**416**	**6**
Working capital changes:			
Increase (–) / decrease (+) in inventories		–41	0
Increase (–) / decrease (+) in non-interest bearing current receivables		1,602	1,482
Increase (+) / decrease (–) in non-interest bearing current payables		–448	1,896
Net cash from operating activities before financial items and taxes		**1,529**	**3,384**
Interest paid		–1,392	–1,530
Dividends received		0	19
Interest received		84	76
Other financial items		–229	–653
Income taxes paid		–471	–152
Net cash from operating activities		**–479**	**1,143**
Cash flow from investing activities			
Purchases of property, plant and equipment and intagible assets		–448	–540
Proceeds from sale of property, plant and equipment and intangible assets		5,762	1,341
Sales of shares in affiliated undertakings		0	4
Proceeds from sale of other investments		0	32
Loans granted		0	–512
Repayments of loan receivables		512	0
Net cash used in investing activities		**5,826**	**325**
Cash flow from financing activities			
Share issue against payment	20	0	1,700
Proceeds from current borrowings		–2	71
Repayment of current borrowings		–5,214	–4,403
Increase (+) / decrease (–) of current liabilities		147	0
Proceeds from non-current borrowings		0	5,587
Repayment of non-current borrowings		–200	0
Repayment of finance lease liabilities		–890	–2,330
Dividends paid / repayments of equity		–191	–354
Net cash used in financing activities		**–6,351**	**270**
Net increase / decrease in cash and cash equivalents		**–1,004**	**1,739**
Cash and cash equivalents at the beginning of the year		3,273	1,530
Translation differences of cash and cash equivalents at the beginning of the year		18	–29
Net increase / decrease in cash and cash equivalents		–1,004	1,739
Translation differences of net increase / decrease in cash and cash equivalents		17	33
Cash and cash equivalents at the end of the year	**19**	**2,304**	**3,273**

Consolidated Statement of Changes in Equity, IFRS

1,000 EUR	Note	Equity attributable to equity holders of the parent company								
1–12/2015		Share capital	Share premium reserve	Legal reserve	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity on 1 Jan 2015		**4,215**	**86**	**2,378**	**17,190**	**–7,679**	**–6,350**	**9,841**	**832**	**10,674**
Error correction							**–900**	**–900**		**–900**
Comprehensive income										
Result for the year							–4,551	–4,551	176	–4,375
Other comprehensive income										
Translation differences						–490	–873	–1,363		–1,363
Total comprehensive income for the year						**–490**	**–5,424**	**–5,914**	**176**	**–5,738**
Business transactions with share holders										
Other changes					1,700		2,558	4,258	0	4,258
Dividends									–519	–519
Total business transactions with share holders					**1,700**		**2,558**	**4,258**	**–519**	**3,739**
Equity on 31 Dec 2015		**4,215**	**86**	**2,378**	**18,890**	**–8,168**	**–10,116**	**7,286**	**489**	**7,775**

1,000 EUR	Note	Equity attributable to equity holders of the parent company								
1-12/2016		Share capital	Share premium reserve	Legal reserve	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity on 1 Jan 2016		**4,215**	**86**	**2,378**	**18,890**	**–8,168**	**–10,116**	**7,285**	**489**	**7,775**
Comprehensive income										
Result for the year							–3,516	–3,516	397	–3,119
Other comprehensive income										
Translation differences						883	982	1,865		1,865
Total comprehensive income for the year						**883**	**–2,534**	**–1,651**	**397**	**–1,254**
Business transactions with share holders										
Other changes					5		66	71	0	71
Dividends									–191	–191
Total business transactions with share holders					**5**		**66**	**71**	**–191**	**–121**
Equity on 31 Dec 2016		**4,215**	**86**	**2,378**	**18,895**	**–7,285**	**–12,584**	**5,705**	**695**	**6,400**

Notes to the Consolidated Financial Statements, IFRS

1. THE ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Basic information about the Group

The business idea of Nurminen Logistics is to provide and produce high-quality and customer competitiveness increasing logistics services in Finland, Russia and its' neighbouring areas. The parent company of the Group is Nurminen Logistics Plc. The parent company is domiciled in Helsinki, Finland, and its registered address is Satamakaari 24, Helsinki.

Copies of the consolidated financial statements are available in internet at www.nurminenlogistics.com. The consolidated financial statements were authorised for issue by the Board of Directors on 9 March 2017. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to make a decision to amend the financial statements.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in accordance with the IAS and IFRS standards and SIC and IFRIC interpretations effective on 31 December 2016. International Financial Reporting Standards are standards and interpretations adopted for application in the European Union in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and Council. The notes to the consolidated financial statements are also in accordance with the Finnish Accounting Act and Ordinance and the Limited Liability Companies Act complementing the IFRSs.

The consolidated financial statements have been prepared on the historical cost basis except for the financial assets and financial liabilities measured at fair value through profit or loss.

The financial statements are presented in thousands of euro.

As from 1 January 2016 the Group has applied the following amendments to standards that did not have a significant impact on the consolidated financial statements:

• Amendment to IAS 1 *Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures.

• *Annual Improvements* to IFRSs (2012–2014 cycle) (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in four standards.

Restatements of comparative information

In the course of preparation of the consolidated financial statements as at and for the year ended 31 December 2016, some errors were identified related to the historical financial information for prior periods. Identified errors related to presentation of revenues and valuation of buildings in non-current assets.

Presentation of net sales

Nurminen Logistics operates in the Baltic region in Latvia, Lithuania and Estonia. In the course of preparation of the consolidated financial statements for 2016 it was identified that income statements of the subsidiaries operating in the above-mentioned countries had historically been consolidated starting from the gross profit. In the consolidated financials of 2016 the Baltic subsidiaries have been consolidated starting from the net sales and the comparative figures for 2015 had been restated to be comparable. As a result of the restatement the reported net sales for 2015 amounts to EUR 50,402 million which is 17.2% higher than previously reported net sales for 2015. As a result of the restatement the reported net sales for H1/2016 amounts to EUR 23,198 million which is 23.6% higher than previously reported net sales for H1/2016.

The restatement has impact on reported net sales of the group as well as on key figures measuring relative profitability when the denominator is the net sales. The restatement does not have an impact on reported operating result, result before taxes, result for the financial year, equity, non-controlling interest or on EPS.

EUR 1,000	As previously reported	Restate-ments	As restated
Consolidated income statement 1.1.–31.12.2015			
Net sales	43,016	7,386	50,402
Consolidated income statement 1.1.–30.6.2016			
Net sales	23,198	4,432	23,198

Valuation of the buildings in non-current assets

In the course of preparation of the consolidated financial statements as at and for the year ended 31 December 2016 an impairment related to the buildings in the non-current assets was identified. Buildings were considered to be EUR 0,9 million overstated. Buildings were abandoned in 2014 and as a result the correction was made retroactively. Impairment has been recognized both in the opening and closing balances of 2015 in respect of the non-current assets (buildings and in equity). As a result, the restatement has an impact on non-current assets (PPE) and equity attributable to the shareholders of the parent company (retained earnings) previously reported from 2015. In addition, the restatement impacts e.g. the solvency key figures which are calculated based on equity. As the restatement has been reflected in the opening balances of 2015 the restatement does not have an impact on previously reported income statement for 2015. Nor has the restatement impact on non-controlling interest of 2015. The restatement does not have an impact on previously reported income statement for H1/2016 nor has the restatement impact on non-controlling interest of 30 June 2016.

EUR 1,000	As previously reported	Restate-ments	As restated
Consolidated balance sheet 1.1.2015			
Non-current assets			
Property, plans and equipment	23,350	–900	22,450
Equity attributable to the shareholders of the parent company			
Retained earnings	–6,350	–900	–7,250
Consolidated balance sheet 31.12.2015			
Non-current assets			
Property, plans and equipment	14,988	–900	14,088
Equity attributable to the shareholders of the parent company			
Retained earnings	–9,216	–900	–10,116
Consolidated balance sheet 30.6.2016			
Non-current assets			
Property, plans and equipment	14,574	–900	13,674
Equity attributable to the shareholders of the parent company			
Retained earnings	–10,120	–900	–11,020

Principles of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of Nurminen Logistics Plc and those of all its subsidiaries. The subsidiaries are entities controlled by the parent company. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries acquired are included in the consolidated financial statements from the acquisition date that control commences until the date that control ceases.

