



John Nurminen in brief

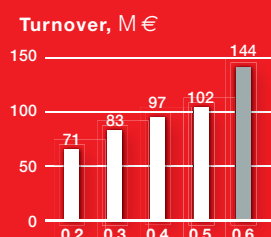
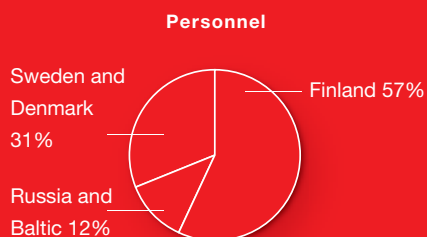
John Nurminen provides customer-driven high-quality logistics services in the Baltic Sea region. The company's services are based on an understanding of the customer's operations and on specialised logistics expertise.

John Nurminen is a Finnish family-owned company with a 120-year history. The secret of the company's long life is its ability to respond to customer requirements and changes in the business environment.

Key figures

	2002	2003	2004	2005	2006
Turnover, M €	71	83	97	102	144
Profit before extraordinary items and taxes, M €	2.5	5.6	9.6	13.0	8.0
% of turnover	3.5	6.7	9.9	12.8	5.5
Return on investment (ROI), %	7.1	12.9	23.0	25.3	13.4
Equity ratio, %	55.4	53.0	49.0	54.7	34.7
Investments¹⁾, M €	9.5	5.3	14.7	8.5	27.8
Personnel					
- in Finland	471	474	551	557	605
- in Russia and Baltic	50	106	127	128	133
- in Sweden and Denmark					328
Total personnel					1,066

¹⁾ Gross investments



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Jan Lönnblad | Managing Director

“The growth targets were exceeded – special attention to customer service”

The growth targets set for 2007 were already achieved in 2006 and profitability continued at a good level. Vehicle Logistics had a successful year, while Rail Services faced challenges because of the changing conditions in Russia. One of the highlights of John Nurminen’s 120th anniversary year was the gala for the personnel – in the spirit of Hard Rock Hallelujah.

In 2002, John Nurminen set the goal to double its turnover by the end of 2007 while maintaining high profitability. How well did the company succeed, Managing Director Jan Lönnblad ?

“Actually, the growth target was nearly achieved already in 2006, as our turnover rose to EUR 144 million (EUR 102 million). Overall profitability also remained high, even though our operating profit fell from the record level of 2005 to EUR 8 million (EUR 13 million). Among our business units, the growth in Vehicle Logistics was particularly gratifying.”

How did the economic situation and the market situation develop?

“Finland’s economy and domestic demand developed positively. The volume of foreign trade was also higher than the previous year. Generally, the demand for logistics services was high, but there was great

variation between the business units. Despite increasing competition and some decrease in prices, we managed to maintain our market position in our various fields of business. The growth of turnover and improvement of our own operating models contributed to this.

The Russian economy continued to grow vigorously. For John Nurminen this meant more transit transports – especially deliveries of new cars. However, our competitors developed their services actively. Railway transport business in particular attracted many new service providers, and the competition increased.”

How did John Nurminen respond to the changing market and increasing competition?

“We are always looking for new lines of business where we can provide added value to the customers. Expanding our

business to healthcare logistics is an example of this. We acquired three companies specialising in non-emergency medical transport. It was a promising start for a new line of business. After making headway in the Helsinki region, Porvoo and Turku, we intend to build a network that covers the entire country.”

The Vuosaari Harbour project is an important investment for John Nurminen. How is it progressing?

“We are fully committed to providing value-added services to our customers when the harbour goes into operation in the latter half of 2008. John Nurminen is actively developing the services of Finland’s leading import harbour. Our plans include a logistics centre offering a wide range of John Nurminen’s services, as well as a major distribution centre for imported cars.”

How did John Nurminen’s structure change during the year?

“The acquisition of SkandiaTransport, the leader of the industry in Sweden, expanded our Vehicle Logistics business considerably. As a result, John Nurminen’s Vehicle Logistics Unit became the leading player in the

Baltic region, one that can offer customers a vehicle logistics service chain that covers the entire Nordic and Baltic region.

Vehicle logistics has much room for growth in the Nordic countries and in the Russian and Baltic markets. However, this potential will only be realised if we make a strong effort to develop operations. Therefore we decided to make the Vehicle Logistics Unit an independent entity in the beginning of 2007. John Nurminen will retain a significant share in the business, but the funds managed by Nordic private equity investor CapMan will be the majority shareholder. In the future, John Nurminen Oy and its other units will be able to focus even more strongly on the provision and development of their chosen logistics services.

In early autumn, we concentrated all our railway expertise in one business unit, as the Timber Division and Railway Logistics became the Rail Services Unit. This reinforces the development of our railway transports in the east, and we can respond to our customers' changing needs more efficiently. We also increased our rolling stock capacity considerably. Now we own more than 600 wagons, but we still need more for our eastern traffic. So we will continue to acquire rolling stock in future."

What were the main challenges in 2006?

"We were aware of certain risks in Russia, and some of them materialised. Confusions and delays with permits complicated and delayed the opening of new timber terminals in Russia. Round wood tariff increases and rapidly changing customs clearance procedures in Russia caused interruptions and delays in timber transport, which had a negative effect on our performance. The congestion of truck traffic at the eastern border complicated our cargo handling business and transit transports of new cars."

How did John Nurminen invest in human resources development?

"The One Nurminen project continued. Almost all the personnel in Finland have attended the training. Our target is to be the best logistics company on an international scale by 2010, and the personnel are very committed to this goal. They have been very active in attending the One Nurminen training, and they have implemented the ideas and operating models. I would particularly like to thank all our employees who have actively attended the training.

However, supervisors could improve their performance in this respect.

The year was also characterised by strong internationalisation in the company, and this should show in the management culture. Next we will focus on personnel development in Russia."

What will be the role of the personnel this year?

"We are emphasising customer service, because we want to provide the best solutions for the customer's problems. Each employee's role in this work will be discussed in the personal performance review with the supervisor. These reviews have gradually become an integral part of our way of working – and they involve all the Nurminen employees."

How did John Nurminen celebrate its 120th anniversary?

"This was a special year for us. We published the books *Logistical Pearls* and *In the wake of Uljas*. In autumn we arranged a jubilee seminar for our customers, and the feedback was very positive. However, I think the most memorable event was the personnel gala in May. In addition to our 120th anniversary, we had the opportunity to celebrate Finland's first victory in the Eurovision Song Contest. It was quite an occasion in the spirit of *Hard Rock Hallelujah!*

In our anniversary year we strongly invested in the John Nurminen Foundation, the most important project of which at present is the Clean Baltic Sea project. We supported this project, which aims at significant concrete environmental improvements in the treatment of waste water from St. Petersburg.

How does the future look?

"We look confidently into the future. We have established a solid base and different lines of business with good prospects for growth. The steady economic growth in Russia is expected to continue, which will give us new opportunities to expand our business there.

Even though we have already achieved our goals for growth and development, we will not stop here. We are working on our strategy for 2008–2012. We will continue to focus on logistics and the Baltic Sea region, but the content and importance of each individual business unit may change within the next five years. We must listen to the customer even more carefully and modify and develop our work accordingly." ◉



John Nurminen's year 2006

Nurminen acquired SkandiaTransport

In July 2006, John Nurminen acquired SkandiaTransport, the leading Swedish vehicle logistics company. This acquisition made Nurminen the most important player in the field of vehicle logistics in the Baltic Sea region.

SkandiaTransport is the market leader in Sweden: it has nearly a 50 per cent share both in transports and pre-delivery inspections in ports. The company has an office in all the important Swedish ports and in Copenhagen. It has about 350 employees, and its turnover in 2005 was EUR 53.5 million.

As a result of the acquisition, John Nurminen is now the only vehicle logistics service provider whose deliveries cover Scandinavia, the Baltic countries and Russia. Customers who need extensive services can now get all the services in the Baltic Sea region from one place.

Development of the Vuosaari logistics centre well under way

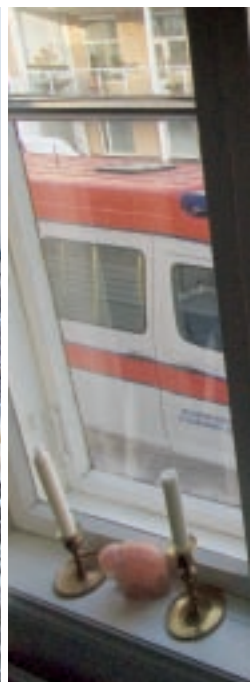
John Nurminen's Vuosaari project proceeded at a brisk pace in 2006. Nurminen is building a versatile logistics centre in Vuosaari. It will begin its operation when the Vuosaari Harbour is opened in the latter half of 2008. Nurminen's logistics centre covers about 11 hectares and is located in the immediate vicinity of the port. Some 40,000 square metres of efficient logistics space will be built in the area.

The plans are now at an advanced stage, and the first lease contracts have been signed. "We wanted to start early. We are now investigating the flows of goods and the potential customer base," says **Petri Lindfors**, Project Manager of the Vuosaari project.

Nurminen expanded its services to include medical transportation

In 2006, John Nurminen expanded its business to a new field by acquiring majority shareholding in three private medical transportation companies: Helsinki Paramedic Ambulance Ltd, Varsinais-Suomen Sairaankuljetus Oy and Porvoo Ambulanssivalvelu Oy. The combined turnover of these companies totals about EUR 5 million, and they employ some 130 patient care professionals.

These acquisitions support Nurminen's ambition to grow in new fields of service that require special expertise. "We intend to focus particularly on non-emergency transportation of patients. Our target is to develop a health care logistics network that covers the entire country," says **Patrik Puskala**, Business Development Director. "High-quality medical transportation calls for good driving arrangements, efficient use of equipment and competent information technology solutions, just like traditional logistics business."



► Nurminen at your service

Rail Services combined two units

Two John Nurminen units, Timber Division and Railway Logistics, were united in September to form Rail Services. The purpose of the new business unit is efficient concentration of expertise to enhance the service.

“Our customers want a reliable logistics partner who can provide extensive, cost-efficient railway services in Russia and the CIS countries,” explains **Harri Vainikka**, Director of Rail Services. “Our primary responsibilities include securing the customers’ growth, the personnel’s well-being and the unit’s development.”

Nurminen Ship Agency

John Nurminen’s Ship Agency Unit was organised as a new company at the beginning of December. The new organisation, Nurminen Ship Agency Oy, will continue the Group’s ship agency service traditions. The aim of this arrangement is to create better opportunities for the ship agency services to respond to development demands in the industry.

“Establishing a new company will not have any effect on the operating activities of our ship agency services. The company will continue to offer these services in nearly all Finnish seaports, as well as Baltic ports through the Group’s service network,” says **Svante Eriksson**, Managing Director of Nurminen Ship Agency. The company specialises in oil tanker, chemical carrier, dry-bulk carrier and cruise vessel agency services.

Actions after the year under review: 2007

John Nurminen’s Vehicle Logistics Unit will be formed into its own independent business entity. John Nurminen will continue to be a significant shareholder in the business operation. The majority shareholder will be funds managed by the Nordic private equity investor CapMan. The unit’s about 500 employees will continue in their former positions.





John Nurminen 120 years – looking forward

In 2006, John Nurminen Oy celebrated its 120th year in business. It is an outstanding achievement for a Finnish family-owned company. Continuity has always been a highly appreciated value in the company, and it has been systematically reinforced from the very beginning. And this is not going to change.



John Nurminen's past and present show that the secret of a long-lived business is the ability to transform itself and seize opportunities. The company started with timber and chandlery goods trade and shipping business. Over the years, John Nurminen has moved beyond its core business and been involved in travel agency operations and ground handling for airlines, among other things.

One field of business, however, has been included in the company's activities from the very beginning – Nurminen has always been involved in logistics and transported people and goods from one place to another. During the years, the logistics services have expanded and changed to respond to the transformation of the business environment. The year 2006 showed that there are always plenty of new opportunities available. Even though John Nurminen is always moving forward, last year provided a good opportunity to stop for

a moment and celebrate the company's achievements thus far.

Pearls, glamour and renowned speakers

John Nurminen Oy was established in 1886, which means that 2006 was the company's 120th consecutive year in business – quite a venerable age.

The anniversary was celebrated at Nurminen in many ways. In spring 2006, the company published the book *Logistical pearls 1886–2006*, which relates many memorable moments in Nurminen's history. One of the stories describes how Nurminen transported more than a hundred reindeer to Japan; another one reveals what happened when the Reagans visited Finland in 1988 and Nurminen Air was in charge of the ground handling services at the airport.

What better way to celebrate such a milestone than with a good party? In May,

John Nurminen arranged a glamorous gala for the entire personnel. The guests enjoyed a delicious dinner and were treated to great entertainment.

In September, Nurminen arranged a jubilee seminar for its customers and partners. The seminar discussed the development of the Baltic Sea region, logistics expertise and family entrepreneurship. Renowned speakers attracted a large audience. The speakers included, for example, Speaker of the Parliament **Paavo Lipponen**, Helsinki's Lord Mayor **Jussi Pajunen** and Maritime Counsellor **Antti Lagerroos**.

Continuity as the carrying force

Continuity has a particular significance for a Finnish family business like John Nurminen. Instead of making quick profits and playing on the stock market, the company aims at sustained, target-oriented business.

Nurminen Era

1886–1930

Johan Nurminen starts business in Rauma, selling colonial products, timber and chandlery goods. The company's first own ship, *Uljas* is built in 1891. The business is expanded to shipping and forwarding. Business turns international, and the head office moves to Helsinki.

1800

1930–1960

Forwarding, shipping and ship agency businesses continue. The first steamships are acquired. The travel agency *Kaleva Travel* adds tourism to John Nurminen's business activities. Shipping business reaches its height in the latter half of the 1950s.

