Nurminen Logistics

Q3

Business review

July–September 2024

The comparable operating profit margin of 23.3 % in the third quarter was excellent. In the challenging market conditions, the company's net sales decreased from the comparison period Q3 2023, but increased from the comparison period Q2 2024.

July–September 2024 summary:

- Net sales were EUR 24.2 million (36.7), showing a decrease of 34.1%
- EBITDA was EUR 8.6 million (8.5), or 35.4% (23.3) of net sales
- Operating profit was EUR 7.6 million (7.0), or 31.3% (19.1) of net sales
- Comparable operating profit was EUR 5.6 million (7.0), or 23.3% (19.1) of net sales
- Result for the review period totalled EUR 6.7 million (6.1)
- Earnings per share were EUR 0.08 (0.09)
- Investments amounted to EUR 1.4 million (0.9)

KEY FIGURES	7–9/2024	7–9/2023	1–9/2024	1–9/2023
EUR million				
Net sales	**24.2**	36.7	**81.9**	93.4
EBITDA	**8.6**	8.5	**20.5**	19.6
EBITDA, %	**35.4%**	23.3%	**25.0%**	21.0%
Operating profit	**7.6**	7.0	**16.8**	15.9
Operating profit, %	**31.3%**	19.1%	**20.5%**	17.1%
Comparable operating profit	**5.6**	7.0	**15.4**	16.2
Comparable operating profit, %	**23.3%**	19.1%	**18.9%**	17.4%
Result for the period	**6.7**	6.1	**11.3**	12.2
Return on equity (ROE), %	**4.6%**	2.2%	**15.4%**	22.6%
Equity ratio, %			**55.1%**	34.3%
Gearing, %			**41.0%**	116.3%
Gearing % excluding IFRS 16			**8.5%**	87.7%
Interest-bearing net debt			**16.4**	40.5
Interest-bearing net debt excluding IFRS 16			**3.4**	30.7
Interest-bearing net debt / EBITDA			**0.42**	1.99
Interest-bearing net debt/EBITDA excluding IFRS 16			**0.09**	1.52
Earnings per share, undiluted (EUR)			**0.08**	0.09
Cash flow from operating activities			**9.7**	27.8
Number of employees			**172**	191

Financial guidance for 2024 unchanged

Net sales for 2024 will be below the net sales for 2023 and the comparable operating profit will be slightly below last year's level.

The guidance is based on the significant decline in Baltic volumes due to the prolongation of the Red Sea crisis. Much of the transport from Central Asia to Asia via the Baltics moved to land routes at the start of the summer season. We forecast that the volumes in the Baltic countries will be clearly lower until the end of the year, which will have a negative impact on the company's full-year net sales and operating profit outlook.

President and CEO’s review

> **We continued to deliver strong results and operating cash flow, which, together with the strengthening of the balance sheet, accelerates investments aimed at the growth of our international railway business."**

Olli Pohjanvirta

Nurminen Logistics’ comparable third-quarter operating profit of EUR 5.6 million (7.0) is relatively among the best in its sector, representing 23.3% of net sales (19.1). Net sales of EUR 24.2 million in the third quarter increased compared to Q2 2024 (Q2 2024: 22.5). Comparable operating profit of EUR 5.6 million improved by 40% compared to Q2 2024 (Q2 2024: 4.0). During the review period, we sold our share of the Vuosaari property, for which we recorded a capital gain of EUR 1.9 million, which increased the reported operating profit for the review period to EUR 7.6 million (7.0). During the review period, our balance sheet strengthened significantly. I am particularly pleased that the company’s equity ratio increased to 55.1% and that the company is nearly net debt-free in terms of interest-bearing net liabilities, excluding IFRS 16 lease liabilities.

Thanks to the strong balance sheet, good profitability and cash flow, we are able to continue our strong progress towards achieving international growth in rail traffic, especially in the Nordic countries and Central Europe. At the same time, we enable future growth and value creation. We strongly believe that our international rail and logistics services meet the market’s need for competitive and ecological modes of transport.

Despite the decrease in net sales for January–September, which is due to the decrease in the Baltic volumes we previously announced, the reported profit before taxes improved in January–September to EUR 14.3 million (13.3). This reflects well Nurminen employees’ ability to operate efficiently and in the best interests of customers in challenging conditions.

The Swedish rail connections opened in the second quarter have been well received by the market. We expect strong growth in the business in the near future and a good order book for 2025. The transport of energy raw materials from Southern Europe to the Nordic countries by rail and sea launched by our company is growing rapidly and we expect the business to grow to tens of millions of euros in the next few years.

The volume level of rail transports in Finland has remained stable and the growth prospects are good. We have also further improved the service level and operational efficiency. I am confident about the future development of this business.