Acquired subsidiaries are accounted for by using the acquisition method. The consideration transferred, identifiable assets and liabilities assumed of the acquired entity and are measured at their fair values at the acquisition date. Goodwill arising on an acquisition is recognised as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests and previously held equity interests in the acquiree, over the Group's share of the fair value of the net assets acquired at the acquisition date.

The consideration transferred includes any assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer, measured at fair value. Any contingent consideration related to the business combination is measured at fair value at the acquisition date and it is classified as either liability or equity. Contingent consideration classified as liability is remeasured at its fair value at each balance sheet date and the subsequent changes to fair value are recognised in profit or loss. Contingent consideration classified as equity is not subsequently remeasured. The consideration transferred does not include any transactions accounted for separately from the acquisition, which are treated in conjunction with the acquisition in profit or loss. All acquisition-related costs, with the exception for costs to issue debt or equity securities, are expensed in the periods in which costs are incurred and services rendered.

All intra-group transactions, receivables and liabilities as well as unrealised gains and profit distribution are eliminated in the consolidation. Non-controlling interests are presented as a separate item under equity.

Non-controlling interests

Any non-controlling interest in the acquiree is measured on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Changes in the parent company's ownership interest in a subsidiary are accounted for as equity transactions if the parent company retains control over the subsidiary.

The result for the financial year and items recognised in other comprehensive income are allocated to the equity holders of the parent company and non-controlling interests. Total comprehensive income is allocated to the equity holders of the parent company and non-controlling interests, even if that results in a deficit balance, unless non-controlling interests have an exemption not to meet obligations which exceed non-controlling interests' investment. Equity attributable to the non-controlling interest is presented separately under equity in the consolidated balance sheet.

Associates

Associates are companies in which the Group has significant influence. Significant influence generally arises when the Group holds 20 to 50 per cent of a company's voting power or the Group otherwise has significant influence but not power to govern the financial and operating policies of an entity. Associates are consolidated using the equity method. When the Group's share of an associate's losses exceeds the carrying amount of the interest, the interest is recognised at zero value in the balance sheet and recognition of further losses is discontinued, except to the extent that the Group has committed to settle the associate's obligations. The interest in an associate includes goodwill arisen on acquisition. Unrealised gains resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The Group's share of an associate's result for the financial year is disclosed separately after financial items in the consolidated statement of comprehensive income.

Foreign currency transactions

Items included in the financial statements of each subsidiary in the Group are determined using the currency reflecting the primary economic environment of that subsidiary ("the functional currency"). The consolidated financial statements are prepared in euro which is the functional and presentation currency of the parent company and the presentation currency of the consolidated financial statements.

Foreign currency transactions of the Group companies are translated into functional currencies using the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated using the balance sheet date exchange rates and non-monetary assets and liabilities that are measured at historical cost are translated using the transaction date exchange rates. Gains and losses arising from the translation are recognised in the consolidated statement of comprehensive income.

In preparation of consolidated financial statements income and expenses for the income statements and for the statements of comprehensive income of those foreign Group companies, whose functional currency is not euro, are translated into euro by using the average exchange rate for the financial year and the balance sheets are translated at the exchange rate at the balance sheet date. Translation differences arising from such translation are recognised in equity. Retranslating the result and the total comprehensive income for the financial year using different exchange rates for the statement of comprehensive income and for the balance sheet causes a translation difference recognized in Group's equity, the change in this translation difference is recognized under other comprehensive income. Respectively, foreign currency differences arising from the elimination of the costs of foreign subsidiaries, and from the retranslation of post-combination equity components in subsequent periods, are recognised in other comprehensive income. When a foreign operation is sold or is otherwise disposed of, in part or in full, the accumulated foreign currency differences are recognised in the statement of comprehensive income as part of the gain or loss on sale for the disposed part.

Property, plant and equipment

Items of property, plant and equipment are carried at historical cost less accumulated depreciation and impairment losses. The cost includes all expenditure directly attributable to the acquisition of the asset. The borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the carrying amount of the asset. Subsequent costs are recognized in the carrying amount of the item only if it is probable that future economic benefits associated with the asset will flow to the Group and its cost can be measured reliably. Other repair and maintenance costs are expensed as incurred.

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

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

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

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

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

Intangible assets

Goodwill

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

Goodwill is not amortised but it is tested at least annually for impairment. Goodwill is carried at historical cost less accumulated impairment losses.

Research and development costs

Research costs are expensed in the financial year in which they are incurred. Development costs are capitalised when certain criteria are met. Due to the nature of its operations the company did not have separate research and development costs in its income statement in 2016 and 2015.

Other intangible assets

An intangible asset is recognised in the balance sheet only if its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

An intangible asset is measured at historical cost less amortisation and any impairment losses. Group's intangible assets include mainly IT software which is amortised on a straight-line basis over 3 to 5 years.

Impairment of intangible assets and property, plant and equipment

The Group assesses, at every balance sheet date, if there are any indications of impairment of property, plant and equipment or intangible assets. In case such indications exist, the asset's recoverable amount is estimated. If the carrying amount of an asset exceeds its recoverable amount, the impairment loss is recognised in the income statement. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

As to goodwill, the recoverable amount is estimated at least annually irrespective of whether indications of impairment exist. Impairment is assessed at a cash-generating unit level, i.e. at the lowest level for which there are separately identifiable, mainly independent cash flows. In impairment testing of goodwill the recoverable amount is based on value in use, i.e. on the estimated discounted future net cash flows.

At the recognition of the impairment loss the asset's useful life is re-estimated. The recognised impairment loss is reversed if the estimates used to determine the asset's recoverable amount have changed. The reversal of the impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. An impairment loss on goodwill is never reversed.

Financial instruments

Financial assets

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

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank accounts as well as highly liquid investments with original maturities of three months or less at the acquisition date.

Financial liabilities

The financial liabilities of Nurminen Logistics are classified to the following categories: financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost (other financial liabilities). The former category includes derivatives entered into by the Group, to which hedge accounting is not applied and that are not financial guarantee contracts. They are classified as held-for-trading instruments. The financial liabilities in this category are initially measured at fair value and are subsequently re-measured at their fair values. Gains and losses arising from derivatives' fair value changes, both unrealised and realised, are recognised in profit or loss in the period in which they occur. Fair values are determined by discounting the instruments' cash flows.

Other financial liabilities, which mainly consist of Group's finance lease liabilities, are measured at fair value upon initial recognition. Transaction costs are included in the original carrying amount. Subsequently other financial liabilities are measured at amortised cost using the effective interest rate method.

A financial liability is classified as current if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. A financial liability (or part of the liability) is not derecognised until the liability has ceased to exist, that is, when the obligation identified in a contract has been fulfilled or cancelled or is no longer effective.

Revenue recognition principles

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

Employee benefits

Pension arrangements

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

Share-based payments

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

Income taxes

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

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

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

Leases

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

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

Sale and leaseback

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

Operating profit

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

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

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

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

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

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

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

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

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

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

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

Application of new and revised IFRS standards

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

- New IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018): IFRS 9 will supersede current IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 introduced new requirements for the classification and measurement of financial asset and introduces a new impairment model for financial assets, which is based on expected credit losses. The general hedge accounting requirements has also been revised. Recognition and measurement of financial liabilities will mainly continue to be on the same bases as currently adopted under IAS 39.

- new IFRS 15 *Revenue form contracts with customers* (effective for annual periods beginning on or after 1 January 2018). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or service underlying the particular performance obligation is transfered to customer. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group has not decided whether a full retrospective application will be applied. During 2016 the company has performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the company is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

The Group’s most significant revenue stream comes from the sale of services. Based on the preliminary assessment, the company does not expect to have any significant changes from adoption of the new standard. The services provided by the company are delivered to customers and the revenue recognised at a point in time.

In addition, extensive disclosures are required by the new revenue recognition standard. During 2017 the company will develop necessary processes to collect and disclose the required information.

- Clarifications to IFRS 15 *Revenue form Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018). The clarifications issued on 12 April 2016 provides guidance on (a) identifying performance obligations; (b) principle versus agent considerations; and (c) licensing application. The clarifications have been endorsed by the EU.

- IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019). IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the current guidance including IAS 17 Leases and the related interpretations. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by the customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting in requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a financial lease. Furthermore, extensive disclosure is required by IFRS 16. The standard has not yet been endorsed by the EU.

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after 1 January 2017). The amendments issued on 19 January 2016 clarifies the recognition of deferred tax assets when decreases below cost in carrying amount of a fixed-rate debt instrument measured at fair value of which the tax base remains at cost gives rise to a deductible temporary difference. The amendments have not yet been endorsed by the EU.

- Amendments to IAS 7 *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017). The amendments issued on 20 January 2016 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows (e.g. borrowings and repayments) and non-cash changes (i.e. acquisitions, disposals, accumulated interests, unrealised foreign currency translation differences). The amendments have not yet been endorsed by the EU.

- Annual Improvements to IFRSs (2014–2016 cycle) (effective for annual periods beginning on or after 1 January 2017/2018). In the annual improvement process the non-urgent but necessary amendments to IFRS are collected and issued annually. The nature of the improvements depends on the standards, but they do not have material impact on the consolidated financial statements. The amendments have not yet been endorsed by the EU.

- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning or after 1 January 2018). The interpretation issued on 8 December 2016 provides guidance on “the date of the transaction” when an entity pays or received consideration in advance in a foreign currency. IAS 21 *The Effects of Changes in Foreign Currency Rates* requires an entity to record a transaction in a foreign currency transaction, initially, at the spot rate at “the date of the transaction”. IAS 21 defines the date of the transaction as “the date on which the transaction first qualifies for recognition in accordance with IFRSs”. The interpretation clarifies that “the date of the transaction” is the date of the advance consideration.

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

2. SEGMENT INFORMATION

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

Information on geographical areas 2016

1,000 EUR	Finland	Russia	Baltic countries	Total
2016				
Net sales	29,011	6,114	14,846	49,971
Non-current assets	25,304	3,173	72	28,549
2015				
Net sales	34,556	6,940	8,905	50,402
Non-current assets	29,484	2,671	57	32,212

Information on major customers

Revenue from a single customer didn't exceed 10 % of Group´s net sales in 2016.
Revenue from a single customer didn't exceed 10 % of Group´s net sales in 2015.

3. OTHER OPERATING INCOME

1,000 EUR	2016	2015
Gains from sale of property, plant and equipment	92	209
Rent income	22	7
Other items	250	3
Total	**365**	**219**

4. OTHER OPERATING EXPENSES

1,000 EUR	2016	2015
Losses on sales and disposals of property, plant and equipment	9	141
Rental expenses	6,213	6,546
Administrative expenses	2,211	3,351
Other cost items	3,838	3,369
Total	**12,271**	**13,406**

Auditor fees

1,000 EUR	2016	2015
Audit fees	50	52
Other services	19	1
Total	**69**	**53**

5. EMPLOYEE BENEFIT EXPENSES

1,000 EUR	2016	2015
Wages and salaries	7,107	8,487
Pension expenses, defined contribution plans	1,209	1,464
Other social security costs	332	308
Share-based payments	60	58
Total	**8,707**	**10,317**

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

Personnel of the Group during the year in average

	2016	2015
Total	**193**	**225**

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

Depreciation and amortisation by asset category:

1,000 EUR	2016	2015
Intangible assets		
Intangible rights	8	11
Other intangible assets	122	184
Total	**131**	**196**
Property, plant and equipment		
Buildings	1,160	945
Machinery and equipment	145	1,050
Other tangible assets	12	12
Total	**1,317**	**2,006**

The company booked a EUR 900,000 loss in the value of buildings. The booking was booked against the retained earnings because it was a correction for the annual period of 2014. The value loss was booked for Niirala premises closed in 2014.

7. FINANCIAL INCOME AND EXPENSES

1,000 EUR	2016	2015
Financial income		
Interest income	84	76
Exchange rate gains	157	94
Other financial income	26	0
Total financial income	**266**	**169**
Financial expenses		
Interest expenses	1,715	1,519
Exchange rate losses	41	310
Other financial expenses	29	640
Total financial expenses	**1,785**	**2,468**

Items above the operating profit include exchange rate differences totalling EUR –793 thousand in 2016 (EUR +710 thousand in 2015).

8. INCOME TAX EXPENSE

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

1,000 EUR	2016	2015
Current tax expense	312	40
Adjustment for prior periods' taxes	0	0
Other direct taxes	358	0
Deferred taxes, net	–48	53
Total	**622**	**93**

The reconciliation between the income tax expense recognised in the consolidated statement of comprehensive income and the taxes calculated using the Finnish corporate tax rate (20,0 %):

1,000 EUR	2016	2015
Profit before income tax	–2,497	–4,283
Income tax calculated using the Finnish corporate tax rate	–499	–857
Effect of tax rates used in foreign subsidiaries	–48	–53
Share of profit equity-accounted investees	6	–25
Non-deductible expenses	8	–4
Usage of prior unrecognised tax assets on losses	–36	0
Unrecognised deferred tax assets on losses	835	1,357
Other differences	356	–324
Total adjustments	1,121	950
Income tax expense in the statement of comprehensive income	**622**	**93**

9. EARNINGS PER SHARE

	2016	2015
Result attributable to the equity holders of the parent company (1,000 EUR)	–3,516	–4,551
Weighted average number of shares, undiluted	14,484,433	13,745,801
Earnings per share, undiluted, euro	–0,24	–0,33
Result attributable to the equity holders of the parent company (1,000 EUR)	–3,516	–4,551
Effect of share bonus scheme, number of shares	0	0
Weighted average number of shares, diluted	14,484,433	13,745,801
Earnings per share, diluted, euro	–0,24	–0,33

10. INTERESTS IN OTHER ENTITIES

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

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

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

	Nurminen Maritime Latvia SIA		UAB Nurminen Maritime		Nurminen Maritime Eesti AS	
1,000 EUR	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Summary of comprehensive income staments						
Net sales	13,109	7,629	1,241	780	506	497
Profit before taxes	91	–34	866	478	9	–14
Income tax	–22	0	–134	–72	0	0
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	69	–34	731	406	9	–14
Total comprehensive income attributable to NCI	34	–17	358	199	5	–7
Summary of balance sheets						
Current assets	2,013	1,091	2,329	906	81	89
Non-current assets	34	20	25	33	28	4
Current liabilities	1,517	623	1,568	475	29	33
Non-current liabilities	1	10	0	3	11	0
Net assets	529	478	786	461	69	60
Net assets attributable to NCI	259	234	385	226	34	30
Summary of cash flows						
Cash flow from operating activities	–100	119	688	632	33	3
Cash flow from investing activities	–14	15	–4	–1	–2	1
Cash flow from financing activities	0	–207	–403	–661	–1	0
Net increase in cash and cash equivalents	–114	–73	282	–30	30	4
Dividends paid to NCI during the year	0	203	191	316	0	0

11. PROPERTY, PLANT AND EQUIPMENT

1,000 EUR	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Prepay-ments and assets under construction	Total
2016						
Cost at 1 January	147	16,409	15,464	716	0	32,736
Additions			399	14	85	498
Divestitures						0
Disposals		–768	–49	–1		–817
Effect of movements in exchange rates		125	2,312			2,437
Cost at 31 December	147	15,766	18,126	730	85	34,854
Accumulated depreciation and impairment losses at 1 January	0	–4,473	–13,522	–653	0	–18,649
Depreciation for the year		–1,167	–160	–12		–1,338
Depreciation of divestments						0
Accumulated depreciation on disposals		254	4			258
Effect of movements in exchange rates		–14	–1,859			–1,873
Accumulated depreciation and impairment losses at 31 December	0	–5,400	–15,537	–665	0	–21,602
Carrying amount at 1 January 2016	**147**	**11,936**	**1,942**	**63**	**0**	**14,088**
Carrying amount at 31 December 2016	**147**	**10,367**	**2,589**	**65**	**85**	**13,253**
2015						
Cost at 1 January	147	17,371	22,306	711	0	40,534
Changes to previous financial periods		–900				–900
Additions		6	420	8		434
Divestitures			63	–2		60
Disposals		0	–5,811			–5,811
Effect of movements in exhange rates		–67	–1,514			–1,581
Cost at 31 December	147	16,409	15,464	716	0	32,736
Accumulated depreciation and impairment losses at 1 January	0	–3,547	–12,993	–644	0	–17,184
Depreciation for the year		–941	–924	–12		–1,876
Depreciation of divestments			–217	2		–215
Accumulated depreciation on disposals						0
Effect of movements in exchange rates		14	612			626
Accumulated depreciation and impairment losses at 31 December	0	–4,473	–13,522	–653	0	–18,649
Carrying amount at 1 January 2015	**147**	**13,823**	**9,314**	**66**	**0**	**23,350**
Carrying amount at 31 December 2015	**147**	**11,936**	**1,942**	**63**	**0**	**14,088**

Assets acquired under finance leases

In 2009 Nurminen Logistics sold its properties in Kotka, Luumäki, Vainikkala, Niirala and Jyväskylä to Ilmarinen Mutual Pension Insurance Company. The selling price was approximately EUR 15 million. Nurminen Logistics continues its operations as a leaseholder in the above mentioned properties on a ten-year lease. Nurminen Logistics Plc has committed to repurchase the properties from Ilmarinen after the lease term. The property in Jyväskylä were buyed back and sold forward in 2016.