1900

1960–1980

Business is expanded to warehousing and air-freight forwarding. The remaining ships are sold. In 1969, John Nurminen is the first company in Europe to start regular road transports to the Soviet Union. Customs terminals are built in *Hernesaaari* and *Lappeenranta*.

1980–2000

The head office moves to *Huolintatalo* in 1982. Nurminen has an extensive service repertoire in the fields of forwarding, transport, ship agency services, ground handling services, etc. The traditional transport operations are sold in 1995, and Nurminen focuses on special logistics.



The 120 years of John Nurminen were celebrated at many events. Above: festivities in St Petersburg. Below: participants at the jubilee seminar in Helsinki.

For four generations now, the company has passed from father to son. Therefore, in addition to successful business activities, many emotional bonds as well as extensive roots can be discovered in the background of the continuity. The value of these roots is well understood at John Nurminen, but this does not mean stagnation. In addition to commitment, flexibility and the ability to transform are the very factors that guarantee continuity.

Always onward

Keep your mind open to new opportunities – this could be a motto for business development at John Nurminen. In 2006, the company made important acquisitions and conquered new areas in the logistics business. The acquisition of SkandiaTransport expanded Nurminen's region to the west, which balances the company's geographi-

cal distribution. However, the main growth potential is still in the east.

Russia has had an important role in John Nurminen's history. In the 1960s, Nurminen pioneered in road transports between the Soviet Union and the west, and Russian museums have been a major customer for the company's fine art logistics business for a long time. In the 2000s, Nurminen started timber transports with its own wagons on Russian railways. The Russian logistics business has a vast growth potential. The objective in the next few years is to develop services particularly for Russia's domestic logistics market.

In 2007, John Nurminen can be proud of its history and experience. However, the company always has its eyes on the future. Today the company's home field covers the entire Baltic Sea region. ▶

John Nurminen's story is built on the ability to transform

John Nurminen has an exceptionally long history for a modern company; it was established 120 years ago. The company has developed continuously to respond to the changes in its operating environment.

John Nurminen Oy was founded in 1886 in Rauma, where **Johan Nurminen** started selling timber, chandlery goods and colonial products. Soon the company expanded its business to shipping and forwarding.

The company's sailing ship fleet was at its largest in the 1910s. The first steamships were also acquired at that time. The head office moved to Helsinki in 1918. The company went international, establishing subsidiaries and branch offices abroad.

Shipping business was discontinued in the 1960s. New business sectors included road transports to Russia and air-freight operation. Nurminen was a pioneer in both. Business was expanded to warehousing, transoceanic liner agency operations, exhibition and fair forwarding and ground handling services for airlines.

During the depression in the 1990s, many companies experienced great difficulties, and some competitors of John Nurminen Oy left the business. Nurminen also had to make some painful decisions to survive. One of John Nurminen's values – Develop and improve for the benefit of the customer – has guided the decisions to develop or discontinue in various areas.

In the new millennium, John Nurminen's business has been characterised by a strong focus on specialised fields of logistics. Russia's importance for Nurminen has also continued to increase, and the business in Russia is being enhanced by new plans.

Interesting new aspects are in the air again, as the acquisitions made in 2006 show. However, continuity and systematic long-term work are the guiding principles in the company – now and in future.

Juha Nurminen



2000–2006

Ground handling services for airlines are divested, and the operations of Kaleva Travel are sold. John Nurminen invests in the various fields of logistics, like vehicle and railway logistics. The business operations are integrated under one name. Business strengthened in the Baltic countries and Russia. The first chemical logistics terminal in Finland is opened in Kotka in 2005.

2000

2006–

John Nurminen celebrates its 120th anniversary. SkandiaTransport is acquired to become part of Autologistics. Non-emergency medical transportation is included in Nurminen's service range. The company invests strongly in the planning of the Vuosaari logistics centre.

2006–



“The Feel Good Factor is important to a successful partnership,” say Inga Evans of Bang & Bonsomer and Petteri Pelkonen of John Nurminen.

Customers and Nurminen “We breathe the same air”

What do customers expect from Nurminen? It’s best to ask the customer directly. To begin the new year, customer representatives from the company’s three largest business units were invited to join their Nurminen hosts around the same table. The conversation can be summed up with one insight: “Cooperation works if the customer promise is kept. Everyday routines are easier when we breathe the same air!”

John Nurminen invests in customer service that provides the best solutions to the customers. Let’s start with some examples:

Juha Pöllänen, Inchcape: “For us, what’s crucial is a satisfied end-customer,” says Juha as he talks about a recent incident. “We had agreed with one of our customers in northern Finland – an end-user who ordered a company car – that we would make an exception and hand over his car at eight p.m. At the agreed location, however, the driver of the John Nurminen car transport lorry noticed that the lorry’s hydraulics had failed and the customer’s car was unfortunately on the top ramp. It would have taken until midnight to lower the car. It was agreed, however, that the customer could collect his car from the side of the motorway in the morning. In the

end the customer was satisfied that the matter was handled professionally, even though there were a few bends in the road. In other words, it’s about how problems are solved.”

Inchcape is an international automotive services group, whose subsidiary Inchcape Motors Finland imports Jaguars, Land Rovers and Mazdas into Finland and is responsible for their sales and maintenance.

Making the customer’s everyday life easier

Antero Sundberg, John Nurminen Vehicle Logistics: “Our business unit is trying to turn the conventional model of customer service around, so that we don’t approach customers via service catalogues or price lists, but rather offer them customer-driven

What?

A conversation about the expectations of John Nurminen’s customers, the company’s range of solutions, and the logistical trends

Present?

Inga Evans, Logistics Manager, Bang & Bonsomer Group;
Pekka Jalonen, Logistics Manager, Stora Enso;
Juha Pöllänen, After Sales and Logistics Manager, Inchcape Motors Finland

Hosts?

Petteri Pelkonen, Director;
Antero Sundberg, Director of Vehicle Logistics;
Harri Vainikka, Director of Rail Services

When?

8 January 2007

Where?

On the roof of Helsinki



solutions. Even in problem situations. In fact, logistics is a continuous chain of corrections. The customer relationship only grows from problems. My most important message to my staff is 'Don't explain, just fix it!'"

Juha Pöllänen: "We value that our partners keep things simple. What's most important is the customer promise: that our customers and we get what's been promised. It's not common to find a partner who genuinely looks after the customer's interest. In that way it's satisfying to work together. It's as if we're breathing the same air. In my opinion, John Nurminen's role is to make the customer's everyday life simpler and easier."

Bang & Bonsomer's Inga Evans is on the same track. "After we began co-operating closely with John Nurminen two years ago, I've been able clean my desk and my life is a lot easier. We've had excellent experience with regular meetings that have included, in addition to John Nurminen and us, other partners in the logistics chain."

Bang & Bonsomer is one of Finland's largest suppliers of industrial chemicals and raw materials, and its customers include world-leading manufacturers. Half of its turnover comes from Russia, with sales offices also in the Baltic countries and CIS states. The company has outsourced most of its Finnish warehousing to John Nurminen. To ensure cooperation got off to a good start, it was critical that in 2004 John Nurminen had invested heavily in the construction of a new special chemical warehouse at the Port of Mussalo in Kotka.

The courage to specialise

Inga Evans: "We value John Nurminen's courage to specialise and invest in this specialised field, as many others were not prepared to take the risk involved in this business."

John Nurminen's Petteri Pelkonen adds: "The Mussalo special chemical

warehouse is a major investment for us. We made the investment on behalf of the customer, studied the chemical industry's special features in cooperation with Bang & Bonsomer's experts, and built Finland's most modern chemical warehouse that meets all official regulations. In this way we were able to provide the customer with the piece they needed in order to better focus on their core business."

Reliability is crucial

What do customers then expect from John Nurminen's service and quality?

Pekka Jalonen, Stora Enso: "What's most important to us is reliability. In our business, that means specified capacity, timetables, resources and competent personnel. In addition, we expect the whole package to deliver added value – regardless of whether it's outsourcing or buying a specific service."

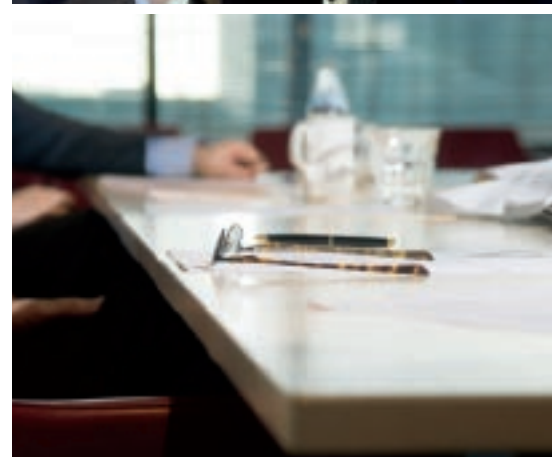
Stora Enso uses John Nurminen's railway services to import round wood from Russia and to export finished products – paper and paperboard – to Russian customers and CIS states. In today's paper business, delivery terms are not what they used to be. The paper merchant is responsible for making the delivery to a certain address, which is often the final delivery destination. "That's why we need different kinds of partners, and it's easier for us if we can buy the service package from one source. John Nurminen's competitive edge is to offer the whole logistics chain from us to the end-customer," says Jalonen.

Customer stocks are expected to be even closer to the end-customer. John Nurminen is currently planning distribution centres in St. Petersburg and Kiev.

Inga Evans: "Even though we want to tie up as little capital as possible in warehousing, our industry customers in Russia demand that we have certain buffer stocks, so that we can respond to their needs locally 'just in time'".

Petteri Pelkonen: "Faced with changing needs, it is important that we not only

John Nurminen's customers and the hosts had intense conversation about the future of logistics. Juha Pöllänen of Inchcape Motors Finland (left) with Antero Sundberg (middle) and Petteri Pelkonen (right) of John Nurminen.





John Nurminen's goal:

Our goal is to be the market/quality leader as a provider of the chosen logistics services. Companies looking for innovative and tailored logistics solutions will consider John Nurminen their best partner.

have meetings that cover daily business but also occasionally strategic meetings – as if Bang & Bonsomer and John Nurminen were having a performance review. In these meetings, we agree on joint targets and rules and see what development projects are needed to meet future challenges and changes.”

Vast potential in the East

Everyone agrees that there is vast potential in the East.

However, Russia is growing so fast that infrastructure is having a hard time keeping up. The cost structure especially in Moscow and St Petersburg is also spiralling out of control.

Inga Evans: “For us, the location of Moscow and St Petersburg is not important as such, because our operations extend over all of Russia. A few distribution centres would not be enough. Bang & Bonsomer have eight sites in Russia and three in the Ukraine. Road and information networks in major cities, however, are at a different level if compared with more remote and cheaper areas.”

For vehicle logistics, the eastern market seems to be bottomless. If 150,000 new cars are sold annually in Finland, Russia takes delivery of 500,000 Western-made vehicles in that same time. Even though part of the vehicle flow to Russia will go through the new Ust-Luga port once its first stage is complete in autumn 2007, there will still be enough vehicles for transport through Finland, too.

Juha Pöllänen: “The number of vehicles shipped to Russia is expected to reach 900,000 in 2010. There’s no way Ust-Luga can handle all of them!”

Problems on the table

Harri Vainikka, John Nurminen Rail

Services: “We have to see the customer’s future prospects, without the customer having to tell us what they are. We have to put even the craziest ideas on the table and solve the trickiest problems,” Vainikka says.

“Sometimes our customers have to take immediate actions,” says Vainikka as he compliments Pekka Jalonen’s quick decision to acquire new product wagons. Of John Nurminen’s 650 own wagons, Stora Enso now uses about 150 stanchion wagons for round wood transport and about 80 covered wagons for finished product transport. “Unfortunately the same wagons cannot be used for both transport needs,” laugh Vainikka and Jalonen. But there is another side to the story. In the future, Russian railway traffic will demand an even more competitive price level, which means that wagons must travel fully loaded in both directions.

Stora Enso’s collaboration with John Nurminen in the Russian market had its share of problems last year. Because of complications in permit procedures, the opening of new wood terminals in Russia did not go according to plan and deliveries faltered. “Together we have tried to cope with the changes in Russia,” says Vainikka.

“Pekka Jalonen’s (Stora Enso, left) broad experience and the time he’s spent in Hong Kong and the USA have helped to change my perspective, too. It prepares you for the long haul,” says John Nurminen’s Harri Vainikka (middle).





"At the end of the day, it's about simple things. In the car business your service can sometimes stand out by greeting customers as they step into your dealership," says Inchcape Motors Finland's Juha Pöllänen with a twinkle in his eyes.

Pekka Jalonen: "It's good that John Nurminen is open about these problems. We are working together to find a solution," says Jalonen. Rising export taxes on Russian round wood also pose a challenge for the paper industry. About a fourth of the round wood used by the Finnish forest industry is imported.

"If the proposed export tax increases in Russia go through this year and in the future, Russian import wood will soon be too expensive. In this case we need to reconsider where we can get enough raw material at a competitive price. Who knows if the flow of goods will go the other way in the future. Maybe basic paper grades will be produced in Russia and shipped from there westward," says Jalonen.

Alternative route to Baltic Sea?

John Nurminen focuses on logistics and grows in the Baltic Sea region. How much more cargo flow can the Baltic Sea take?

"Stora Enso's sales organisation passed on an interesting idea recently – one which John Nurminen may also want to consider. According to our paper merchants, logistics is the bottleneck in Russian trade," says Jalonen.

Harri Vainikka: "We have to study maps even more open-mindedly and find new paths. Even though John Nurminen has a fairly strong position in the Baltic region, there is little to show in Poland. And from Poland the trip to the Ukraine is nothing." Stora Enso, for example, may be interested in this route.