In the Cargo and Multimodal Forwarding businesses, we have streamlined operations to match the market conditions and we are also continuing to streamline the administrative expense structure.

Overall, we made progress in line with our targets during Q3, focusing e.g on improving cost-effectiveness, which enables investments in international rail transport and partnership network.

Nurminen Logistics is known as an innovative company, and as a company specialising in environmentally friendly railway logistics, we play an important role in promoting sustainable development in the industry. We want to show our customers the environmental benefits of rail transport in euros and support their success with sustainable solutions.

The Group's financial performance in July–September 2024

Net sales and financial performance in the review period

Net sales for the review period amounted to EUR 24.2 million (36.7), showing a 34% decrease from last year's comparison period but increasing on the comparison period Q2 2024. The operating profit for the review period was EUR 7.6 million (7.0) and the comparable operating profit was EUR 5.6 million (7.0).

The net sales of the Railway and Multimodal Forwarding businesses grew significantly from the comparison period. The Cargo business was affected by the weak situation of the Finnish economy and the business in the Baltic countries was affected by the situation in the Red Sea, which resulted in the net sales of both businesses declining in the review period from the comparison period.

Railway business

In the review period, the net sales for the Railway business amounted to EUR 9.5 million (7.8 million), showing an increase of 21.6% mainly due to increased delivery volumes in Finland. The profitability of the Railway business improved during the review period, particularly due to the good profitability of business operations in Finland. The Railway business accounted for 37 per cent (21) of the Group's net sales.

Cargo business

In the review period, the net sales for the Cargo business amounted to EUR 4.0 million (4.3). The decline in the Finnish economy, which began in winter 2023, was reflected negatively in customer volumes and, consequently, net sales. The profitability of the business decreased as a result of the decline in net sales. The Cargo business accounted for 16 per cent (12) of the Group's net sales.

Multimodal Forwarding business

Net sales increased to EUR 2.4 million (2.0) during the review period and relative profitability was at a good level. The Multimodal Forwarding business accounts for 10 per cent (5) of the Group's net sales.

Baltic operations

The Red Sea crisis has had a significant impact on Baltic business, as a large part of the transport from Central Asia to Asia via the Baltics has moved to land routes at the start of the summer season. As a result, net sales declined to EUR 9.4 million (23.3) during the review period and profitability decreased as a result. The Baltic operations accounted for 37 per cent (62) of the Group's net sales for the review period.

The Group's financial performance in January–September 2024

Net sales and financial performance in the review period

Net sales for the review period amounted to EUR 81.9 million, showing a 12% decrease from last year's comparison period. The operating profit for the review period was EUR 16.8 million (15.9) and the comparable operating profit was EUR 15.4 million (16.2). The 51% majority shareholding in Kiinteistöosakeyhtiö Helsingin Satamakaari 24 was sold to Ilmarinen in a transaction completed on 30 September 2024, for which a capital gain of approximately EUR 1.9 million was recognised as an item affecting comparability in the result for Q3 2024. Thanks to the transaction, the Group's balance sheet was lightened and financial indicators improved, including an increase in equity ratio to 55.1 per cent and a decrease in gearing to 41 per cent.

Of the businesses, only the net sales of the Railway business grew in January–September from the comparison period. The Cargo and Multimodal Forwarding businesses are suffering from the weak situation of the Finnish economy, and the prolonged Red Sea crisis has led to a significant decline in Baltic volumes.

Railway business

Net sales of the Railway business increased by 30% to EUR 24.9 million (19.1) Delivery volumes of North Rail Oy had a significant impact on net sales growth, even though North Rail Oy lost net sales and profit in Q2 due to political strikes, railway yard work and maintenance shutdowns at customers' factories. The profitability of the Railway business improved during the review period due to North Rail Oy's increased delivery volumes and improved efficiency, among other things. The Railway business accounted for 29 per cent (20) of the Group's net sales for the review period.

Cargo business

In the review period, the net sales for the Cargo business amounted to EUR 13.1 million (15.2). The decline in the Finnish economy, which began in winter 2023, was reflected in customer volumes and, consequently, net sales being lower than the previous year every quarter. The profitability of the business decreased as a result of the decline in net sales. Cargo operations account for 16 per cent (16) of the Group's net sales.

Multimodal Forwarding business

Net sales for January–September decreased to EUR 7.1 million (7.2) and relative profitability remained at a good level. The weakening economic situation in Finland contributed to the decrease in net sales. The Multimodal Forwarding business accounts for 8 per cent (8) of the Group's net sales.

Baltic operations

The prolongation of the Red Sea crisis has had a significant impact on the decline in the net sales of the Baltic operations. Net sales for the review period decreased by 27% to EUR 39.5 million (53.8). Despite the decline in net sales, profitability was at a good level. Baltic operations accounted for 47 per cent (56) of the Group's net sales.

