

## NEO INDUSTRIAL PLC: OPERATING RESULT WAS GOOD AND THE BALANCE SHEET HAS STRENGTHENED SIGNIFICANTLY

January-December:

- The Neo Industrial Group's turnover was EUR 110.9 million (101.0 million)
- The operating result was EUR 5.1 (5.9) million.
- The Cable segment's operating result was EUR 5.6 million (6.5 million).
- The Group's result for the period was EUR 3.0 million (3.3 million)
- ROI was 25.4 (22.6) percent
- Dividend proposal EUR 0.08 (0.04) per share, payment in two parts

### KEY FIGURES

	1-12/2017	1-12/2016	Change
Turnover, EUR million	110.9	101.0	9.8 %
Operating result, EUR million	5.1	5.9	-14.1 %
Result for the period, EUR million	3.0	3.3	-7.8 %
Earnings per share, EUR	0.51	0.55	-6.9 %
ROI, %	25.4	22.6	
IAS 19 corrected Equity ratio, %	30.4	22.0	

### MANAGING DIRECTOR RALF SOHLSTRÖM:

The turnover increased due active measures to improve the capacity utilization rate of the factories and the delivery performance as well due the good level of construction business. Company succeeded well with loading the factories during the low season in winter.

The decline in the operating profit is caused by increasing raw material prices which are always transferred with delay into the sales prices. In addition to that during the last quarter of the year the operating profit was stressed by the changes in exchange rates, especially the Norwegian and Swedish krona.

The Return on Investment was 25.4 (22.6) percent. During 2017 the IAS 19 corrected Equity ratio increased to 30.4 (22.0) percent and Gearing decreased to 61.2 (119.8) percent.

### TURNOVER AND OPERATING RESULT

The Neo Industrial Group's turnover in 2017 was EUR 110.9 million (101.0 million in 2016). Its result for the full year was EUR 3.0 million (3.3 million).

### BALANCE SHEET AND FINANCING

The financial liabilities of the Group decreased during 2017. At the end of the financial year the interest bearing liabilities were EUR 9.8 (13.8) million, of which other than finance lease liabilities were EUR 6.2 (10.4) million. In the end of the financial period the balance sheet total stood at EUR 43.2 million (44.2). During the year the value of the stocks was high and money employed by stocks affected from time to time to the liquidity.

Both the Return on Investment 25.4 (22.6) percent and the IAS 19 corrected Equity ratio 30.4 (22.0) percent improved due to decline of financial liabilities and profitable result year 2017.

### MAJOR EVENTS DURING THE FINANCIAL PERIOD

Neo Industrial Plc's subsidiary Reka Cables Ltd has received substantial contracts for underground power cables of a total value of approximately EUR 20 million. The deliveries will be made during 2018 and 2019. The underground power cables are used when building grids that are not vulnerable to weather conditions.

### SEGMENTS

Neo Industrial's business segment is Cable Industry.

## CABLE

	H2/2017	H2/2016	Change	2017	2016	Change
Turnover, EUR million	52.9	50.8	4.1 %	110.9	101.0	9.8 %
Operating result, EUR million	1.8	2.2	-18.6 %	5.6	6.5	-26.3 %

The Cable segment's turnover was EUR 110.9 million (101.0). Its operating profit was EUR 5.6 million (6.5 million).

The sales volume in the cable market of Nordic countries, the main market area of Reka Cables Ltd, was higher than year before. The sales volume in other market areas decreased from previous year.

The industry's key raw materials are copper, aluminum and plastics. At the beginning of the year the price of copper was EUR 5365 and the price of aluminum was EUR 1638. At the end of the financial year, the price of copper was EUR 5967 and the price of aluminum EUR 1869 which is 11 percent and 14 percent higher than in the beginning of the year.

At its highest point, the daily price of copper during the review period was EUR 6043 in December, and at its lowest in June, at EUR 4925. The price of aluminum has been at its highest in November, when it was EUR 1883, and its lowest in August, when it was EUR 1591.

In purchasing metals, partial price hedging is utilized through commodity derivatives.