Antero Sundberg is also interested in alternative routes: "Without a doubt, there will be an increase in vehicle deliveries to Russia especially through the Baltic region. It's good that we can offer our customers other logistics solutions and in some cases an economically more effective route without any unnecessary snags."

Towards virtual warehousing

Evans, Jalonen and Pöllänen believe that information systems will play an increasingly important role in successful logistics services. Whether it's following vehicle deliveries from the factory to the dealer, monitoring the chemical warehouse in real time, or tracking paper deliveries from the border to distant customers in the East, each of these operations is interesting.

Pekka Jalonen: "It's not that important if the cargo reaches its destination in 24 or 36 hours. We just want to be informed of possible delays and get a forecast on when the delivery will be completed."

Juha Pöllänen: "There is increased emphasis on the role of information management. People – including our end-customers – are used to getting real-time information online. The information systems at John Nurminen's Vehicle Logistics Unit are being developed according to this. For instance, we want to know when our new car arrives at the port. We don't need information to be continuously updated – morning or evening is accurate enough. But we do want to know about any delays or disruptions."

For Inga Evans, real-time information has to be even more on time. Evans mentions a real-time accuracy of 15 minutes for warehousing data, and Pelkonen raises the stakes: "Didn't we agree on two minutes?!" Evans picks up on this future scenario:

"We need a warehouse network, not just one warehouse – even if it's one of the best in Europe. As the flow of goods is increasingly decentralised, data flow and system integration has to be first-rate. And that could be a vision of future cooperation: a virtual warehousing model," envisions Evans. ◀

John Nurminen's strategy:

We will focus on logistics and grow organically and through acquisitions in the Baltic region. Our competitiveness rests on original know-how, high-quality service and pioneer spirit, on which we build a strong market position and deep customer relationships.

John Nurminen's financial goals:

We aim to double our turnover during 2002–2007. The long-range target is to maintain at least 7 per cent operating profit and 14 per cent return on investment.

Attention to the best customer service experts in the logistics business

John Nurminen's personnel doubled in 2006, and the company is now much more international than in 2005. The One Nurminen training continued and was extended to cover the entire personnel. The development-oriented organisation aims at being the best logistics expert in every line of business.

John Nurminen's personnel nearly doubled in 2006. At the end of the year the company had 1,100 employees, while a year earlier there were 685. The increase is largely explained by the approximately 350 employees who transferred to John Nurminen following the acquisition of Sweden's leading vehicle logistics company. John Nurminen's expansion to healthcare logistics also increased the number of personnel by another 130 employees. In addition to Finland and Sweden, personnel are located in Russia, the Baltic countries and Denmark.

The competition in logistics business requires continuous management, development and utilisation of human resources. At John Nurminen, human resources management supports the business units in the planning and development of human resources so that the expertise and services offered by the company meet the customers' requirements. John Nurminen also wants to keep its employees in the company as long as possible, motivated and feeling well.

As part of the internationalisation process, in the latter half of 2006 the HR management staff also became familiar with human resources management in Russia.

Company culture supports professional competence and continuous learning

The goal for 2006 – to unite the entire personnel under the One Nurminen concept – was achieved as planned. The process of adopting the goals and values in practice proceeded well; during spring and autumn, nearly all John Nurminen employees in Finland attended the One Nurminen events. Training events for supervisors and co-operational organisations continued into 2007.

While the One Nurminen process concentrated on reinforcing social capital, toward the end of 2006 the focus was shifted to a more concrete level, to the enhancement of professional competence. This area will now be the target of systematic development. The practical implementation of plans will begin in 2007.

Focus on supervision and well-being at work

The annual personnel satisfaction survey was carried out for the fourth time. The grades have shown steady improvement each year. In 2006, the response rate was quite good, 79%. Personnel satisfaction improved from the previous year in all the

main areas. Work atmosphere and management have improved most since 2003. The overall level of grades was good, and better than in Finnish companies on average.

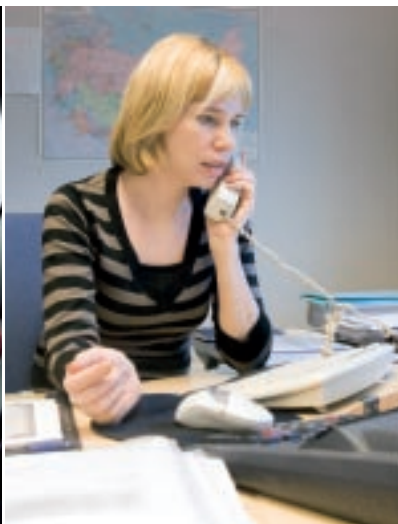
John Nurminen took part in the Suomen Parhaat Työpaikat (the Best Places to Work in Finland) survey, and it ranked as the best place to work in logistics business.

In 2006, personal performance reviews were conducted with 75% of the personnel, a slightly higher figure than in 2005. The objective for 2007 is to conduct personal performance reviews with all permanent Nurminen employees. The procedure for evaluating supervisors will also be improved.

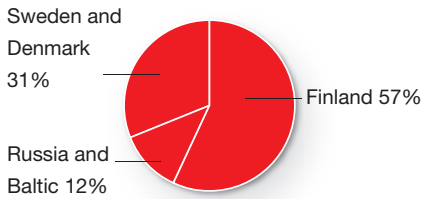
From rules to practices

In the last four years, John Nurminen Oy has recruited about 55 permanent employees in Finland. The efficiency of the recruitment process was also improved during the year. A web-based recruitment tool has been under construction, and it will be implemented this year. It will help the supervisors in their efforts to find the right professionals for various jobs and facilitate the maintenance of a CV bank.

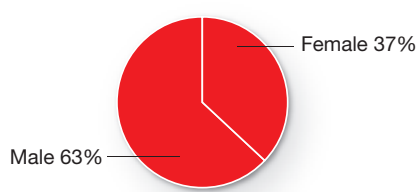
Problem-solvers at your service: Mikko Lehtimäki, Natalia Parshukova, Mika Aura, Jouni Kastelli, Vesa Hokkanen, Tomi Tuominen, Kim Grönstrand and Minna Rautio.



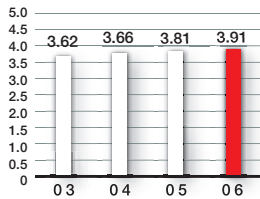
Personnel by country



Personnel by gender

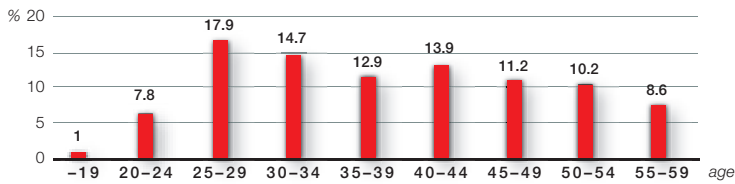


Job satisfaction



Age distribution of personnel

as percentages of the number of personnel



The personnel's well-being was promoted in many ways. All employees have the opportunity to use sports vouchers for their physical exercise activities. Moreover, various network discussions were conducted on questions relating to occupational health and coping at work at an individual level. These led to some successful experiments. During the year, general rules and processes for human resources management were established in co-operation with the employee participation committee and the occupational safety committee. These include an equality plan, guidelines for absences due to sickness and travel guidelines.

A day of sports and exercise for all the employees and a recreational day for those who had attended ASLAK rehabilitation were arranged in Vierumäki in August.

The entire personnel received a performance bonus for 2005 for the positive development of the company's financial result. In addition, about 50 Nurminen employees are incorporated in a merit pay scheme.

The staff will remember year 2006 as John Nurminen's 120th anniversary year. They were all invited to a personnel gala to celebrate in May. ▶

Flexibility and close co-operation in problem situations

In customer service, competent professionals have a decisive role. Terminal Manager **Jari Koistinen**, who works in John Nurminen's Rail Services Unit at the Luumäki terminal, says that solving problems is part of his everyday work. Cultural differences often play a key role in unexpected situations, and electronic data transfer to customers, too, can pose its own challenges. "Most of our customers are abroad and conditions change rapidly. We have to on be our toes all the time," says Koistinen.

Thanks to John Nurminen's profound understanding of customer needs, customers can be assisted in the best possible way. Regular contact also helps to forecast new situations and also solve existing problems.

At the same time, flexibility is an integral feature of good customer service. "When you're confronted with a problem, time and place are secondary," points out Koistinen. He adds that at John Nurminen, staff is prepared to go the extra distance to respond to customer needs. The reward for the effort is a satisfied customer.

Indeed, customers have been very satisfied with John Nurminen's service and performance. "The cooperation has been smooth and the services of John Nurminen's Rail Services unit in Luumäki have met our expectations," says **Maxim Nozdrin**, M-real's Managing Director in the Ukraine. He is especially pleased with the readiness and flexibility of Nurminen employees to help in every situation.



Overall positive tone – differences in business units

The economic situation in Finland continued to be good in 2006, and economic growth in Russia remained strong. This resulted in growing demand in many of John Nurminen's business units. There were, however, differences between business units. The company also could not avoid problems in Russia. John Nurminen responded to the changing business environment by actively developing its services and searching for new business areas.

Even though the overall economic situation in Finland was good, the profitability of the forest industry sector continued to be weak. This also posed challenges for business partners such as John Nurminen. On the other hand, the forest industry's need to improve cost efficiency also created opportunities to develop innovative services for forest industry customers.

Export trade was good, and overall foreign trade grew. In Russia, strong economic growth and increased consumer demand were fuelled by high oil prices and low interest rates. This had a direct impact on trade between Finland and Russia. In fact, Russia was Finland's most important import partner and third largest export country after Germany and Sweden. Transit transports to Russia also grew rapidly. Moreover, the Baltic economy developed positively and affected favourably, for example, John Nurminen's car port operations in Paldiski, Estonia.

Russian risks realised

Russia's economic development, however, involves risks. The cost level is rising rapidly, which affects the planning of operations. For example, the salary level of persons recruited for management positions is often higher than in Finland. The risk that a recession may follow this economic boom must also be considered.

In addition, the unpredictable actions of authorities in permits and custom clearance procedures as well as the constantly increasing export cost of roundwood have complicated business – especially in John Nurminen's Rail Services Unit. Increases in softwood export customs that came into effect at the beginning of June resulted in additional costs of EUR 15-20 million.

Outsourcing trend continues

The outsourcing trend of logistics services continued, and demand for John Nurminen's special logistics services was good.

However, the profitability level in basic logistics such as transports and cargo handling declined.

Demand for warehouse out-

sourcing services was also lower than expected.

The competitive situation on logistics markets became tougher in 2006. John Nurminen's competitors responded by developing their operations and by expanding their offering to new service areas.

In labour markets, the year was peaceful and free of strikes. The funding granted by the European Bank for Reconstruction and Development (EBRD) for John Nurminen's wagon purchases was also a positive development. An external and reliable source of funding ensured that John Nurminen could invest in expanding its rolling stock.

Growth through renewal

The economic situation is expected to remain good in Finland, Russia and the Baltic countries in 2007. John Nurminen's growth is also expected to continue in its chosen logistics areas. However, new players are entering the market, which creates price pressure. Cost-cutting is no longer enough. Instead we must develop existing services while searching for new products and specialisation areas. The customers' need to focus on their core business, increased trade with Russia and John Nurminen's strong competencies all lay a solid foundation for growth. ▶

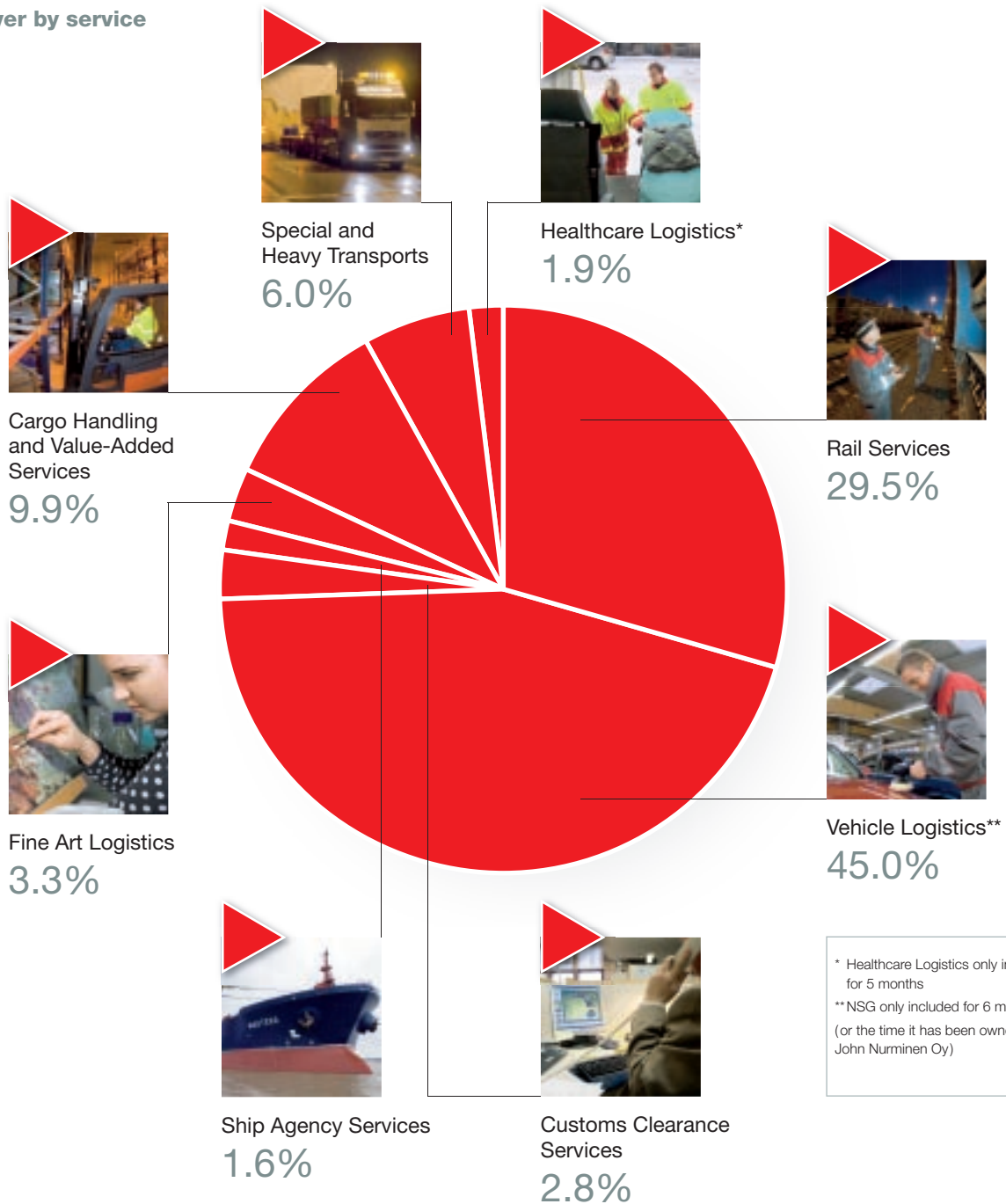
▶ **Expert in Logistics**

In order to succeed in the changing market environment, John Nurminen must develop its current services and actively seek new products and areas of expertise.