Events after the review period

There have been no reportable events after the review period.

Consolidated statement of comprehensive income, IFRS

EUR 1,000	7–9/2024	7–9/2023	1–9/2024	1–9/2023	1–12/2023
NET SALES	**24,164**	**36,650**	**81,870**	**93,358**	**127,951**
Other operating income	1,949	216	1,951	228	12,505
Use of materials and supplies	-12,490	-23,095	-47,240	-58,332	-79,506
Employee benefit expenses	-2,945	-3,397	-9,456	-9,262	-13,571
Depreciation, amortisation and impairment losses	-978	-1,560	-3,683	-3,706	-5,341
Other operating expenses	-2,122	-1,827	-6,654	-6,368	-8,947
OPERATING RESULT	**7,578**	**6,986**	**16,787**	**15,919**	**33,091**
Financial income	39	138	288	345	427
Financial expenses	-804	-984	-2,732	-3,008	-4,170
Share of profit of equity-accounted investees	-6	0	-25	-2	-5
Total financial income and expenses and share of profit of equity-accounted investees	**-772**	**-846**	**-2,469**	**-2,666**	**-3,749**
RESULT BEFORE INCOME TAX	**6,806**	**6,140**	**14,319**	**13,253**	**29,342**
Income taxes	-93	8	-2,985	-1,072	-6,069
RESULT FOR THE PERIOD	**6,713**	**6,148**	**11,334**	**12,181**	**23,273**
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Re-measurement of defined benefit schemes	0	53	0	0	-28
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Translation differences	-3	-5	-1	-16	-12
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**6,711**	**6,196**	**11,333**	**12,166**	**23,233**
Result attributable to					
Equity holders of the parent company	5,126	3,497	6,616	6,671	14,329
Non-controlling interest	1,587	2,652	4,717	5,511	8,944
Total comprehensive income attributable to					
Equity holders of the parent company	5,124	3,544	6,615	6,655	14,289
Non-controlling interest	1,587	2,652	4,717	5,511	8,944
Earnings per share calculated from result attributable to equity holders of the parent company					
Earnings per share, undiluted, EUR	0.07	0.04	0.08	0.09	0.18
Earnings per share, diluted, EUR	0.07	0.04	0.08	0.09	0.18

Consolidated statement of financial position, IFRS

EUR 1,000	30 September 2024	30 September 2023	31 December 2023
ASSETS			
Non-current assets			
Property, plant and equipment	35,358	56,942	67,983
Right-of-use assets	12,817	9,417	9,171
Goodwill	899	899	899
Other intangible assets	2,020	1,227	1,275
Investments in equity-accounted investees	146	174	171
Non-current receivables	344	831	996
Deferred tax assets	5,718	9,384	7,471
Non-current assets, total	**57,302**	**78,874**	**87,966**
Current assets			
Inventories	1,146	1,201	1,094
Trade and other receivables	9,533	12,911	11,897
Deferred tax assets based on the taxable income for the financial period	141	3	0
Cash and cash equivalents	5,324	13,253	12,814
Current assets, total	**16,144**	**27,368**	**25,805**
TOTAL ASSETS	**73,446**	**106,242**	**113,771**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	4,215	4,215	4,215
Share premium reserve	86	86	86
Legal reserve	2,376	2,376	2,376
Reserve for invested unrestricted equity	34,028	35,591	35,591
Translation differences	-19	-21	-18
Retained earnings	-7,904	-22,402	-14,752
Equity attributable to equity holders of the parent company	**32,783**	**19,845**	**27,498**
Non-controlling interests	**7,305**	**14,962**	**18,395**
Total equity	**40,087**	**34,807**	**45,894**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	1,204	0	2,790
Other liabilities	32	75	54
Financial liabilities	4,117	28,656	18,172
Lease liabilities	10,374	9,104	9,001
Non-current liabilities, total	**15,728**	**37,835**	**30,017**
Current liabilities			
Deferred tax liabilities based on the taxable income for the financial period	0	92	106
Financial liabilities	4,612	15,260	20,631
Lease liabilities	2,656	723	609
Trade payables and other liabilities	10,363	17,525	16,514
Current liabilities, total	**17,631**	**33,600**	**37,860**
Liabilities, total	**33,359**	**71,435**	**67,877**
EQUITY AND LIABILITIES, TOTAL	**73,446**	**106,242**	**113,771**