1,000 EUR	Machinery and equipment	Buildings	Total
2016			
Cost at 1 January	1,896	15,424	17,320
Additions	–34		–34
Disposals		–768	–768
Cost at 31 December	1,861	13,756	15,618
Accumulated depreciation and impairment losses at 1 January	–1,814	–3,476	–5,290
Depreciation for the year	0	–1,055	–1,055
Accumulated depreciation on disposals		254	254
Accumulated depreciation and impairment losses at 31 December	–1,814	–4,276	–6,090
Carrying amount at 31 December	**47**	**9,480**	**9,527**
2015			
Cost at 1 January	1,855	15,424	17,280
Changes to previous financial periods		–900	–900
Additions	40		40
Disposals			0
Cost at 31 December	1,896	14,524	16,420
Accumulated depreciation and impairment losses at 1 January	–1,670	–2,647	–4,317
Depreciation for the year	–144	–829	–973
Accumulated depreciation on disposals			0
Accumulated depreciation and impairment losses at 31 December	–1,814	–3,476	–5,290
Carrying amount at 31 December	**82**	**11,049**	**11,130**

12. INTANGIBLE ASSETS

1,000 EUR	Goodwill	Intangible rights	Other intangible assets	Total
2016				
Cost at 1 January	8,970	838	3,234	13,043
Additions				0
Divestitures				0
Disposals				0
Effect of movements in exchange rates				0
Cost at 31 December	8,970	838	3,234	13,043
Accumulated amortisation and impairment losses at 1 January	0	–821	–3,060	–3,882
Amortisation for the year		–8	–122	–131
Depreciation of divestments				0
Accumulated amortisation and impairment losses at 31 December	0	–829	–3,183	–4,012
Carrying amount at 1 January 2016	**8,970**	**17**	**174**	**9,161**
Carrying amount at 31 December 2016	**8,970**	**9**	**52**	**9,031**
2015				
Cost at 1 January	9,516	846	3,212	13,574
Additions			34	34
Divestitures		–7	–12	–19
Disposals	–546			–546
Cost at 31 December	8,970	838	3,234	13,043
Accumulated amortisation and impairment losses at 1 January	0	–816	–2,888	–3,704
Amortisation for the year		–11	–184	–196
Depreciation of divestments		6	12	18
Accumulated amortisation and impairment losses at 31 December	0	–821	–3,060	–3,882
Carrying amount at 1 January 2015	**9,516**	**29**	**324**	**9,870**
Carrying amount at 31 December 2015	**8,970**	**17**	**174**	**9,161**

Information on goodwill impairment testing is provided in note 14. Impairment of assets.

13. CARRYING AMOUNTS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

1,000 EUR	Note	Loans and receivables	Liabilities measured at amortised cost	Carrying amounts in the balance sheet
2016				
Non-current financial assets				
Other receivables	16	5,713		5,713
Current financial assets				
Trade and other receivables	18	7,739		7,739
Cash and cash equivalents	19	2,304		2,304
Non-current financial liabilities				
Interest-bearing liabilities	22		22,198	22,198
Current financial liabilities				
Interest-bearing liabilities	22		1,919	1,919
Trade payables	23		5,756	5,756
2015				
Non-current financial assets				
Other receivables	16	7,223		7,223
Current financial assets				
Trade and other receivables	18	6,031		6,031
Cash and cash equivalents	19	3,273		3,273
Non-current financial liabilities				
Interest-bearing liabilities	22		23,759	23,759
Current financial liabilities				
Interest-bearing liabilities	22		4,517	4,517
Trade payables	23		7,236	7,236

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

14. IMPAIRMENT OF ASSETS

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

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

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

Group goodwill

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

Indications of possible impairment of assets are reviewed regularly, based on indicators from the Group's internal and external information sources. Such indicators may be, for example, unexpected discrepancies in key assumptions used in the calculations discovered in Group reporting. In addition, indicators may also be changes in competition or other conditions prevailing in the market or new authority regulations affecting different industries or matters concerning service concession. During 2016 there was not any indicators that would have led to impairment testing of assets. In 2015 goodwill was allocated to the divested Nurminen Logistics Heavy Oy's Special Transportation business, in which the goodwill was considered to be attributed.

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

The cash flow is estimated to develop according to the Group's medium-term growth and profitability expectations in the next five years. The growth of sales and the profitability development are defined based on latest progress in business and common forecasts. The terminal value is based on a cash flow growth of 2 %. The assumptions are based on the positive development in Finland, Russia and its neighboring areas as well as carried out efficiency improving operations.

The discount rate is based on pre-tax weighted average cost of capital. The used discount rate is 12.1 % and terminal interest 12.3 %. In determining the discount rate and impairment testing calculations, the market risks and capital intensiveness relating to these businesses have been taken into account. The cost of equity that affects to the discount rate is in line with the Group's long term objectives of return on equity. The turnover of the business in Finland and Russia was EUR 35.7 million in 2016 and it is expected to grow 3 % during forecast period. The EBIT margin is expected to grow from 4 % to 12 % (the Group's long term EBIT margin target is 15 %).

In impairment testing the essential assumptions have been tested. The management considers that there are no grounds for an impairment loss. The accumulated cash flows exceed the booking value by EUR 2.7 million. An increase of 1.5 percentage points in the discount rate would not lead to recognition of an impairment loss when it comes to the calculations for the year 2016. If the terminal value growth was 1 percentage points lower (being 1 %), the increase in the discount rate could be 0.9 % percentage points respectively. The operating profit could fall by 0.8% percentage points each reporting year without the need for recognition of an impairment loss.

15. EQUITY-ACCOUNTED INVESTEES

1,000 EUR	2016	2015
At 1 January	293	173
Share of profit / loss for the year	–31	143
Sale of interests in equity accounted investees	0	–4
Dividends	0	–19
Translation differences / other changes	1	–1
At 31 December	**263**	**293**

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

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

16. NON-CURRENT RECEIVABLES

1,000 EUR	2016	2015
Other receivables	5,680	7,223
Total	**5,680**	**7,223**

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

17. DEFERRED TAX ASSETS AND LIABILITIES

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

1,000 EUR	1 Jan 2015	Recognised in the income statement		Exchange rate differences	31 Dec 2015
Movements in deferred taxes during year 2015:					
Deferred tax assets:					
Component depreciation and sales profit of spare parts	608	59		–58	609
Total	**608**	**59**		**–58**	**609**
Deferred tax liabilities:					
Cumulative depreciation and amortisation difference	33	2	–33		1
Timing differences and temporary differences / reversal of deductible goodwill amortisation	277	2			278
Other items	117	50			168
Total	**426**	**54**		**0**	**447**

1,000 EUR	2016	2015
Deferred taxes		
Losses of Group companies from previous financial years	24,059	21,652
Confirmed losses expires in 2020-2024		
Deferred tax assets on losses from previous financial years	**4,812**	**4,330**

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

18. TRADE AND OTHER RECEIVABLES

1,000 EUR	2016	2015
Trade receivables	6,687	4,564
Loan receivables	0	512
Prepaid expenses and accrued income	4,759	4,678
VAT receivables	255	606
Other receivables	797	348
Total	**12,498**	**10,709**
Trade and other receivables in currencies		
Euro	10,266	9,894
US Dollar	1,986	556
Russian Rouble	246	259
	12,498	10,709

The most significant item under prepaid expenses and accrued income, EUR 1,200 thousand in 2016 (EUR 991 thousand in 2015), consists of services rendered at the balance sheet date but yet not invoiced from the customers and pre-rental for year 2017 to Ilmarinen EUR 2,108 thousand.