Business Units

John Nurminen provides innovative and tailored special logistics services. The goal is to be a market or quality leader as the provider of selected logistics services.

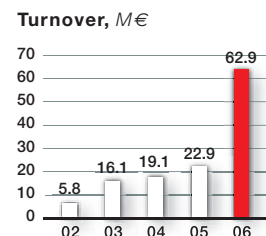
Turnover by service



John Nurminen's services in brief

- ▶ **Vehicle Logistics** – logistics services for the import of new vehicles for manufacturers, importers and dealers of vehicles throughout the Baltic Sea region.
- ▶ **Rail Services** – comprehensive and cost-efficient railway and customs clearance, forwarding and terminal services for railway traffic in Finland, Russia and the CIS countries.
- ▶ **Cargo Handling and Value-Added Services** – cargo handling, warehousing and value-added services and chemical logistics.
- ▶ **Special and Heavy Transports** – logistics services for large and heavy transports.
- ▶ **Customs Clearance Services** – tailored forwarding services for import and export.
- ▶ **Fine Art Logistics** – services related to the transfers and transports of individual works of art and art collections.
- ▶ **Ship Agency Services** – ship agency services in Finnish and Baltic sea ports.
- ▶ **Healthcare Logistics** – non-emergency transport of patients in Helsinki, Porvoo and Turku, Finland.

Personnel: about 530
Offices: 10
Customer satisfaction
2006: 3.97/5.00



Growing vehicle flows

The Vehicle Logistics Unit provides vehicle import logistics services to vehicle manufacturers, importers and dealers in Finland, the Baltic countries and Russia, as well as in Sweden and Denmark. In late summer 2006 Swedish SkandiaTransport joined John Nurminen, which is now the market leader and the only logistics player to operate in the entire Nordic region. Customers have the opportunity to combine their Nordic vehicle flows and secure all necessary services from one point.

The services offered by John Nurminen's Vehicle Logistics Unit include pre-delivery inspection and maintenance, installations of various accessories according to the customer's wishes and domestic vehicle transports in Finland, Sweden and Estonia as well as transit transports to Russia and the Baltic countries. In addition, John Nurminen's Vehicle Logistics Unit provides import and export documentation services and car tax calculation services. In summer 2006, John Nurminen acquired SkandiaTransport, the leading Swedish vehicle logistics company.

John Nurminen transports the following car makes directly to Finland, Sweden and the Baltic countries and as transit traffic to Russia and the Baltic countries: Alfa Romeo, Audi, BMW, Cadillac, Chevrolet, Ford, Fiat, Jaguar, Land Rover, Mazda, Nissan, Opel, Renault, Saab, Seat, Skoda, Subaru, Toyota, Volkswagen and Volvo.

Demand for the unit's services grew in 2006, particularly in Russian transit traffic. This, combined with the incorporation of SkandiaTransport into the unit result, led to a significant increase in turnover, which amounted to EUR 62.9 million (EUR 22.9 million). As in the previous year, the unit's operating profit was good.

Continued demand in Russia

John Nurminen transported about 130,000 vehicles to Russian markets. This was 25 per cent more than in the previous year. Most of the vehicles transported to Rus-

sia were ordinary passenger cars destined for the growing middle class. The cars, however, were on average better equipped than before.

Busy in Kotka and Paldiski

As a result of increased transit traffic, the Kotka car terminal performed beyond expectations. Kotka is now John Nurminen's largest car terminal in Finland in terms of storage capacity.

In Estonia, John Nurminen's new car terminal in Paldiski port also got off to a good start. The new terminal, which was opened in May, has about ten employees who process Fiats, Alfa Romeos and Fords for warehousing, pre-delivery inspections and deliveries. Vehicle transport was the newest venture in Estonia, as the distribution of new Toyota cars for the Estonian market was begun in November.

Crowded at ports and border crossings

The demand peak in the winter of 2006 crowded ports and led to a shortage in ship capacity. Lorry queues at the Eastern border were also a problem and threatened Finland's reputation as a good transit route. In the future, John Nurminen's challenge is maintaining a good customer service level and timetables as vehicle flows increase and routes become more congested.

Nurminen Autologistics Oy has signed a preliminary contract with Port of Helsinki to plan and build a vehicle logistics area at

Vuosaari Harbour. Construction is scheduled to begin in autumn 2007.

During the past year, John Nurminen carried out numerous studies and operating model evaluations for establishing a business presence in Russia. Vehicle Logistics established a subsidiary in St Petersburg at the end of 2006. In 2007, the target is to begin Vehicle Logistics operations in Russia in cooperation with John Nurminen's existing business units in the country.

During the year, the CarPort system was further enhanced to cover all transit traffic operations.

Promising outlook

Transit transport is expected to keep on growing in 2007, and Finland's strong position in transit traffic is also believed to continue. The impact of Russia's own ports will not be visible until the end of 2007 and 2008, but the number of vehicles transported via Finland is still expected to remain large.

Proposals for new development projects, routes and solutions and the synergy benefits resulting from SkandiaTransport are expected to have a positive impact on the unit's growth and profitability. ▶

The metal shines after a treatment from Mikko Lehtimäki at the Turku vehicle terminal.



SkandiaTransport to reinforce Vehicle Logistics

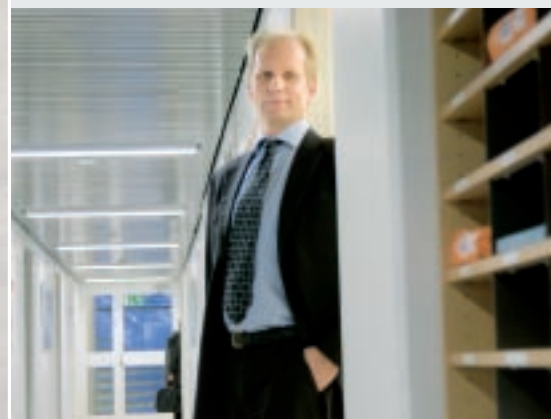
Sweden's leading vehicle logistics company SkandiaTransport joined John Nurminen in summer 2006, which reinforced the Group's position in the market. The new organisation enables John Nurminen to offer its customers the option to order all vehicle logistics services in the Baltic Sea region from one place.

The consolidation of the two companies will improve the business operation and expand the vehicle logistics and PDI service range. Customers will be provided with solutions as well in Finland, Sweden and Denmark as in the Baltic countries and Russia. In particular, John Nurminen wants to develop its services to enhance the business of customers who operate in the entire Nordic region.

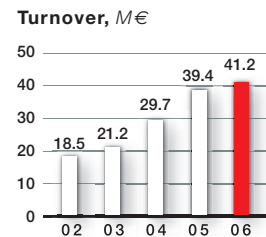
The consolidation will facilitate the customer's everyday work. For example, in future the customer will be able to utilise one single customer interface for information management. The service quality standard will also be harmonised. "The expertise of the two companies combined with the best practices make John Nurminen an even more competent partner in extensive and complex projects," says **Mats Eriksson**, Managing Director of SkandiaTransport.

Eriksson points out that joining the two companies under the same roof has only positive consequences for the personnel, as there are no overlapping functions. "For SkandiaTransport, the new owner opens the opportunity for systematic long-term work. The companies have similar values, which facilitates the consolidation."

"The Vehicle Logistics Unit of John Nurminen is rapidly establishing a strong position in the Baltic Sea region," says Mats Eriksson, Head of the operations in Sweden and Denmark.



Number of personnel: 140
Offices: 10
Customer satisfaction 2006: 3.94/5.00



Integrated competence in railway logistics

John Nurminen's Railway Logistics and Timber Division were united in early autumn to form Rail Services. It operates in the railway traffic between Finland and Russia and the CIS countries, providing comprehensive and cost-efficient services: railway transports and related customs clearance, forwarding and terminal services. The objective is to be a reliable logistics partner who secures the customer's growth by continuous development. Acquisition of own rolling stock and expansion of the business deeper into Russia continued in 2006.

The formation of the Rail Services Unit integrated John Nurminen's railway-related services and competence. This ensures the customers' growth opportunities and reinforces the unit's operation as a team.

The total turnover in Rail Services was EUR 41.2 million (EUR 39.4 million). Profitability was moderate. The volume development and profitability of round wood terminals did not meet expectations, which was attributable to problems in Russia.

Increasing competition

Competition increased in the business during the year. For example, rival routes to Russia via Poland and the Baltic countries became more attractive as alternatives to Finland.

Compared with the previous year, the decline in the Trans Siberian Railway (TSR) traffic, or transit traffic from Finland to Russia, early in 2006 contracted the turnover and financial result.

Changes in the Russian market

Despite continuing economic growth in Russia, the volume of project deliveries relating to various investment projects fell from the previous year. The year was characterised by changes in the Russian domestic market. Russia is increasingly providing services and establishing local logistics centres itself.

John Nurminen's Rail Services chose the strategy to focus increasingly on its presence in the Russian and CIS market.

Distribution centres are being planned in St. Petersburg and Kiev. This way the unit can get closer to the end-customers and ensure local supply and distribution of goods. For example, warehousing of paper and cardboard and their distribution from the customers' stock will start in 2007.

Investments in rolling stock

John Nurminen continued to acquire own rolling stock. Some 200 wagons were purchased, and at the end of the year the number of wagons totalled about 650. Wagons are needed especially for the transport of paper, round wood, wood chips and steel.

The business unit has grown rapidly. The number of assignments and own wagons has increased remarkably, and so has the pressure on the handling of the entire process. Management of the rolling stock requires good management of data communications, which is why Rail Services began to develop its ERP system.

The formation of an integrated business unit improved the management of John Nurminen's own wagons. Now the ownership of the company's rolling stock is centralised to OOO Huolintakeskus in St. Petersburg and the operation of the wagons to ZAO Irtrans, also in St. Petersburg. Own rolling stock is believed to constitute an important competitive advantage.

The terminal operations in Russia were established as a new company, OOO John Nurminen Terminal. With these modifications the unit prepares for the increasing

share of Russia's domestic logistics services and for development of its own operation.

Wood import becoming more complicated?

Imported wood accounts for about 25 per cent of the roundwood used by the Finnish forest industry. The share of imported wood of the total use fell in 2006, and the trend is expected to continue in 2007 because of the higher export taxes in Russia.

The warm weather conditions at the end of 2006 and beginning of 2007 have had a significant impact on the amount of imported round wood. The share of water transports has grown, and the truck jams at the border have not led to growth in rail transports, at least not by the end of 2006.

The unit's turnover is expected to grow by some 10 per cent in 2007. The volume of project deliveries is expected to pick up in 2007–2008 after one quieter year. Investments on own rolling stock and a container train connection between Finland and China will continue. ▶

The train has arrived at the Imatra timber terminal, and measurers Pekka Mansikka (front) and Tero Isotalo (back) get to work.



Special wagons for Rautaruukki

Rautaruukki and John Nurminen's Rail Services began to work together in the spring of 2006 in order to find a custom-made coil wagon model suitable for transporting steel coils. Thus John Nurminen has expanded its rail services from timber and paper transports to a third important area, the transport of steel.

Rautaruukki needs custom-made wagons for transporting steel coils that are easily damaged and susceptible to weather. A suitable wagon model was acquired from Russia in cooperation with John Nurminen's representatives.

"We have about a dozen covered wagons equipped with special coil cradles at our disposal. The transports are headed from Hämeenlinna, Finland, to Russia and the Ukraine. The new wagon model has been successfully tested for about a year now," says **Mr. Mauri Vikeväinen**, Logistics Planning Manager from Rautaruukki.

"We seek high-quality transports. The coil wagons are particularly suited to demanding and easily damaged steel grades. The wagon model found as a result of John Nurminen's active development work has met our expectations to perfection," says Vikeväinen.

Loading the wagon is easy and fast as the cover/dome protecting the cargo is lifted to the side of the wagon for the duration of loading and unloading. What makes the loading faster is that the coils are easy to lift into the coil cradles, and there is no need to separately support the coils, which consumes time and material.

"While loading an ordinary wagon and supporting the cargo easily takes several hours, this wagon can be loaded in less than half an hour. In this way, the wagons can be put into circulation fast and used as efficiently as possible," says Vikeväinen. "We have a five-year agreement in effect, and we are planning to acquire additional wagons as required," says Vikeväinen.