Consolidated cash flow statement, IFRS

EUR 1,000	7–9/2024	7–9/2023	1–9/2024	1–9/2023	1–12/2023
Cash flow from operating activities					
PROFIT/LOSS FOR THE FINANCIAL PERIOD	**6,713**	**6,148**	**11,334**	**12,181**	**23,273**
Adjustments:					
Depreciation, amortisation and impairment losses	978	1,560	3,683	3,706	5,341
Unrealised foreign exchange gains (-) and losses (+)	-2	2	-2	9	2
Other income (-) and expenses (+), non cash	-1,858	28	-1,726	159	-12,151
Adjustments to financial income (-) or expenses (+)	766	846	2,444	2,664	3,743
Adjustments to income tax expense	93	-8	2,985	1,072	6,069
Other adjustments	6	0	25	2	0
Cash flow before changes in working capital	**6,697**	**8,577**	**18,743**	**19,793**	**26,277**
Changes in working capital:					
Increase (-) / decrease (+) in inventories	-137	35	-52	100	208
Increase (-) / decrease (+) in non-interest bearing current receivables	-735	1,084	2,330	730	-1,118
Increase (+) / decrease (-) in non-interest bearing current payables	-2,948	-1,847	-5,532	10,346	4,678
Net cash from operating activities before financial items and taxes	**2,877**	**7,848**	**15,488**	**30,969**	**30,045**
Interest paid	-1,113	44	-2,857	-1,796	-3,213
Interest received	15	7	45	19	39
Other financial items	101	-198	85	-326	-234
Income taxes paid	-438	-418	-3,098	-1,050	-1,264
Cash flow from operating activities	**1,441**	**7,283**	**9,663**	**27,817**	**25,373**
Cash flow from investing activities					
Purchases of property, plant and equipment and intangible assets	-637	-407	-1,435	-880	-1,121
Proceeds from sale of subsidiaries less disposed cash and cash equivalents	10,755	0	10,755	0	0
Acquisitions of business less acquired cash and cash equivalents	0	0	653	-460	4,247
Other investments	997	-160	-4,700	-453	-616
Cash flow from investing activities	**11,115**	**-567**	**5,274**	**-1,794**	**2,510**
Cash flow from financing activities					
Change in credit limit	-2,113	172	-2,143	1,238	2,187
Proceeds from non-current borrowings	0	0	3,074	15,000	15,000
Repayment of non-current borrowings	-11,013	-1,250	-14,374	-32,950	-35,985
Repayment of lease liabilities	-118	-225	-493	-577	-791
Dividends paid / repayments of equity to non-controlling interests	-494	-756	-6,927	-2,609	-2,609
Business transactions with non-controlling interests	0	0	0	1,000	1,000
Cash flow from financing activities	**-13,739**	**-2,059**	**-22,426**	**-18,898**	**-21,199**
Change in cash and cash equivalents	**-1,183**	**4,656**	**-7,489**	**7,125**	**6,684**
Cash and cash equivalents at the beginning of the year	6,508	6,141	12,814	6,141	6,141
Net increase/decrease in cash and cash equivalents	-1,183	4,656	-7,489	7,125	6,684
Translation differences of net increase/ decrease in cash and cash equivalents	0	-3	0	-13	-10
Cash and cash equivalents at the end of the period	**5,324**	**13,253**	**5,324**	**13,253**	**12,814**

Tables and calculation formulas for indicators

All figures are rounded, so the sums of individual figures may differ from the reported sum. The key performance indicators have been cal-

Calculation of key figures

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

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

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

$$\text{Gearing (\%) excluding IFRS 16} = \frac{\text{Interest-bearing liabilities – IFRS 16 liabilities – cash and cash equivalents}}{\text{Equity}} \times 100$$

Interest-bearing net debt = Interest-bearing liabilities – long-term interest bearing receivables – cash and cash equivalents

Interest-bearing net debt excluding IFRS 16 = Interest-bearing liabilities – IFRS 16 liabilities – long-term interest-bearing receivables – cash and cash equivalents

$$\text{Interest-bearing net debt / EBITDA (12 months, rolling)} = \frac{\text{Interest bearing debt – cash and cash equivalents}}{\text{EBITDA (12 months, rolling)}}$$

$$\text{Interest-bearing net debt / EBITDA (12 months rolling) excluding IFRS 16} = \frac{\text{Interest-bearing liabilities – IFRS 16 liabilities – cash and cash equivalents}}{\text{EBITDA (12 months, rolling)}}$$

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

Accounting principles

This business review is not an interim report in accordance with IAS 34 Interim Financial Reporting. However, the accounting policies applied are consistent with those applied in the consolidated financial statements for 2023. The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities, contingent assets and liabilities and the recognition of income and expenses.

The company complies with the half-yearly reporting in accordance with the Securities Markets Act, in addition to which the company publishes business reviews for the first three and nine months of the year. The business reviews present key information on the Group's financial performance.

The figures in the business review are unaudited.

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