The Group has recognised credit losses amounting to EUR 78 thousand in 2016 (EUR 16 thousand in 2015).

The carrying amounts of current receivables best represent the maximum exposure to credit risk, excluding fair value of any collaterals, in the case other party to an agreement fail to discharge an obligation concerning financial instruments. Trade and other receivables do not contain any significant concentrations of credit risk. The carrying amounts of trade and other current receivables are in essentially equivalent to their fair values.

19. CASH AND CASH EQUIVALENTS

1,000 EUR	2016	2015
Cash and bank balances	2,304	3,273
Cash and cash equivalents in the balance sheet	**2,304**	**3,273**

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

20. EQUITY DISCLOSURES

The Board members of the parent company review the capitalstructure and gearing of the Group on regular basis. No target has been set for the gearing, but the Board of the parent company may take measures, if development of the gearing is unfavourable. Gearing calculated from the consolidated statement of financial position of the Group was 340.8 % in the end of 2016 and 321.6 % in the end of 2015. Capital risk management covers both equity and interest bearing liabilities. The aim is to ensure business continuity and cost of capital.

	Number of shares	Share capital, thousands of euro	Share premium reserve, thousands of euro	Legal reserve, thousands of euro	Reserve for invested unrestricted equity, thousands of euro
31 December 2014	**13,057,742**	**4,215**	**86**	**2,378**	**17,190**
Share-based payments	1,516,668				1,700
Repayments of equity					
31 December 2015	**14,574,410**	**4,215**	**86**	**2,378**	**18,890**
Directed issue	100,000				
Repayments of equity					
31 December 2016	**14,674,410**	**4,215**	**86**	**2,378**	**18,890**

The company's shares have no nominal value.
The maximum share capital of the company is EUR 4,215 thousand

Reserves included in equity

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

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

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

21. SHARE-BASED PAYMENTS

The Board of Directors of Nurminen Logistics Plc has on 13 January 2014 decided, by virtue of an authorization granted by the Annual General Meeting of Nurminen Logistics Plc held on 15 April 2013, to issue stock options to the key employees of the Company and its subsidiaries. The stock options shall be issued gratuitously to the key employees of the Group. The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase shareholder value and to commit the key employees to the employer.

The Board of Directors has set the target for the options to be positive net result of the Group. The maximum total number of stock options issued is 1,500,000, and they entitle their owners to subscribe for a maximum total of 1,500,000 new shares in the Company or existing shares held by the Company. The Share subscription price of the stock options 2014 is EUR 1.60 per share. Shares subscribed for and fully paid shall be registered on the book-entry account of the subscriber.

The Share subscription period shall be

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

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

There was no expenses from stock options in 2016 or in 2015.

In June 2015 there was a share offering for members of the Board of Directors and the President and CEO of the company and/or the companies, in which they exercise control. A total of 1,416,668 new shares were subscribed totalling EUR 1,700,000.

22. FINANCIAL LIABILITIES

1,000 EUR	2016	2015
Non-current		
Loans from financial institutions	13,500	14,300
Finance lease liabilities	8,698	9,459
Total	**22,198**	**23,759**
Current		
Loans from financial institutions	1,423	3,781
Finance lease liabilities	496	736
Total	**1,919**	**4,517**
Interest-bearing liabilities in currencies		
Euro	**24,117**	**28,276**
Finance lease liabilities		
Total amount of minimum lease payments		
Less than one year	1,148	1,279
Between one and five years	9,790	11,465
More than five years	0	0
Total	**10,939**	**12,744**
Future finance expenses	–1,745	–2,549
Present value of minimum lease payments	**9,194**	**10,195**
Present value of minimum lease payments are due according to following		
Less than one year	496	736
Between one and five years	8,698	9,459
More than five years	0	0
Total	**9,194**	**10,195**

23. TRADE PAYABLES AND OTHER LIABILITIES

1,000 EUR	2016	2015
Current		
Trade payables	5,756	7,236
Other liabilities	409	478
Accrued expenses and deferred income	6,257	5,537
Total trade payables and other liabilities	**12,422**	**13,252**
Trade payables and other liabilities in currencies		
Euro	10,476	12,974
US Dollar	1,898	258
Russian Rouble	48	21
	12,422	**13,252**
Non-current		
Other liabilities	375	305
Total non-current liabilities	**375**	**305**

The most significant item under accrued expenses, EUR 4,139 thousand in 2016 (EUR 3,332 thousand in 2015), consists of periodization of operative expenses and personnel expenses EUR 1,144 thousand (EUR 1,154 thousand in 2015).

24. FINANCIAL RISK MANAGEMENT

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

Currency risk

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

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

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

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

Interest rate risk

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

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

Liquidity risk

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

The company's management estimates that the operating cash flow generated by the company covers the current business needs and current liabilities for the next 12 months. The covenants of the guarantee for Group's pension loans, namely the ratio of net debt to operating margin and the equity ratio, were breached as of the financial statement date of 31 December 2016. Also the covenant governing the company's guarantees was breached on 31 December 2016. The Group has received a commitment from its creditors confirming that the breach of the covenants will not have any consequences on the Group.

Guarantee for pension loan covenants are assessed on a quarterly basis. Guarantee for pension loan covenants will be assessed next time on 31 March 2017. The covenants for financing guarantees are assed on a half year basis. These covenants will be assessed next time on 30 June 2017.

Credit risk

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

The Group has not applied hedge accounting during 2016 and 2015.

INTEREST RATE RISK

Sensitivity analysis for interest rate risk

In calculating the sensitivity to changes in the interest rate level the following assumptions have been used:

- the change in the interest rate level has been assumed to be +/– 100 bps

Sensitivity analysis for variable interest rate loans

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

		2015			
1,000 EUR	31 Dec 2015	Income statement 100 bp		Equity 100 bp	
		increase	decrease	increase	decrease
Total amount of variable interest rate loans	16,581				
Variable interest rate instruments		–115	115	–115	115
Total effect		**–115**	**115**	**–115**	**115**

Market-based loans are raised mainly as variable interest rate loans. Nurminen Logistics hedges from interest rate risk of market-based loans by electing the interest rate periods and with derivative instruments, mainly with interest rate swaps.

CURRENCY RISK

In calculating the sensitivity to changes in the exchange rate the following assumptions have been used:

- the change in the exchange rate has been assumed to be +/– 30%
- other variables remain constant

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

		2015			
		Income statement 30%		Equity 30%	
1,000 EUR	Russian Rouble	increase	decrease	increase	decrease
Total currency items					
Income statement	507,550				
Equity	870,876				
Total effect		**–3,196**	**1,721**	**–4,627**	**2,491**

	Exchange rate for the period		Balance sheet exchange rate	
Exchange rates used	2016	2015	2016	2015
Russian Rouble	74,14	68,07	64,30	80,67

LIQUIDITY RISK

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

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

The contractual cash flows of loan instalments and interests at 31 December 2015 were the following:

1,000 EUR	1 month	1–3 months	3 months–1 year	1–5 years	5 years ->
Loans from financial institutions	0	3,131	650	800	13,500
Finance lease liabilities	68	116	552	9,459	
Trade payables	3,567	3,670			
Interest	105	206	895	3,620	1,132
Total	**3,739**	**7,123**	**2,097**	**13,879**	**14,632**

The EUR 8.5 million loan from Ilmarinen includes condition that the company pays premature repayments 30% of free cash flow. According to agreement, free cash flow is calculated by deducting financial expences, loan repayments and working capital investment from the operative cash flow. The EUR 5 million loan from Ilmarinen includes condition that company shall pay extra 20% profit share of the confirmed annual report net result when the loan is unshortened. The profit share decreases linearily with installments.

CREDIT RISK

Maximum exposure to credit risk	1,000 EUR
2016	7,484
2015	5,425

Aging of trade receivables

1,000 EUR	Not past due	Past due less than 30 days	Past due 30 – 120 days	Past due over 120 days	Total
2016	5,296	956	288	146	6,687
2015	4,855	880	219	77	6,031

Nurminen Logistics has no significant concentrations of credit risk.