Steel coils delivered from the Rautaruukki mill in Hämeenlinna to Russia and Ukraine are transported in special covered wagons. Mauri Vikeväinen of Rautaruukki on the left and Seppo Turunen of John Nurminen on the right.



Cargo Handling and Value-Added Services

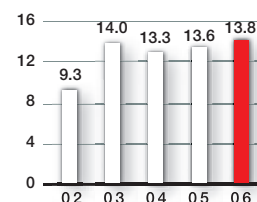
Number of personnel: about 70

Offices: Vantaa, Kotka, Hamina, Loviisa and Turku

Customer satisfaction

2006: 3.50/5.00

Turnover, M€



New cargo handling services

The Cargo Handling and Value-Added Services Unit provides customer-driven and efficient cargo handling, warehousing and value-added services that have been developed into high-quality products. The unit has presence in leading commercial centres and operates in large service units, logistically in the heart of heavy material flows. As the structure of transit transport services has changed, new business activities have been sought by developing new kind of services. The main venture in 2006 was getting the Mussalo logistics centre's extension project under way. The planning of the Vuosaari logistics centre also proceeded.

The services provided by the Cargo Handling and Value-Added Services Unit include transit transports, terminal service, timber and bulk service, chemical logistics, picking and sorting, factory logistics and containerised cars services. The newcomer on the list, introduced at the end of 2006, is export containerising, i.e., loading export containers in the port's logistics area. Moreover, railway wagon handling will start at Mussalo in 2007. This means handling of cargo that arrives or leaves in railway wagons.

The unit's strategy is to develop larger and more versatile units that enhance efficiency and improve service, applying the "department store" model. New customers and higher sales can be achieved by offering the largest possible range of products. An example of this is the Vuosaari logistics centre project. A lot of time and resources were allocated to the planning work during the year.

Despite the changes in transit transport business and declining demand in Hamina, the unit's turnover rose slightly from the previous year to EUR 13.8 million (EUR 13.6 million). The new products that were the result of efficient development produced turnover to replace the challeng-

ing transit transport business. The new services satisfied the expectations – in particular, the containerised cars service grew considerably. Profitability was maintained at the previous year's level.

Positive year for Mussalo and Loviisa

The Mussalo container port has developed vigorously, and the unit's Mussalo location had an outstanding year. Therefore, John Nurminen began to extend the terminal. The new buildings comprise a food grade terminal, a train shed and a loading shelter. In all, the extension will add 7,000 square metres of terminal area and covered space to the location. After the work is completed in spring 2007, the area of the Mussalo terminals will total nearly 30,000 square metres. The extension enables continuing rapid growth as the customer base and its structure expand.

In chemical logistics, demand developed favourably and new capacity was obtained by expanding the hazardous substances warehouse by 2,000 square metres.

Timber and bulk services in Loviisa also had a positive year. The changes in transit transport business had an effect on vol-

umes at the unit's locations in Vantaa and Hamina. The truck congestion at Finland's eastern border affected turnover time and complicated the planning of schedules.

Moderate growth

The changes in transit transport business are predicted to continue and hold back the growth of turnover. However, the new products are expected to have a positive effect on the turnover, and profitability is estimated to remain good. The outlook for Cargo Handling and Value-Added Services in 2007 is moderate. Decision-making and the actual operation are close to each other, which is important in a rapidly changing business environment. ➤

The special chemicals warehouse built two years ago in Mussalo, Kotka, specialises in the warehousing of classified chemical units.



John Nurminen's logistics centre to pole position in Vuosaari

In late 2008, Finland's largest and most modern harbour will open in Vuosaari. All commercial traffic of Helsinki ports will be concentrated there. John Nurminen Oy will then open the first phase of its new logistics centre there.

"We will be located in pole position in the logistics area, in the immediate vicinity of the harbour. We are building a versatile logistics centre with 40,000 square metres of space. The building process is divided into three phases," explains **Petteri Pelkonen**, Head of Nurminen's Vuosaari project.

The Vuosaari Harbour logistics centre is one of the most important construction projects in Nurminen's history. According to the plans, the work will begin next summer. "It is a challenge to design a logistics centre with efficient, innovative solutions, bearing in mind that it has to remain efficient for several decades," says **Tapani Raunio**, who is in charge of the construction project.

Logistics department store

"Our goal is to build a department store that offers versatile logistics services. We can create an efficient service package for each customer," says Project Manager **Petri Lindfors**. The facilities can be flexibly modified according to the customers' needs.

Nurminen's logistics centre will offer various logistic solutions, like cargo handling and warehousing as well as customs clearing and documentation services.

The new harbour will be modern and efficient, which will enhance the mobility of goods. Nurminen's logistics centre will be located in the heart of the material flow, which will save costs and provide a competitive edge for the customers.

The logistics centre of John Nurminen will be opened in the Vuosaari Harbour by the end of 2008. Platforms are being built at full tilt.



Special and Heavy Transports

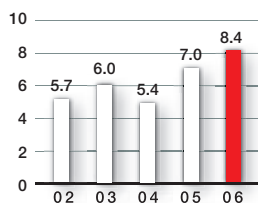
Number of personnel: 30

Offices: 5

Customer satisfaction

2006: 4.26/5.00

Turnover, M€



Record performance at the end of the year

The Special and Heavy Transports Unit produces and arranges high-quality transport and value-added services for oversized and heavy items in the Baltic region. The unit offers specialised expertise in the end-to-end management of demanding international special transports. For the the unit the year was clearly divided in two: the beginning was quiet, but the end of the year was record active.

John Nurminen is the market leader in special and heavy transports in the Baltic region. The unit focuses on demanding international special transport projects, which cover the planning of cargo and loading, route planning and analysis, the selection of shipping routes, the loading and unloading of cargo, bracing and binding, the removal of traffic hindrances, permits and escorting, as well as the transport itself.

Transports are carried out according to service packages tailored to the customer's needs. The unit has offices in Jyväskylä, Helsinki, Pori, Tallinn and Riga.

Much activity at the end of the year

The year 2006 was two-sided for the unit. Markets were relatively quiet at the beginning of the year, whereas autumn and the end of the year were very active. Despite volume fluctuations, the unit was able to

maintain its high service level.

Total turnover for the year came to EUR 8.4 million (EUR 7.0 million). Despite stiff price competition early in the year, profitability remained at a good level, which enables the unit to invest in the development of its operations.

Expansion into Latvia – Russia under review

During the year, the unit's service network expanded geographically on the axis Helsinki – Riga. The company's fleet is now available in the Helsinki region, too. In addition, the unit expanded to Latvia in the summer, when John Nurminen's subsidiary Nurminen Maritime Latvia began to offer special transport services locally.

Demand for domestic special services is not expected to grow significantly. Russia will continue to grow, and the unit is exploring opportunities to establish a presence in the country. ◉

John Nurminen's Special and Heavy Transports Unit handles the tailored transport of oversize and heavy objects. The goods are often transported at night without disturbance to other traffic.

Equipment for SIA Ultima's demanding needs

The Latvian project forwarding company SIA Ultima offers special and heavy transports throughout Europe and in the Baltic region, Russia and several CIS countries. SIA Ultima handles for its customers all permits, arrangements and services necessary in special transports.

SIA Ultima uses equipment from its partners. In many of its projects in Latvia and Lithuania, it uses John Nurminen's special and heavy transport equipment to transport large and heavy items.

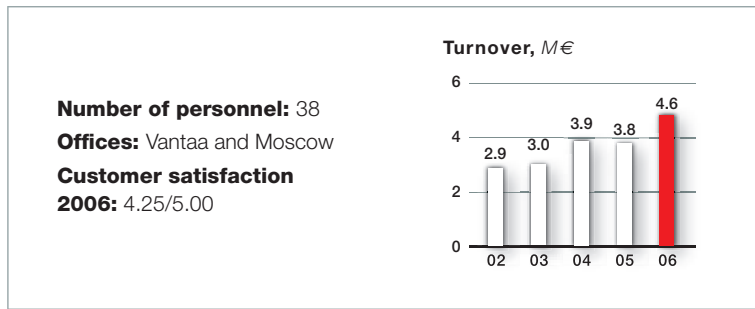
According to SIA Ultima's owner **Svetlana Voroncova**, John Nurminen can offer a comprehensive range of top-condition special and heavy transport equipment in the Baltic region. Depending on the project, the appropriate equipment is delivered from Finland, Tallinn or Riga. "We have good experiences working with John Nurminen. Transports are handled professionally and reliably," says Voroncova.

"Cooperation between SIA Ultima and John Nurminen has been successful and profitable, and John Nurminen has helped us succeed in our own business," Voroncova explains. "We hope that this cooperation has been as rewarding for John Nurminen as for SIA Ultima," says Voroncova.

The Latvian project forwarding agent SIA Ultima used John Nurminen's equipment to transport a 110-tonne container to the construction site of the Mazeikiai oil refinery extension in November 2006.



Fine Art Logistics



Business is picking up in the Fine Art Logistics market

Under the name Nurminen Prima, the Fine Art Logistics Unit transfers and transports individual works of art as well as entire collections and provides inventorying, condition assessment, conservation and framing services. The unit's mission is to meet and exceed customer expectations by providing individual, high-quality fine art logistics solutions and related special services – reliably and safely.

Nurminen Prima's goal is to be the quality and market leader in the northern Baltic Sea region within the product categories it represents.

Internationally, business was brisk in the fine art logistics market in 2006 – thanks to the relatively tranquil times, from a Western European point of view. Nurminen Prima's first year in business as an independent company had a good start. The turnover came to about EUR 4.6 million (EUR 3.8 million). Business grew particularly in the Russian market. Profitability was satisfactory.

The company's warehouse space in Vantaa was expanded considerably.

Treasures from monasteries, vaults and Fabergé collections

During the year, Nurminen Prima was involved in the arrangements for dozens of exhibitions. Two of these were arranged at the Amos Anderson Art Museum in Helsinki, one exhibiting works of the Czech Art

Nouveau artist Alphonse Mucha and the other displaying Art Foundation Merita's Finnish classics by Albert Edelfelt, Helene Schjerfbeck, Timo Sarpaneva, etc. In connection with the Art Foundation Merita's exhibition, Nurminen Prima also conserved some of the works of art, in addition to transporting and inspecting them.

In the first half of the year the unit was in charge of the return transport of a large-scale exhibition of Russian art from the USA, and in the latter half it transferred an extensive Gallen-Kallela exhibition to the Netherlands. Nurminen Prima arranged a customer event in Tampere with lectures and an exhibition of the Kremlin's Fabergé treasures. The event attracted great interest.

Some growth expected

The volume of offers looks good, thanks to increased customer contacts. Nurminen Prima expects its turnover to grow slightly in 2007, particularly in Russia. ▶

| The conservators of Nurminen Prima are top experts in their field. Saana Mihejev at work.



Nurminen Prima Oy transported the Athos exhibition to Finland

Athos – Monastic Life on the Holy Mountain exhibition at the Tennis Palace Art Museum displayed treasures of Byzantine art dating back for over a thousand years.

Curator **Mikko Oranen** from the Tennis Palace Art Museum was in charge of arrangements at the museum. He says that getting the exhibition to Finland was a small miracle and the result of three contributing factors. First, both the Orthodox Church of Finland and the Ecumenical Patriarch of Constantinople supported the project. Second, the representatives of the museum visited Athos as pilgrims, humbly and genuinely interested. Third, they met local monks and established personal contacts. "The monks were eager to make their culture known," Oranen explains.

Athos is an orthodox monks' republic in Northern Greece. In addition to the Athos monasteries, Nurminen Prima Oy also collected items from 15 European museums.

The exhibition included icons, rare manuscripts, paintings, crosses and jewellery, for example.

International co-operation

Russian museums played an important role by lending many objects for the Athos exhibition. The Moscow office of Nurminen Prima coordinated the handling of these. The unit also collaborated closely with Central European fine art logistics companies.

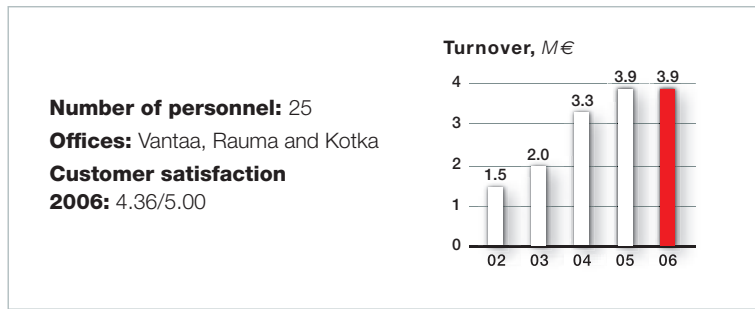
"What made the exhibition so fantastic was probably the fact that you cannot see such a unique collection of objects anywhere else," Oranen states. The exhibition had nearly 100,000 visitors. Oranen says that their reactions have been enthusiastic.

Nurminen Prima transported an exhibition depicting life at the Athos monastery that was exhibited outside Greece for the first time.



Photographer: Yehia Eweis

Customs Clearance Services



Subcontracting documentation services

The Customs Clearance Services Unit offers tailor-made forwarding services for import and export trade in Finland: forwarding services related to transports and international trade, customs clearance documents, transit documents, intra-EU trade Intrastat statistics and domestic transport services. The number of subcontracted forwarding assignments grew substantially.

John Nurminen's Customs Clearance Services Unit specialises in providing forwarding services for export and import trade. It acts as a subcontractor for forwarding, shipping and transport companies, but the services are also available directly to export and import companies. In addition to the unit's own offices, customs clearance and documentation services are available at John Nurminen offices located close to customs offices, like Nuijamaa, Vaalimaa, Niirala, Imatra and Vartius. New offices will probably be opened in Hamina and Turku this year.