Investments fulfilled, EUR 2.9 million (1.8 million in 2016) were mainly targeted at improving productivity. Also maintenance investments were made.

Turnover for Nestor Cables Ltd, an associated company, was EUR 29.4 million (25.0 million). The operating result was positive and higher than year before. The company's value on the consolidated balance sheet is zero and the result of the company is not included in the Group figures. The Group does not carry any liabilities regarding Nestor Cables Ltd.

## MAJOR EVENTS AFTER THE REVIEW PERIOD

There has been no major events after the end of the review period.

## CONSOLIDATED FINANCIAL STATUS AND PERFORMANCE INDICATORS

	2017	2016	2015
Turnover, EUR million	110.9	101.0	84.6
Operating result, % of turnover	4.6	5.8	-2.4
ROI, %	25.4	22.6	-6.0
IAS 19 corrected ROE, %	28.0	41.9	-47.2
IAS 19 corrected Equity ratio, %	30.4	22.1	12.8
Earnings per share, EUR	0.51	0.55	-0.62

## SHARE PRICE AND TRADING VOLUME

In 2017, a total of 3 602 521 (2 042 292 in 2016) of Neo Industrial's B shares were traded on NASDAQ Helsinki for a total of EUR 26.4 million (7.9 million), representing 61.3 (34.7) percent of the total number of the shares. At the end of trading on 31 December 2017, the share price was EUR 5.01 (4.85), and the average share price for 2017 was EUR 7.32 (3.89). The lowest quotation in 2017 was EUR 4.57 (1.52), and the highest quotation was EUR 11.2 (5.27). The company's market capitalisation was valued at EUR 30.1 million (29.0) on 31 December 2017.

## GROUP STRUCTURE AND SHAREHOLDERS

Neo Industrial Plc is the parent company of the Group, which includes the Neo Industrial wholly owned subsidiary Alnus Ltd and its subsidiaries and associated companies. The parent company is domiciled in Hyvinkää.

On December 2017, Neo industrial had 11,658 shareholders (11,459). The largest shareholder, Reka Ltd, held 50.8 percent (50.8) of the shares and 65.8 percent (65.8) of the votes. Neo Industrial Plc is therefore part of the Reka Group. Reka Ltd merged with its largest parent company in 2017 and the parent company's name changed to Reka Ltd. Reka Ltd is domiciled in Juupajoki.

On 31 December 2017 the combined holding of the ten largest shareholders was 57.7 percent (57.5 on 31 December 2016) of the shares and percent 70.6 (70.4) of the votes.

The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,950,868 (2,978,752 on 31 December 2016) of Neo Industrial's B shares on 31 December 2017.

#### SHARES AND SHARE CAPITAL

Neo Industrial Plc's share capital is divided into A and B shares. At the end of 2017, its total share capital was EUR 24,081,400, and the number of shares was 6,020,360. The total number of shares includes 74,271 B shares held by Neo Industrial. The holding presents 1.2 percent of the company's share capital and 0.9 percent of the votes. The company held no A shares. Neo Industrial Plc's B-share (NEO1V) is listed on the main list of NASDAQ Helsinki.

Company shares	31.12.2017	31.12.2016	31.12.2015
Company share capital (EUR)	24,081,440	24,081,440	24,081,440
A shares (20 votes per share)	139,600	139,600	139,600
B shares (1 vote per share)	5,880,760	5,880,760	5,880,760
Total	6,020,360	6,020,360	6,020,360
B shares held by the company	74,271	16,470	30,525

#### ACQUISITION AND TRANSFER OF THE COMPANY'S OWN SHARES

On 31 December 2017, the company held a total of 74,271 B shares. Neo industrial did not exercise its authorisation to acquire company's own shares.

The Annual General Meeting decided 30.3.2017 that the rights to shares in the book-entry system and the rights carried by the shares will be forfeited with regards to the shares in the joint account. Therefore the aforementioned shares have been passed to the company totaling 106.443 shares.