25. OPERATING LEASES

The Group as lessee

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

1,000 EUR	2016	2015
Less than one year	4,077	4,460
Between one and five years	19,310	21,566
More than five years	38,501	42,930
Total	**61,888**	**68,956**

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

26. CONTINGENCIES AND COMMITMENTS

1,000 EUR	2016	2015
Liabilities for which business mortgages have been given and subsidiary shares pledged		
Loans from financial institutions	14,923	18,676
Mortgages given	19,500	19,500
Book value of pledged subsidiary shares	4,266	46,613
Other commitments		
Customs duties and other guarantees	9,945	9,985

Shares in subsidiaries have been pledged as guarantee for customs and other guarantees required continually in company's business.

27. RELATED PARTY TRANSACTIONS

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

Related party transactions with companies under control of Board members

1,000 EUR	2016	2015
Sales	16	113
Purchases	68	49
Interest expenses	0	0
Current liabilities	0	76

Management remuneration

EUR	2016	2015
CEO, the members of the Board and the Executive Board		
Salaries and other short-term employee benefits	933,883	947,534
Statutory pension payments	95,486	171,750
Post-service contract benefits	0	0
Share-based payments	115,834	57,500
Total	**1,145,203**	**1,176,785**
Salaries and wages		
CEO		
Olli Pohjanvirta (until 31 July 2015)	0	268,860
Statutory pension payments 49,201 in 2015 (41,586 in 2014)		
Marko Tuunainen (from 1 August 2015)	265,304	105,000
Statutory pension payments 19,215 in 2015		
Members of the Board		
Juha Nurminen	17,000	26,000
Olli Pohjanvirta (from 24 August 2015)	131,680	65,066
Jukka Nurminen	21,000	29,000
Tero Kivisaari	19,167	35,667
Jan Lönnblad (until 8 April 2014)	0	0
Alexey Grom	17,500	26,000
Tommi Matomäki (until 7 April 2015)	17,137	8,667
Total	**488,788**	**564,259**

Members of the Board and CEO own 75.38 % of company shares on 31 December 2016.

28. SUBSIDIARIES AND ASSOCIATES

The companies belonging to Nurminen Logistics are the following:

	Domicile	Ownership (%)	Share of the voting power (%)
Subsidiaries			
RW Logistics Oy	Finland	100.0 %	100.0 %
Nurminen Logistics Services Oy	Finland	100.0 %	100.0 %
NR Rail Oy	Finland	100.0 %	100.0 %
Nurminen Maritime Latvia SIA	Latvia	51.0 %	51.0 %
UAB Nurminen Maritime	Lithuania	51.0 %	51.0 %
Nurminen Maritime Eesti AS	Estonia	51.0 %	51.0 %
Nurminen Logistics LLC	Ukraine	100.0 %	100.0 %
OOO Nurminen Logistics	Russia	100.0 %	100.0 %
Zao Terminal Rubesh	Russia	100.0 %	100.0 %
Associates			
Pelkolan Terminaali Oy	Finland	20.0 %	20.0 %
Team Lines Latvia SIA	Latvia	23,0 %	23,0 %

29. EVENTS AFTER THE BALANCE SHEET DATE

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

Parent Company's Income Statement

EUR	Note	2016	2015
NET SALES	1	**1,961,603.89**	**2,517,605.00**
Other operating income	2	215,252.00	0.00
Materials and services	3	–2,106.34	0.00
Employee benefit expenses	4	–1,304,351.68	–1,508,068.00
Depreciation, amortisation and impairment losses	5	–86,303.91	–143,546.06
Other operating expenses	6	–1,476,353.55	–2,757,454.45
OPERATING RESULT		**–692,259.59**	**–1,891,463.51**
Financial income and expenses	7	5,662,344.98	–521,398.79
RESULT BEFORE APPROPRIATIONS AND TAXES		**4,970,085.39**	**–2,412,862.30**
Change in accumulated depreciation and amortisation difference	8	0.00	776.68
RESULT FOR THE YEAR		**4,970,085.39**	**–2,412,085.62**

Parent Company's Balance Sheet

EUR	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets	1	23,200.39	109,504.30
Property, plant and equipment	1	109,729.95	24,921.96
Investments	2	30,903,712.66	28,896,280.79
Total non-current assets		**31,036,643.00**	**29,030,707.05**
Current assets			
Non-current receivables	3	6,699,237.85	8,565,696.24
Current receivables	3	5,995,960.92	8,006,201.35
Cash and cash equivalents		871,202.34	2,094,702.34
Total current assets		**13,566,401.11**	**18,666,599.93**
TOTAL ASSETS		**44,603,044.11**	**47,697,306.98**
EQUITY AND LIABILITIES			
Equity			
Share capital	4	4,214,521.00	4,214,521.00
Share premium reserve	4	86,479.00	86,479.00
Other reserves			
Legal reserve	4	2,373,537.86	2,373,537.86
Reserve for invested unrestricted equity	4	18,895,106.15	18,890,249.67
Retained earnings	4	–3,526,176.02	–1,114,090.40
Profit / loss for the financial year	4	4,970,085.39	–2,412,085.62
Total equity		**27,013,553.38**	**22,038,611.51**
Appropriations			
Accumulated depreciation and amortisation difference		0.00	0.00
Liabilities			
Non-current liabilities	6	13,504,515.27	14,304,515.27
Current liabilities	7	4,084,975.46	11,354,180.20
Total liabilities		**17,589,490.73**	**25,658,695.47**
TOTAL EQUITY AND LIABILITIES		**44,603,044.11**	**47,697,306.98**

Parent Company's Cash Flow Statement

EUR	2016	2015
Cash flow from operating activities		
PROFIT / LOSS FOR THE YEAR	**4,970,085.39**	**–2,412,085.62**
Adjustments		
Depreciation, amortisation and impairment losses	86,303.91	143,546.06
Gains (–) and losses (+) on sale of non-current assets	6,114.94	0.00
Unrealised foreign exchange gains (–) and losses (+)	–22,094.23	9,999.40
Financial income (–) and expenses (+)	–5,640,250.75	511,399.39
Other adjustments	0.00	–776.68
Cash flow before changes in working capital	**–599,840.74**	**–1,747,917.45**
Changes in working capital		
Current non-interest bearing receivables, increase (–) / decrease (+)	5,156,621.84	–503,330.87
Current liabilities, non-interest bearing, increase (+) / decrease (–)	–7,027,281.19	250,120.09
Net cash from operating activities before financial items and taxes	**–2,470,500.09**	**–2,001,128.23**
Interest paid	–585,037.43	–595,540.18
Dividends received	6,422,304.81	539,619.13
Interest received	62,908.54	91,020.70
Other financial items	–264,079.64	–550,499.82
Net cash from operating activities	**3,165,596.19**	**–2,516,528.40**
Cash flow from investing activities		
Investments in property, plant and equipment and intangible assets	–84,807.99	0.00
Investments in subsidiaries	–6,114.94	0.00
Capital repayment of subsidiaries	2,992,568.13	2,500.00
Loans granted	–6,769,828.79	–512,000.00
Repayments of loan receivables	512,000.00	3,817,560.29
Net cash used in investing activities	**–3,356,183.59**	**3,308,060.29**
Cash flow from financing activities		
Share issue against payment	0.00	1,700,000.40
Proceeds from current liabilities	2,272,716.70	0.00
Repayments of current liabilities	–3,105,629.30	–3,256,223.37
Proceeds from non-current liabilities	0.00	2,805,556.44
Repayments of non-current liabilities	–200,000.00	0.00
Net cash used in financing activities	**–1,032,912.60**	**1,249,333.47**
Change in cash and cash equivalents	**–1,223,500.00**	**2,040,865.36**
Cash and cash equivalents at the beginning of the year	2,094,702.34	53,836.98
Change in cash and cash equivalents	–1,223,500.00	2,040,865.36
Cash and cash equivalents at year-end	**871,202.34**	**2,094,702.34**

Notes to the Parent Company's Financial Statements

Accounting principles for the parent company's financial statements

The financial statements of Nurminen Logistic Plc are prepared in accordance with Finnish Accounting Standards (FAS).