The unit's offices are increasingly specialised: Rauma handles all of the growing volumes of Intrastat statistics, Kotka sees to transit services and forwarding of car containers, while Vantaa is taking greater responsibility for import and export documentation.

After discontinuing the liner agency business in 2005, John Nurminen was able to offer documentation subcontracting to shipping companies. John Nurminen Oy's neutral position on the market boosted demand for the unit's services.

The importance of subcontracting was emphasised during the year. The unit had more than 30,000 assignments in 2006 (2005: 25,000). Profitability and turnover remained the same.

Development of electronic services

In 2006 the unit focused particularly on creating an electronic system where customers can submit assignments on the web. Electronic services will be developed further in future, so that the systems of John Nurminen and the customer can communicate and the customers can monitor their assignments electronically.

The Group's customs guarantees were raised, and at the end of the year they were at a high level, EUR 13.2 million, compared with other companies in the business.

Positive outlook for 2007

The turnover is estimated to grow by some ten per cent, mainly based on the promising prospects in the market. Imports from Russia are expected to increase, as is the number of subcontracting assignments. ▶

SGN Group relies on Nurminen's customs clearance services

SGN Group is a family enterprise involved in trade in the domestic market and nearby regions. It sells well-known, strong global brands: agricultural machinery, motorbikes, mopeds, scooters, snowmobiles, cross-country vehicles, outboard motors, boats, power equipment, seeds and industrial machines and equipment.

SGN Group consists of four companies: S.G.Nieminen Oy, Agritek Oy, Sumeko Oy and SGN Sportia Oy.

John Nurminen has been responsible for SGN's customs clearance services for more than ten years. "We have actually never even considered taking care of forwarding ourselves," says Logistics Manager **Ari Taavitsainen** from S.G. Nieminen. "Over the years, co-operation with John Nurminen has developed into an efficient, seamless process," he explains.

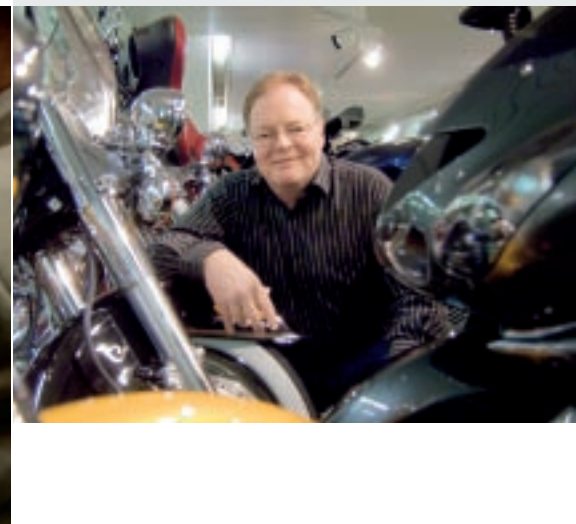
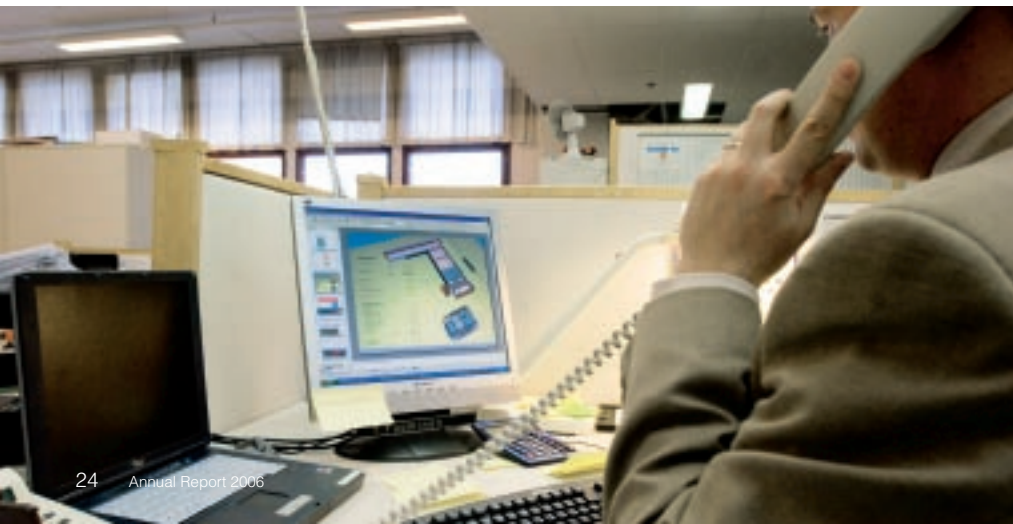
Customs clearance, vehicle tax calculation and warehousing

In addition to customs clearance documentation, John Nurminen calculates vehicle taxes for SGN. John Nurminen is also responsible for the warehousing of agricultural machinery imported by SGN Group in the port of Turku.

"The quality of Nurminen's work shows that the people in charge are professionals with thorough knowledge of our business and products. Nurminen also responds very flexibly to our needs and can meet tight schedules, for example. They take action immediately," Taavitsainen relates.

"We represent world-class quality brands, and everything – including the services we subcontract – must reflect that quality image," says Ari Taavitsainen of SGN Group.

| John Nurminen's customs clearance services received over 30,000 assignments during the year.



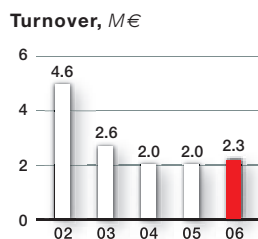
Ship Agency Services

Number of personnel: 21

Offices: Helsinki, Kotka, Naantali, Porvoo, Rauma and Turku

Customer satisfaction

2006: 4.11/5.00



Stable business in liner traffic

Nurminen Ship Agency provides ship agency services in nearly all Finnish seaports and in ports throughout the Baltic region. On behalf of the ship owner or carrier, it provides all services associated with a ship's port call. Its special expertise includes oil tanker, chemical carrier, dry-bulk carrier and cruise vessel agency services. Ship agency services for scheduled traffic increased in 2006.

The Ship Agency Services unit was established as a new company, Nurminen Ship Agency. It provides services in almost all Finnish seaports round the clock, every day of the year. The company represents Finland in the worldwide Multiport Ship Agencies Network.

The unit's business developed favourably in 2006. The overall performance slightly exceeded the expectations, even though the number of port calls fell slightly from the previous year. Ship agency assignments totalled 2,788 (2,828). The turnover grew slightly to EUR 2.3 million (EUR 2 million). Profitability also improved from the previous year.

Tanker and dry-bulk carrier business was steady

Most of the business was still associated with oil and chemical transports. The total volume of chemical transit decreased, but some growth was seen in other tanker traffic. The volume of dry-bulk transports remained steady, as well as project shipments related to various export projects.

Expansion in services for scheduled traffic

John Nurminen's decision to discontinue liner agency operations affected the unit's business. Nurminen Ship Agency's services for scheduled traffic increased, as international container companies who deliver parcel goods to European ports began to see the company as more neutral.

Ship agency services for vehicle-carrying ro-ro vessels also increased in the ports of Paldiski, Hanko and Kotka. There were about a hundred cruise vessel assignments.

Positive expectations despite challenges

The positive atmosphere is expected to continue, despite tougher competition. The increasing traffic after the start-up of the Sköldvik biodiesel plant in 2007 will present challenges to maintain the quality of service. Transit transports to Russia are expected to contract, but Nurminen Ship Agency trusts it can replace the turnover through development work and services for scheduled traffic. ▶

Nurminen Ship Agency makes hundreds of annual port calls to Neste Oil's port in Sköldvik. They will increase further when the new biodiesel plant is introduced this year.

Crystal Pool appreciates efficient port calls

Crystal Pool is a shipping company specialising in demanding chemical transports mainly in the Baltic Sea and North Sea regions. The company owns five ships and also operates three leased vessels. The number of annual port calls is nearly 200.

"We are the only and best chemical tanker shipping company in Finland," says **Lasse Rikala**, Managing Director of Crystal Pool. Crystal Pool's vessels are modern special tankers, which can carry as many as twenty different sorts of chemicals at a time.

Transit transport of chemicals from Russia

Russian chemicals arriving by rail at Mussalo in Kotka are shipped onward by Crystal Pool to European ports, like Antwerp and Rotterdam.

The ships do not come home empty; for example, they carry lye for the forest industry in Finland and Sweden.

Ships on the sea yield profit

"It is essential to keep the ships busy, as a vessel lying in port will not yield any profit. For purely strategic reasons, port calls must be efficient," Rikala summarises the expectations on the ship agent.

"We are very satisfied with John Nurminen, as one can tell from our long-time co-operation. Predecessors included, it has lasted for more than 15 years," Rikala relates.

"We have a framework agreement covering all the Finnish ports, and we would not even have time to work with more than one agent. For us, John Nurminen is almost part of our own organisation."

Sailing the seven seas. Managing Director Lasse Rikala pilots Crystal Pool, which mainly operates in the Baltic Sea and North Sea regions, but also on routes to the USA, South America and Africa.



Healthcare Logistics

Turnover: 2.7 M€ (5 months)

Personnel: about 100

Locations: Helsinki, Porvoo and Turku

Medical transport is a growing special service in the logistics

In 2006, John Nurminen expanded its operations to a new business area, medical transport. The company acquired majority shareholding in three private medical transport companies: Helsinki Paramedic Ambulance Ltd., Varsinais-Suomen Sairaankuljetus Oy and Porvoon Ambulanssipalvelu Oy.

The acquired medical transport companies lay the foundation for the new Healthcare Logistics Unit, which will grow noticeably in the coming years. Medical transport and healthcare logistics match well with John Nurminen's strategy, according to which the company will focus on specialised logistics services.

The profitability of Nurminen's medical transport companies is good and the business offers good growth and development opportunities. The total annual turnover of the companies acquired in 2006 is about EUR 5 million, and they employ 100 people. Yearly they carry out about 50,000 medical transports.

Emphasis on non-emergency transport

The Healthcare Logistics Unit focuses mainly on non-emergency transport of patients. Key customers are hospitals, healthcare centres and homes for the aged people. Like all medical transport,

non-emergency patient transport requires specialised healthcare competencies and equipment.

The acquired companies will continue to operate independently while developing joint operating models. The aim is to integrate these companies into John Nurminen's company culture in the future.

Uniting fragmented business

John Nurminen's Healthcare Logistics aims to increase its medical transport business in Finland. The company is also looking into growth opportunities in outsourcing projects and other care-sector services.

The medical transport business is currently highly fragmented in Finland, with over 200 small private companies operating in the sector. John Nurminen aims to offer a unified nationwide care logistics chain that delivers high-quality services. Combining patient transport between different locations will reduce costs and offer a genuine competitive edge. ▶

John Nurminen expanded its operations to health care logistics. Now Nurminen employs some 130 patient care specialists. Minna Rautio and Sami Karjalainen in the photo.

New unit goes forward under the lead of Helsinki Paramedic Ambulance Ltd

Helsinki Paramedic Ambulance Ltd (HPA), which specialises in non-emergency patient transport, employs 70–80 healthcare professionals and is the market leader in its sector. HPA is now the driving force behind John Nurminen's Healthcare Logistics development project.

Vesa Rahikainen, the company's managing director, is proud of HPA's company culture, the cornerstones of which are friendly service, reliability and a strong work ethic. He hopes that this proven company culture will benefit Healthcare Logistics' other companies.

Only professionals at your service

The Hospital District of Helsinki and Uusimaa (HUS), homes for the aged people and emergency centres order most medical transports from HPA. The City of Helsinki Rescue Department is responsible for emergency medical transport in Helsinki.

"Each of our employees has a healthcare qualification, because medical transport requires special competencies," says Rahikainen. He also stresses that HPA personnel is being trained continuously. In 2006 HPA carried out over 30,000 medical transports, which is a Finnish record.

Cooperation that works

The transfer of the company to John Nurminen has had a positive impact on employee morale.

"It's a compliment that such a large and established company was interested in HPA," says Rahikainen. "It tells us that we've done a good job." For HPA employees, the new owner builds trust in the future.

Vesa Rahikainen is confident that Nurminen's goal to create a healthcare logistics network is good for the sector. There is already ongoing cooperation with the Turku and Porvoo companies. "Instead of each company operating independently, we can now help each other."

Vesa Rahikainen, the Managing Director of Helsinki Paramedic Ambulance Ltd, says that the new owner safeguards the future of the company's employees.



John Nurminen Foundation

From words to deeds – protecting the Baltic Sea region

John Nurminen Foundation's Clean Baltic Sea project battles against blue-green algae by accelerating the use of chemical removal of phosphorus in St Petersburg. In terms of environmental impact, it is the single most important measure to prevent the eutrophication of the Baltic Sea.

John Nurminen Foundation initiated the Clean Baltic Sea project in the summer of 2005. In cooperation with St Petersburg's water utility Vodokanal, the project aims to begin chemical removal of phosphorus at the three largest wastewater treatment plants in St Petersburg. During the year, a detailed technical study on implementing removal of phosphorus was completed. The Central water treatment plant, which treats almost half the city's wastewater, was chosen as the first project site. The removal of phosphorus is expected to begin in October 2007. At the same time, plans for implementing the method at the Northern and Southwestern treatment plant will commence.

The Clean Baltic Sea project is based on positive cooperation between Finland and Russia. It is a fitting example of new opportunities for solving joint problems and achieving concrete results. In fact, the project shows that the private sector has the modern expertise, knowledge and approaches to complement public-sector actions and to improve the protection of the Baltic Sea.

Many companies and private citizens have supported the Clean Baltic Sea project, with about EUR 2 million received as donations by the end of 2006. John Nurminen Oy also supports the project. **Tarja Halonen**, the President of the Republic is the patron of the project. ▶

John Nurminen Foundation preserves and maintains the maritime culture, and in this role acts on behalf of clean water. Photograph of the archipelago: Jukka Nurminen.

John Nurminen Foundation activities

John Nurminen Foundation, founded in 1992, aims to preserve the tradition and cultural heritage of seafaring and to maintain public interest in these traditions. The Foundation has two branches – history and the environment.

The Foundation's cultural activities focus on the history of seafaring, maritime exploration and cartography. This is supported by the Foundation's collection of art, antique maps and maritime antiques. As to environmental protection, the Foundation fights against the eutrophication of the Baltic Sea and aims to increase environmental awareness of the sea's condition.

The Foundation publishes maritime literature, organises exhibitions and lends items to exhibitions.

Erik Båsk followed **Marja-Liisa Suopanki** as the John Nurminen Foundation's Secretary General at the end of August.

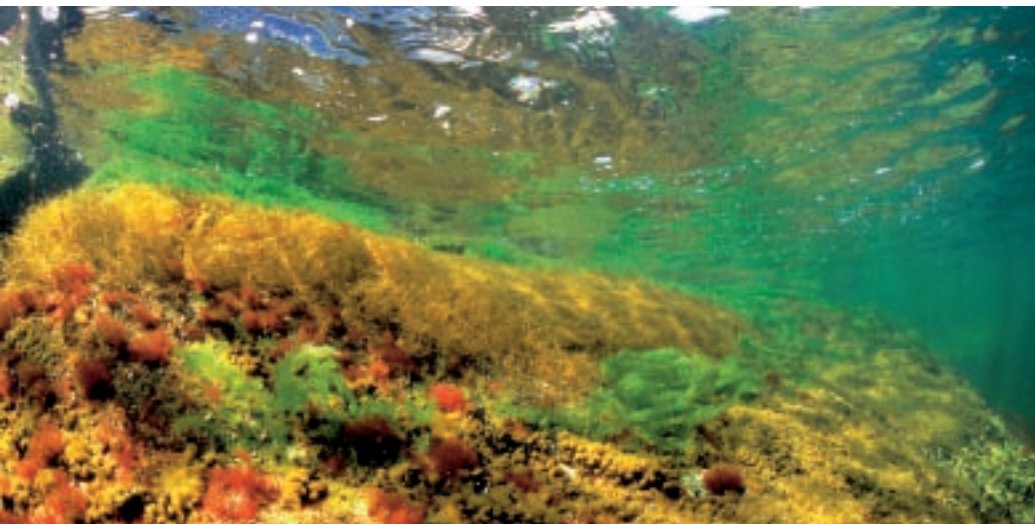
Two books and map exhibitions

In 2006, John Nurminen Foundation published two books and organised a map exhibition at Sederholm House in Helsinki.

The first book, *In the Wake of the Uljas – the History of Trading House and Ship-owners John Nurminen 1886–1967*, came out in December 2006 and celebrates an especially noteworthy period in the company's history – the era of merchant fleet.

The second book, *The History of the Nordic Map – from Myths to Reality*, focuses on the history of cartography. The author is Professor **Ulla Ehrensward**, who lives in Stockholm, Sweden and is the Foundation's long-term partner. The book is largely based on her own research findings.

The History of the Nordic Map Exhibition (17.10.2006 - 25.2.2007) at Sederholm House was organised in line with the book theme.



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Report by the Board of Directors 2006

A sharpened strategy for the Group

When John Nurminen's Board of Directors decided in 2001 to concentrate on logistics and sell unrelated business operations, in other words, Kaleva Travel and Airport Services, the turnover from logistics was approximately EUR 30 million. The acquisition of Huolintakeskus Oy carried out the following year immediately increased the turnover to EUR 70 million. Following the successful merger, Nurminen has focused on developing the business operations acquired from Huolintakeskus; however, Nurminen has divested those operations to which it did not consider it could bring added value in the longer term.

Following the acquisition of Huolintakeskus, a turnover of EUR 130 million was set as the goal for John Nurminen. In addition, it was emphasised that the strategic objective in each business area was to achieve a sustainable competitive edge, either through a pioneering position, differentiation or integration deep within the customer's value chain. At the same time, the company has continuously attempted to identify new logistics areas that would suit the Groups' portfolio and to the development of which Nurminen could bring significant added value.

The earlier strategic policy was based on the fact that Nurminen has a number of smallish logistics businesses of a niche nature. Even though multi-sector business is not believed to bring added value as such, the company thinks that its logistics expertise gives such a significant competi-

tive edge to smallish business areas, in particular, that Nurminen's units are able to achieve both market leadership and a higher than average return on capital. Nurminen's development has proven that this is true.

During the past few years, interesting opportunities for expansion have been identified in a large part of Nurminen's businesses, both in Finland and particularly in Russia. For this reason, the Group has had to change the view that its ideal portfolio would consist of a number of smallish businesses. We cannot stop half-way in this development. Instead, the Group units must attempt to generate a critical mass that creates the preconditions for achieving an efficient cost structure and a strong market position in the selected market area. Accordingly, the company has strongly invested in the timber business, railway logistics, cargo handling and value-added services and, during 2006, particularly in vehicle logistics.

John Nurminen acquired the share capital of SkandiaTransport in the summer of 2006. Through the acquisition, Nurminen became the leading vehicle logistics company in the Nordic countries. When SkandiaTransport, which is involved in both technical services for car import and in transport of cars, joined Nurminen's Vehicle Logistics, a unit was established that generates a turnover of approximately EUR 93 million. Its share of Nurminen's turnover for 2006 – including SkandiaTransport's turnover for the whole year – increased to 64 per cent.

Nurminen has always believed that a synergic, narrow logistics group is manageable if the units are approximately equally strong. If the share of one unit exceeds 50 per cent, this would reduce the manageability of the Group. The dominating role of Vehicle Logistics has forced Nurminen to adopt an entirely new direction for the development of Nurminen's business operations. This new policy is called the partnership strategy.

The partnership strategy aims at a situation where no business unit need sacrifice its market position goals due to the family business's scarcity of capital resources. However, Nurminen wants to continue as a family business. In the next strategic phase, Nurminen is prepared to take on such partners at unit level which are capable of supporting the implementation of investments required for achieving the goals of the business area in question. However, this does not mean that partners are needed for the development of all of the business areas in the portfolio. Decisions will be made after the strategies for the business operations have been specified further, depending on the Group's resources.

As a rule, the company wants to maintain a controlling interest in each business. However, this model is not a suitable solution for Vehicle Logistics, and therefore a decision has been made to form a separate entity of the unit.

This solution was adopted when we realised the potential related to the quick growth of vehicle logistics in both the

Nordic countries and Russia. We cannot compromise over our goals just because Nurminen could not alone have invested sufficiently in growth. Therefore, Nurminen accepted a minority share and sold the majority in John Nurminen's Vehicle Logistics unit to funds administered by the private equity investor CapMan.

Nurminen is committed to the uncompromising development of Vehicle Logistics and to doubling the unit's turnover by 2010. One indicator of this is that Jan Lönnblad, Managing Director of the Group, will become the Managing Director of the new vehicle logistics company. This also means changes in John Nurminen Oy's management and that the new Managing Director to be elected to the company will take responsibility for the more specific planning and implementation of the Group's new strategic policy.

Turnover and financial result

John Nurminen's growth accelerated significantly in 2006. A large part of the growth was related to vehicle logistics, but all the other important business areas grew as well, even though the growth goals were not met. The slowing down of growth and the setbacks in Russia also weighed down on the result, which remained lower than both the goals and last year's figure. The Group's turnover was EUR 144 million, an increase of 42 per cent on the previous year. The profit before extraordinary items and taxes was EUR 8 million, while the corresponding figure in the year before

was EUR 13 million. Return on investment stood at 13.4 per cent, slightly lower than the return of 14 per cent set by the company as its longer-term objective. All the business units were profitable.

Business environment

The development of the world economy continued to be relatively stable in 2006. The markets developed positively in John Nurminen's main market areas in Finland, Russia and the Baltic countries. The Finnish gross domestic product increased by 5.5 per cent.

Until now, the economic development in Russia has relied on enhanced utilisation of raw material resources and increasing market prices. This has overshadowed the country's internal economic development and its progress toward a market economy, which will create a basis for long-term company planning, particularly in the areas of logistics where Nurminen operates. On the other hand, business risks will increase unless we establish ourselves properly in the Russian market. The company aims to invest particularly in the management of the Russian business by strengthening the local organisation and offering high-quality (niche) logistics services locally.

The trade between Russia and Finland continued to develop, with exports increasing by 8 per cent and imports by 4 per cent. The growth rate was slightly slower than in the year before, when the growth exceeded 20 per cent for both export and import. During the year, both Western

and Russian direct investments in Russia grew strongly, which in turn increases the demand for logistics services produced in Russia.

Other central events

The main themes in the jubilee seminar organised by John Nurminen Oy for its partners to celebrate its 120th anniversary included family business, the role of logistics and the development of the Baltic Sea region. As many as two hundred guests listened to presentations on these subjects by Nurminen's management as well as Speaker of the Parliament Paavo Lipponen, Maritime Counsellor Antti Lagerroos and Helsinki's Lord Mayor Jussi Pajunen.

The overall investments by John Nurminen totalled EUR 28 million during the year, or more than triple the investments in the previous year. The largest investments were related to the acquisitions of SkandiaTransport and medical transport. Significant investments in business operations related to railway traffic between Finland and Russia were continued. New investments in rolling stock increased the number of Nurminen's Russian rolling stock to as many as 650 wagons and strengthened the competitiveness of Rail Services. The Vainikkala terminal was also significantly expanded.

Towards the end of 2006 the company made a highly significant investment decision with regard to its future by leasing a plot of 11 hectares in the immediate vicinity of the Vuosaari harbour in Helsinki and by

concluding a contract on the construction of the first stage of a new logistics centre with Lujatalo Oy. In November 2008 John Nurminen will be able to offer highly cost-effective distribution services to its customers directly from the port, with no need for intermediate transports of containers to terminals along the ring road or inland.

John Nurminen decided to divest two smaller units. In December the company decided to sell the majority of Nurminen Prima Oy to a related party, JN Uljas Oy. At the beginning of 2007 the logistics operations in the Loviisa port were sold to local operator, Oy R. Nordström & Co Ab. Both corporate transactions are related to the streamlining of John Nurminen Oy's portfolio.

Financing

The company's financial standing has been good throughout the year. The significant investments made during the year have lowered the equity ratio somewhat. The equity ratio stood at 34.7 per cent at the end of the report year (54.7 per cent in 2005). Long-term loans have increased by approximately EUR 23.5 million during the year. Liquidity has generally been at a good level.

The Board of Directors has approved a financing risk policy which defines the main principles for managing the Group's financing risks. The aim of the financing risk policy is to reduce currency risks, among others, by attempting to keep the income and cost flows equal and by hedg-

ing balance sheet items according to a predetermined hedging level.

Personnel

During the financial period, the company employed an average of 1,066 people. Of these, 605 worked in Finland and 461 abroad.

The development of the Group's service quality is based on continuous monitoring and surveys of customer and personnel satisfaction. Personnel satisfaction has developed positively, and a customer satisfaction survey concerning the entire company will be conducted during the spring of 2007. Continuous development requires demanding goals, and therefore we have set as our goal to be the best logistics company on an international scale in 2010.

John Nurminen Oy's incentive system that is based on shareholding has proved very efficient. Currently more than twenty members of the management have shares, and the holding of this group, including stock options, is nearly 20 per cent. About sixty people in the management groups of the profit centres are incorporated in the merit pay system that the company has been applying for a long time now. The current system will terminate in 2008 and a new incentive system to support the new challenging goals set is being planned.

Board of Directors

The incumbent Board Members were elected for another term in the spring of

2006. The Board members are also included in the company's incentive system based on shareholding.

Future prospects

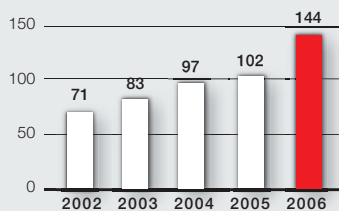
The challenges in John Nurminen's operating environment are expected to increase in 2007. The growth of the Finnish economy will probably continue to be moderate, and the Russian and Baltic markets are likely to continue to develop positively.

Even though the exit of Vehicle Logistics from the portfolio of businesses dropped the Group's turnover to approximately EUR 81 million in 2006, the company will not give up on its growth goals. The goal is to raise the Group's turnover back to EUR 150 million during the next five years, i.e., to double the turnover.

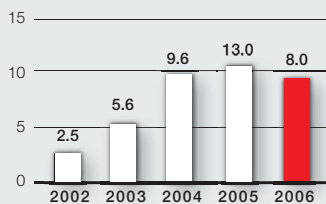
The Group's core businesses have a lot of growth potential, including railway operations, which will grow rapidly in Russia in the next few years, expansion of special and heavy transport operations to the Russian market through corporate acquisitions, and the construction project in the Vuosaari harbour in Helsinki that will be launched in 2007. In 2006 the company acquired a qualified majority in Helsinki Paramedic Ambulance Ltd. By means of additional corporate acquisitions, the company has gained a significant foothold in the medical transport market in Southern Finland over a short period of time. The aim is to expand the business area to the most central locations in Finland in the next few years.