Measurement of non-current assets

Items of property, plant and equipment and intangible assets are carried at cost less the planned depreciation / amortisation. They are depreciated / amortised over their estimated useful lives, which are the following:

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

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

Measurement of receivables

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

Pensions

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

Foreign currency items

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

Leases

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

Adjustments to previous financial periods

The company has recorded impairment losses of subsidiary shares and internal loans amounting to EUR 16.8 million. The company's view is that the depreciation should have been recorded in 2012, and the impairment losses is treated as an error adustment in the previous financial periods. Repair is therefore directly in equity. The corresponding adjustment has been made in the balance sheet and equity of comparison year. Error correction regarding the previous financial periods has no impact on the company's income statement or cash flow statement of the reported financial period or comparison period.

Notes to the income statement

1,000 EUR	2016	2015
1. Net sales		
Sale of services	1,919	2,501
Total	**1,919**	**2,501**
2. Other operating income		
Rent income	43	17
Other items	215	0
Total	**258**	**17**
3. Materials and services		
External services	–2	0
Total	**–2**	**0**
4. Disclosures for personnel and members of company organs		
Employee benefit expenses		
Wages and salaries	–1,186	–1,337
Pension expenses and pension contributions	–71	–130
Other social security costs	–48	–41
Total	**–1,304**	**–1,508**
5. Depreciation, amortisation and impairment losses		
Planned depreciation and amortisation:		
Intangible rights	–4	–6
Other capitalised long-term expenditure	–82	–136
Machinery and equipment	0	–1
Total	**–86**	**–144**
6. Other operating expenses		
Rental costs	–347	–341
Other operating expenses	–1,130	–2,416
Total	**–1,476**	**–2,757**
Auditors' fees		
Audit fees	–23	–39
Other fees paid to auditors	–19	–1
Total	**–42**	**–40**
7. Financial income and expenses		
Dividend income		
Dividend income from Group companies	6,422	540
Total	**6,422**	**540**
Interest and other financial income		
Interest income from Group companies	0	35
Interest and other financial income from others	77	69
Total	**77**	**104**
Interest and other financial expenses		
Interest and other financial expenses to others	–837	–1,165
Total	**–837**	**–1,165**
Total financial income and expenses	**5,662**	**–521**
8. Change in accumulated depreciation and amortisation difference		
Decrease in accumulated depreciation and amortisation difference	0	1
Total	**0**	**1**

Notes to the Balance Sheet

1,000 EUR	2016	2015
1. Property, plant and equipment and intangible assets		
Intangible rights:		
Cost at 1 Jan	148	148
Additions	0	0
Disposals	0	0
Cost at 31 Dec	148	148
Accumulated planned amortisation at 1 Jan	139	133
Amortisation for the year	4	6
Accumulated amortisation on disposals	0	0
Accumulated planned amortisation at 31 Dec	143	139
Carrying amount at 31 Dec	**5**	**9**
Other capitalised long-term expenditure		
Cost at 1 Jan	754	754
Additions	0	0
Disposals	0	0
Cost at 31 Dec	754	754
Accumulated planned amortisation at 1 Jan	653	517
Amortisation for the year	82	136
Accumulated amortisation on disposals	0	0
Accumulated planned amortisation at 31 Dec	736	653
Carrying amount at 31 Dec	**18**	**101**
Land area		
Cost at 1 Jan	17	17
Disposals	0	0
Carrying amount at 31 Dec	**17**	**17**

Notes to the Balance Sheet

1,000 EUR	2016	2015
Other tangible assets		
Cost at 1 Jan	9	9
Additions	0	0
Disposals	0	0
Cost at 31 Dec	9	9
Accumulated planned depreciation at 1 Jan	1	1
Depreciation for the year	0	0
Accumulated depreciation on disposals	0	0
Accumulated planned depreciation at 31 Dec	1	1
Carrying amount at 31 Dec	**8**	**8**
2. Investments		
Holdings in Group companies	21,409	24,402
Investments in reserve for invested unrestricted equity of Group companies	4,258	4,258
Holdings in associates	204	204
Other shares and holdings	33	33
Capital loan receivable	5,000	0
Total	**30,904**	**28,896**

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

1,000 EUR	2016	2015
3. Receivables		
Non-current		
Loan receivables from Group companies	0	0
Loan receivables from others	6,699	8,566
Total	**6,699**	**8,566**
Current		
Current receivables from Group companies		
Trade receivables	10	4,840
Other receivables	3,492	339
Total	**3,502**	**5,179**
Trade receivables	6	21
Loan receivables	0	512
Other receivables	197	2
Prepayments and accrued income		
Other items	2,291	2,292
Total	**2,494**	**2,827**
Total current receivables	**5,996**	**8,006**
4. Equity		
Share capital total	4,215	4,215
Share premium reserve	86	86
Legal reserve	2,374	2,374
Restricted equity	**6,675**	**6,675**
Reserve for invested unrestricted equity at 1 Jan	18,890	17,190
Acquisition of own shares	5	0
Issue of shares	0	1,700
Reserve for invested unrestricted equity at 31 Dec	18,895	18,890
Retained earnings	–3,526	15,740
Adjustments to previous financial periods	0	–16,854
Profit / loss for the year	4,970	–2,412
Unrestricted equity	**20,339**	**15,364**
Equity total	**27,013**	**22,039**
Distributable funds		
Reserve for invested unrestricted equity	18,895	18,890
Retained earnings	–3,526	–1,114
Profit / loss for the year	4,970	–2,412
Total	**20,339**	**15,364**
The company owns 120,275 of its own shares.		
5. Deferred taxes		
Deferred tax assets on losses	2,259	1,974
Deferred taxes have not been recorded in the parent company's separate financial statements.		
6. Non-current liabilities		
Interest-bearing liabilities		
Loans from financial institutions	13,500	14,300
Non-interest bearing liabilities		
Other liabilities	5	5
Total	**13,505**	**14,305**
Total non-current liabilities	**13,505**	**14,305**

1,000 EUR	2016	2015
7. Current liabilities		
Current liabilities to Group companies		
Other liabilities	2,273	5,037
Accrued expenses and deferred income	469	63
Total	**2,742**	**5,100**
Interest-bearing liabilities		
Loans from financial institutions	600	3,106
Non-interest bearing liabilities		
Trade payables	303	2,635
Other liabilities	98	180
Accrued expenses and deferred income		
Employee benefit expense accruals	310	286
Other items	32	48
Total	**1,343**	**6,255**
Total current liabilities	**4,085**	**11,354**

Other notes

1,000 EUR	2016	2015
Liabilities for which business mortgages have been given and subsidiary shares pledged		
Loans from financial institutions	14,923	18,676
Mortgages given	19,500	19,500
Book value of pledged subsidiary shares	4,266	34,813
Collaterals given on behalf of Group companies		
Book value of pledged subsidiary shares	4,266	34,813
Other commitments		
Customs duties and other guarantees	9,945	9,985
Rental obligations		
Payable in next year	1,596	1,596
Payable after that	71,798	78,469
Rental obligations of the parent company, include obligations considered as finance lease liabilities in the consolidated financial statements.		
Amounts payable under leases		
Payable in next year	107	154
Payable after that	85	110

Notes Regarding Personnel and Company Organs

	2016	2015
The number of personnel		
Personnel, average	13	16
Personnel, at year-end	13	14
Management remuneration (1,000 EUR)		
The Board of Directors and CEO	–489	–578

AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Nurminen Logistics Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Nurminen Logistics Oyj (business identity code 0109707-8) for the year ended 31 December, 2016. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

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

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

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

Key Audit Matters

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

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

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

1 Valuation of property plant and equipment

We refer to the accounting principles for the consolidated financial statements in the note 1 of the consolidated financial statements and the note 11 about the property plant and equipment.

The valuation of the property plant and equipment requires management to estimate whether there are indications about the impairment and to estimate the value of the property plant and equipment at the end of the reporting period. The carrying value of the property plant and equipment at the balance sheet date December 31, 2016 amounted to 13,3 m€ and represented some 30 % of the total assets. The assessment process related to the property plant and equipment was significant to our audit because the assessment process is judgmental and because of the significance of the property plant and equipment to the financial statements.

Our audit procedures in connection with the valuation of property plant and equipment comprised the analysis of the assumptions and methodologies used by the management. We tested on a sample basis the valuation calculations and assessed the sufficiency of the disclosures.

2 Valuation of goodwill

We refer to the accounting principles for the consolidated financial statements in the note 1 of the consolidated financial statements and the note 14 about the impairment of intangible assets and property plant and equipment.

The annual impairment test was significant to our audit because the assessment process is judgmental, it is based on assumptions relating to market or economic conditions extending to the future, and because of the significance of the goodwill to the financial statements. As of balance sheet date December 31, 2016, the value of goodwill amounted to 9,0 million euro representing 20 % of the total assets and 140 % of the total equity.

The valuation of goodwill is based on the management's estimate about the value-in-use calculations of the cash generating units. Management must use judgment in defining the cash generating units. There are a number of assumptions used to determine the value-in-use of the cash generating unit, including the revenue growth, the operating result and the discount rate applied on net cash-flows. Estimated values-in-use may vary significantly when the underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of goodwill.

Our audit procedures included involving valuation specialists to assist us in evaluating the assumptions and methodologies used by the management. Our audit procedures comprised comparing the management's assumptions to externally derived data and to our independently calculated industry averages. In particular those relating to

- the forecasted revenue growth,

- the operating result and

- the weighted average cost of capital used to discount the net cash-flows.

We tested the accuracy of the impairment calculations prepared by the management and assessed the sufficiency of the disclosures as well as the disclosures about the sensitivity of the impairment testing.

3 Valuation of investments of the parent company

We refer to the accounting principles of the parent company and to the note 2 of the balance sheet of the parent company.

The valuation of the investments requires management to estimate whether there are indications about the impairment and to estimate the value of the investments at the end of the reporting period. The carrying value of the parent company's investments at the balance sheet date December 31, 2016 amounted to 30,9 m€ and it mainly consisted of investments in group and affiliated companies. Investments represented some 69 % of the parent company's total assets and some 114 % of the total equity. The assessment process related to the investments was significant to our audit because the assessment process is judgmental and because of the significance of the investments to the financial statements.

Our audit procedures in connection with the valuation of investments comprised the analysis of the assumptions and methodologies used by the management. We tested on a sample basis the calculations related to each investment significant to the financial statements and assessed the sufficiency of the disclosures.

4 Revenue recognition

We refer to the accounting principles for the consolidated financial statements in the note 1 of the consolidated financial statements and the note 18 about the trade and other receivables.

The revenue recognition is considered as a key audit matter because of the significance of the net sales to the financial statements. Relevant areas from the net sales perspective are accuracy of the recognized amounts and timing of revenue recognition.

Our audit procedures comprised the analysis of the revenue recognition accounting policies and comparison of revenue transactions to the supporting documentation in order to assess whether the requirements for the revenue recognition have been met. In addition, we acquired external trade receivable confirmations, tested general ledger journal entries on a sample basis as well as performed analytical procedures in order to identify abnormal entries.

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Other information

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

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

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

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

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

Helsinki March 9, 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Antti Suominen
Authorized Public Accountant

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

Helsinki 9.3.2017

Olli Pohjanvirta
Chairman of the Board

Juha Nurminen

Tero Kivisaari

Jukka Nurminen

Alexey Grom

MarkoTuunainen
President and CEO

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

Helsinki 9.3.2017

KPMG Oy Ab

Ari Eskelinen
Authorized Public Accountant

Group's Key Figures

Key figures for business

	2014	2015	2016
Net sales, EUR 1,000	63,927	50,402	49,971
Increase in net sales, %	0,1 %	–21,2 %	–0,9 %
Operating result (EBIT), EUR 1,000	1,328	–2,127	–948
% of net sales	2,1 %	–4,2 %	–1,9 %
Result before taxes, EUR 1,000	–1,945	–4,283	–2,497
% of net sales	–3,0 %	–8,5 %	–5,0 %
Result for the financial year, EUR 1,000	–2,341	–4,375	–3,119
% of net sales	–3,7 %	–8,7 %	–6,2 %
Return on equity (ROE), %	–14,8 %	–45,2 %	–44,0 %
Return on investment (ROI), %	3,3 %	–5,5 %	–2,1 %
Equity ratio %	23,6 %	15,5 %	14,6 %
Gearing %	189,8 %	321,6 %	340,8 %
Gross investments, EUR 1,000	506	468	498
% of net sales	0,8 %	0,9 %	1,0 %
Balance sheet total, EUR 1,000	45,299	50,133	43,854
Average number of employees	241	225	193
Wages and salaries paid, EUR 1,000	9,073	10,317	8,707
Share key figures			
Earnings per share (EPS), EUR, undiluted	–0,21	–0,33	–0,24
Earnings per share (EPS), EUR, diluted	–0,21	–0,33	–0,24
Equity per share, EUR	0,75	0,53	0,44
Dividend per share (adjusted), EUR	0,00	0,00	0,00
Dividend per share (nominal), EUR	0,00	0,00	0,00
Dividend to earnings ratio, %	0 %	0 %	0 %
Effective dividend yield, %	0,0 %	0,0 %	0,0 %
Repayment of equity per share, EUR	0,00	0,00	0,00
Price per earnings (P/E)	–5	–3	–3
Number of shares adjusted for share issue, weighted average	13,027,012	13,745,801	14,484,433
Number of shares adjusted for share issue, at end of financial year	13,057,742	14,574,410	14,674,410
Share price development			
Share price development			
• Highest price	1,73	1,66	1,1
• Lowest price	0,98	0,97	0,64
• Average price	1,40	1,20	0,75
• Share price at balance sheet date	0,99	1,10	0,70
Market capitalisation, MEUR	12,9	16,0	10,3
Number of shares traded	309,273	416,183	992,980
Shares traded, % of total number of shares	2,4 %	2,9 %	6,8 %
Number of shareholders	586	629	753

Calculation of Key Figures

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

$$\text{Capital employed} = \text{Balance sheet total – non-interest bearing liabilities}$$

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

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

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

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

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

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

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

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

Comparable net sales (EUR) = Reported net sales +/– net sales of acquired and divested businesses +/– net sales of discontinued businesses +/– net sales allocable to previous financial years +/– direct effects of exchange rates

Comparable operating result (EUR) = Reported operating result +/– revenue and expenses of acquired and divested businesses +/– revenue and expenses of discontinued businesses +/– revenue and expenses allocable to previous financial years +/– direct effects of exchange rates

Distribution of Ownership

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of total shares and votes
1–100	243	32,27	13,682	0,09
101–1000	343	45,55	160,023	1,09
1 001–10 000	135	17,93	413,620	2,82
10 001–100 000	19	2,52	910,106	6,20
100 001–1 000 000	11	1,46	4,524,352	30,83
over 1 000 000	2	0,27	8,652,627	58,96
Total	**753**	**100,00**	**14,674,410**	**100,00**
Registered in the name of nominee	5		4,280	0,03

Largest shareholders

	Number of shares	% of total shares and votes
Nurminen Juha	5,553,239	37,84
JN Uljas Oy	3,099,388	21,12
Nurminen Jukka Matias	977,367	6,66
Nurminen Mikko Johannes	870,108	5,93
Lassila Satu Maaria	686,866	4,68
VGK Invest Oy	648,000	4,42
Tuuli Markku Juhani	327,950	2,23
Russian Capital Management Oy	216,667	1,48
Saxberg Rolf M	184,098	1,25
ETL Invest Oy	181,818	1,24
Sjöblom Katri	167,244	1,14
Kivisaari Tero Erkki	149,549	1,02
Bachmann Sanni Piritta	114,685	0,78
ETL Holding Oy	98,000	0,67
Pohjanvirta Olli Mikael	97,898	0,67
Hälläväliä Oy	93,898	0,64
Vuorinen Hannu M	84,409	0,58
Forsström Kirta Kristina	75,058	0,51
Nurminen Logistics Oyj	74,234	0,51
Hilmola Olli-Pekka	70,000	0,48
Other 733 shareholders	903,934	6,16
Total	**14,674,410**	**100,00**

Shareholders by type

	Number of shares	% of total shares
Private companies	4,493,857	30,62
Financial institutions	2,443	0,02
Households	10,155,916	69,21
Foreign	17,913	0,12
Non-profit organizations	1	0,00
Registered in the name of nominee	4,280	0,03
Total	**14,674,410**	**100**

Nurminen Logistics

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