Key Figures

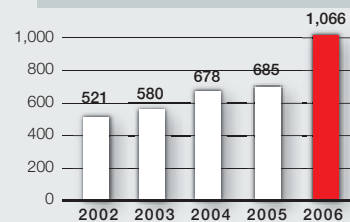
Turnover, M€



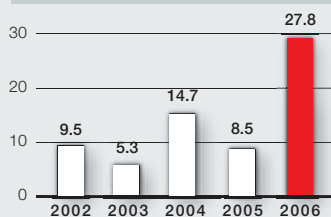
Profit before extraordinary items and taxes, M€



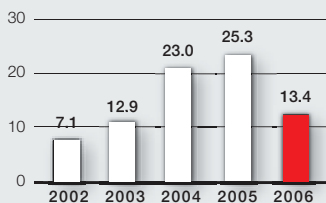
Personnel



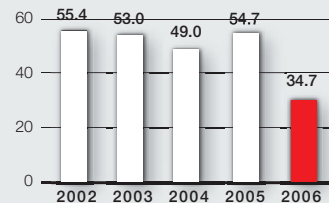
Investments, M€



Return on investment, %



Equity ratio, %



Return on Investment, (ROI), % =

$$\frac{\text{profit before extraordinary items, appropriations and taxes} + \text{financing costs}}{\text{balance sheet total}^{1)} - \text{interest-free liabilities}^{1)}} \times 100\%$$

Equity ratio, % =

$$\frac{\text{shareholder's equity} + \text{minority interest}}{\text{balance sheet total}} \times 100\%$$

¹⁾ on average during the year

Profit and Loss Account

EUR 1,000	1.1.–31.12.2006	1.1.–31.12.2005
NET TURNOVER	144,419	101,686
Other operating income	4,042	6,544
Materials and services		
Raw materials and consumables		
Purchases during the financial year	5,065	3,696
Change in inventories of raw materials and supplies	1	2
External charges	77,920	43,739
	82,985	47,437
Personnel expenses		
Wages and salaries	20,381	18,659
Other personnel expenses	4,806	4,832
	25,188	23,481
Depreciation and reduction in value		
Depreciation according to plan	5,405	4,047
Other operating costs	25,721	19,724
OPERATING PROFIT	9,162	13,540
Financial income and expenses		
Share of associated companies	-41	-137
Interest and financial income	280	1,276
Interest and other financial expenses	1,450	1,669
	-1,211	-530
PROFIT BEFORE EXTRAORDINARY ITEMS	7,951	13,010
Extraordinary items		
Extraordinary expenses	0	200
	0	-200
PROFIT BEFORE TAXES	7,951	12,810
Taxes		
Change in deferred tax liability	313	360
Income tax on normal operations	-2,510	-3,760
PROFIT BEFORE MINORITY SHARE	5,754	9,410
Minority share	-335	-326
PROFIT FOR THE FINANCIAL YEAR	5,419	9,084

Balance Sheet

EUR 1,000	31.12.2006	31.12.2005
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Goodwill	10,467	5,241
Group goodwill	12,535	640
Intangible rights	2,032	298
Intangible assets Intangible assets	1,891	1,552
	26,926	7,732
Tangible assets		
Land and water	1,010	494
Buildings and constructions	13,771	10,974
Machinery and equipment	23,845	13,621
Other tangible assets	681	558
Advance payments and construction in progress	2,411	168
	41,718	25,815
Investments		
Shares in associated companies	2,355	2,547
Other shares and holdings	398	1,065
	2,753	3,612
NON-CURRENT ASSETS TOTAL	71,397	37,158
CURRENT ASSETS		
Inventories	1,506	268
	1,506	268
Receivables		
Non-current receivables	346	290
Current receivables	38,303	23,862
Marketable securities	4,142	8,431
Cash in hand and at banks	8,351	6,809
Current assets total	52,648	39,661
ASSETS TOTAL	124,044	76,820
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	497	497
New issue	0	0
Share premium account	3,939	3,939
Reserve fund	16	4
Other funds	0	6
Exchange rate translation differences	144	1
Retained earnings	31,913	27,096
Profit for the period	5,419	9,084
	41,928	40,627
MINORITY SHARE	1,075	623
MANDATORY RESERVES	789	0
GROUP RESERVES	0	48
LIABILITY		
Non-current subordinated loans	1,140	790
Deferred tax liability	3,466	628
Non-current liabilities	31,174	10,338
Current liabilities	44,472	23,765
Liabilities total	80,252	35,522
EQUITY AND LIABILITIES TOTAL	124,044	76,820

Consolidated Cash Flow Statement

EUR 1,000	31.12.2006	31.12.2005
CASH FLOW FROM OPERATING ACTIVITIES:		
Profit (loss) before extraordinary items	7,951	13,010
Adjustments:		
Planned depreciation	5,405	4,047
Unrealised exchange rate gains and losses	-209	0
Other income and expenses with no cash payment	0	-622
Financial income and expenses	1,379	393
Other adjustments	41	137
Cash flow before changes in working capital	14,567	16,965
Changes in working capital:		
Current receivables, non-interest bearing, increase(-)/decrease(+)	-1,091	-796
Inventories, increase(-)/decrease(+)	308	-257
Current liabilities, non-interest bearing, increase(+)/decrease(-)	-356	-802
Cash flow from operating activities before financial items and taxes	13,429	15,110
Interest paid and other financial expenses from operating activities	-1,659	-1,669
Dividends received from operating activities	63	195
Interest received from operating activities	280	1,080
Income taxes paid	-4,735	1,875
Cash flow before extraordinary items	7,378	12,841
Cash flow from extraordinary items in business operations (net)	0	-200
CASH FLOW FROM OPERATING ACTIVITIES (A)	7,378	12,641
CASH FLOW FROM INVESTING ACTIVITIES:		
Investments in tangible and intangible assets	-15,850	-8,531
Assignment income from tangible and intangible assets	1,024	3,971
Assignment income from other investments	0	41
Loans granted	-56	0
Repayment of loan receivables	0	270
Acquisition of shares in subsidiaries	-11,905	-8
Proceeds from sales of shares in subsidiaries	660	0
Acquisition of shares in associated companies	0	-2,422
Proceeds from sales of shares in associated companies	747	37
Dividend received for investments	90	50
CASH FLOW FROM INVESTING ACTIVITIES (B)	-25,290	-6,591
CASH FLOW FROM FINANCING ACTIVITIES:		
Share issue	0	1,945
Purchases of own shares	0	0
Sales of own shares	0	0
Withdrawals of short-term loans	8,180	429
Repayments of short-term loans	-5,016	-14
Withdrawals of long-term loans	19,730	2,629
Repayments of long-term loans	-3,798	-2,857
Dividends paid and other distribution of profit	-3,932	-2,753
CASH FLOW FROM FINANCING ACTIVITIES (C)	15,164	-621
CHANGE IN LIQUID ASSETS (A+B+C)		
INCREASE (+) / DECREASE (-)	-2,747	5,429
Liquid assets at the beginning of financial period	15,241	9,812
LIQUID ASSETS AT THE END OF FINANCIAL PERIOD	12,493	15,241

Accounting principles

The scope of the consolidated financial statements

In addition to the parent company John Nurminen Oy, the consolidated financial statements cover the Group companies of which John Nurminen Oy, either directly or indirectly, owns more than 50% at the year-end.

The associated companies have been included in the consolidated financial statements using the equity method.

A share, proportionate to the Group's shareholding, of each associated company's financial result for the period, is included in the financial items. The effect of the non-consolidated subsidiaries and associated companies on the Group's financial result and shareholders' equity is insignificant.

Accounting conventions for the consolidated financial statements

Intra-Group shareholdings

The consolidated financial statements have been drawn up on the acquisition cost method. The difference between the acquisition cost of subsidiaries and the shareholders' equity that corresponds to the shareholding acquired has been allocated to machinery and equipment and to land and water areas. The allocation will depreciate in accordance with the planned depreciation of the relevant fixed asset item. Unallocated items are shown as the Group's goodwill value.

Intra-Group transactions and margins

Intra-Group transactions, internal receivables and liabilities as well as internal distribution of dividend have been eliminated.

Minority interests

Minority interests have been separated from the Group's shareholders' equity and financial result and shown as a separate item.

Exchange rate translation differences

The income statements of foreign Group companies have been translated into euro at the average rate for the financial period, and balance sheets have been translated into euro at the average rate on the balance sheet date.

Exchange rate translation differences are shown as exchange rate translation differences in shareholders' equity.

Valuation of fixed assets

Fixed assets are entered on the balance sheet at cost less planned depreciation.

Planned depreciations are calculated as straight-line depreciation based on the economic lifetime of the fixed assets.

Depreciation periods:

Intangible assets	3–5 years
Goodwill	5–10 years
Other long-term expenditure	5–10 years
Buildings	30–40 years
Machinery and equipment	3–10 years
Rolling stock	20–25 years

Valuation of receivables

Receivables are valued at nominal or lower estimated probable value.

Pensions

Pensions expenditure is shown in accordance with national legislation in each country. The pension security of the Finnish personnel has been arranged through external pension insurance companies. Pensions expenses are entered as expenditure and allocated to the year of accrual.

Deferred taxes

The deferred tax liability included in the balance sheet consists of the tax liability on accrued depreciation differences. There are no deferred tax credits.

Foreign-currency items

Foreign-currency receivables and liabilities have been converted into euro at the average rate on the balance sheet date.

The exchange rate differences of forward contracts made for hedging purposes have been used to adjust the exchange rate differences of the corresponding hedged items.

Shares and Holdings

John Nurminen Group

Domestic Subsidiaries

Cargo Handling and Value-Added Services, Customs Clearance Services, Special and Heavy Transports, Rail Services

John Nurminen Oy 100%

Rail Services

Ferrovia Oy 100%
RW Logistics Oy 100%

Vehicle Logistics

Nurminen Autologistics Oy 100%
Nurminen Autotrans Oy 100%

Ship Agency Services

Nurminen Ship Agency Oy 100%

Health Care Logistics

Helsinki Paramedic Ambulance Ltd 62%

Cargo Handling and Value-Added Services

Turku Stevedoring Oy 55%

Foreign Subsidiaries

Customs Clearance Services, Air Freight Operations

OOO John Nurminen (Moscow) 100%

Rail Services

OOO John Nurminen Terminal 100%
ZAO Terminal Rubesh 100%
OOO Huolintakeskus 88%

Vehicle Logistics

NSG Group AB 100%
OOO SkandiaTransport 100%
JN Logistics Ou 100%
Nurminen PDI Ou 65%

Ship Agency Services

JN Eesti A/S 100%

Special and Heavy Transports

Nurminen Heavy Ou 100%

Liner Agencies

Nurminen Maritime Latvia SIA 51%

Domestic Associated Companies

Liner Agencies

Cosfim Oy 50%

Fine Art Logistics

Nurminen Prima Oy 34%

Foreign Associated Companies

Fine Art Logistics

OOO Nurminen Prima 34%

Rail Services

ZAO Irtrans 49%

Liner Agencies

CMA-CGM Latvia 23%

Board of Directors



The Board at the helm of schooner Helena. From left: Rolf Saxberg, Olli Pohjanvirta, Juha Nurminen, Matti Packalén, Matti Lainema and Kenneth Huomo.

Juha Nurminen, born 1946
M.Sc. (Econ. & Bus. Adm.)
Chairman of the Board

Chairman of the Board:
▶ John Nurminen Foundation

Chairman:
▶ Clean Baltic Sea project, Steering Group

Board member:
▶ Nurminen Autologistics Oy
▶ Nurminen Prima Oy
▶ Nurminen Ship Agency Oy

Member:
▶ Consultative Committee of the Naval Reserve

▶ Advisory Board of the Finnish Lifeboat Society

Olli Pohjanvirta, born 1967
LL.M.
Higher law degree RSHU (Russia)

Board member:
▶ ETL Law Offices Oy
▶ OOO Aurinkomatkat
▶ ZAO Vepsäläinen

Member:
▶ State Registration Chamber's Advisory Board (Russian Federation)

Matti Lainema, born 1939
D.Sc. (Econ. & Bus. Adm.)

Chairman of the Board:
▶ Axel Technologies Ltd
▶ Chat Republic Games Oy
▶ Magisys Oy
▶ Virvo Oy

Board member:
▶ AW-Energy Oy
▶ Elektrobitt Group Oyj
▶ M.A.S.I. Company Oy
▶ Meconet Oy
▶ Reka Oy
▶ Ruukki Group Oyj

Rolf Saxberg, born 1944
M.Sc. (Econ. & Bus. Adm.)

Chairman of the Board:
▶ Esbogård Aktiebolag
▶ Kuljetusliike Hakonen Oy
▶ Suomen Autoteollisuus Oy
▶ Sail Training Association Finland

Board member:
▶ Helsinki Paramedic Ambulance Ltd
▶ NSG Logistics AB
▶ Pohjolan Liikenne Oy

Matti Packalén, born 1947
M.Sc. (Eng.), M.Sc. (Econ.)

Chairman of the Board:
▶ GoodMood Oy
▶ Nurminen Prima Oy
▶ Spinverse Oy

Board member:
▶ KemFine Oy

Kenneth Huomo, born 1949
M.Sc. (Econ. & Bus. Adm.)
Secretary of the Board (not a member)

Executives



Jan Lönnblad
Member of the
Management Group
Managing Director



Kenneth Huomo
Member of the
Management Group
Administration



Kaj Kulp
Member of the
Management Group
Rail Services
Customs Clearance
Services



Jyrki Paavolainen
Member of the
Management Group
Finance
ICT



Petteri Pelkonen
Member of the
Management Group
Special and Heavy
Transports
Cargo Handling and
Value-Added Services



Antero Sundberg
Member of the
Management Group
Vehicle Logistics



Svante Eriksson
Ship Agency Services



Isto Kiviniemi
Fine Art Logistics



Jaana Pietilä
Human Resources



Rauno Pietilä
Customs Clearance
Services



Tapani Raunio
Cargo Handling and
Value-Added Services



Matti Timonen
ICT



Harri Vainikka
Rail Services



Hannu Vuorinen
Special and Heavy
Transports

Contact information

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