Neo Industrial has used the authorisation to transfer treasury B shares against or without payment. In the financial period of 2017 Neo Industrial Plc has paid remuneration and incentives to the Board of Directors with shares, totaling to 13,642 shares and service fees totaling 35,000 shares.

#### RESEARCH AND DEVELOPMENT

The Neo Industrial Group invested a total of EUR 0.3 million in research and product development in 2017 (0.4 million in 2016). The investments were allocated to the Cable Segment and are recognised as costs in the Cable Segment's financial statement. Development costs of new products and product families are activated of EUR 0.4 million.

#### PERSONNEL

During the financial year, the Group employed an average of 269 people (256 in 2016 and 241 in 2015). At the end of 2017, the Group employed 261 (258 in 2016 and 240 in 2015) people, of whom 261 (257 in 2016 and 239 in 2015) worked in the Cable segment and 0 (1 in 2016 and 1 in 2015) in Group administration. The Group paid a total of EUR 12.0 million (11.6 million in 2016 and 10.5 million in 2015) in performance-based salaries and fees in 2017.

#### ENVIRONMENT

Caring for the environment and continuous improvement are part of daily operations in Neo Industrial's Cable Segment. Reka Cables' environmental management system is certified according to the ISO 14001 standard.

#### CORPORATE GOVERNANCE

The Corporate Governance Statement of Neo Industrial Plc has been prepared in accordance with recommendation 51 of the Finnish Corporate Governance Code. The statement has been issued separately from the annual report and will be published at the same time with the financial statements and the annual report. The report will be available on Neo Industrial's website at [www.neoindustrial.fi](http://www.neoindustrial.fi). The Finnish Corporate Governance Code is available at [www.cgfinland.fi](http://www.cgfinland.fi).

#### Annual General Meeting

Neo Industrial's Annual General Meeting (AGM), held in 30 March 2017, approved the proposal of the Board that no dividend be paid for the financial year 2016 and resolved to distribute assets from the non-restricted equity of the company to the shareholders of the company for EUR 0.04 per share.

The AGM appointed following persons to the Board: Markku E. Rentto (Chair), Jukka Koskinen (Deputy Chair), Marjo Matikainen-Kallström and Ari Järvelä. No deputy members were elected. The AGM approved the proposal that Authorised Public Accountants KPMG Ltd, with Authorised Public Accountant Lasse Holopainen as responsible auditor, be elected as the auditor of the company until the end of the 2018 AGM.

The AGM approved the Board's proposal to resolve, within the meaning of chapter 4, section 10(2) of the Finnish Limited Liability Companies Act, that the rights to shares in the book-entry system and the rights carried by the shares will be forfeited with regards to the shares in the joint account and that the aforementioned shares shall be passed to the company. The shares in the joint account passed to the company in May.

The members of Neo Industrial's audit committee are Marjo Matikainen-Kallström and Ari Järvelä.

A separate release about the AGM's decisions and authorisations was published in 30 March 2017.

#### RISKS AND UNCERTAINTY FACTORS

Neo Industrial's financial risks include currency, interest rate, commodity, liquidity, credit and investment risks. Financial risks and the related protection measures are described in more detail in notes to the financial statements. The company's future risk factors are related to the business development of its portfolio companies. The uncertainty of the international economy and financial markets poses a risk to the Group's financial arrangements.

In the Cable segment, the most significant risks are related to market development, fluctuations of raw material prices and currencies as well as working capital management in various situations. During considerable seasonal changes, suppliers' terms of payment effect significantly on the ability to ensure competitive delivery times through sufficient inventories. Also, operation models are being developed in order to balance out the effects of seasonal changes on the load rates of factories.

In the Cable Segment the key raw materials are metals (copper and aluminium) and plastics. In the metals purchases partial price hedging is used with the aid of commodity derivatives. Important with metals are the development of both the dollar-denominated price and the USD / EUR exchange rate. Partial price fixing is used with electricity.

#### NEAR-TERM OUTLOOK

The construction continues to be on a good level in our main market areas. The management believes that grid constructors will continue to invest in ground cabling projects to ensure distribution reliability. For the financial year 2018, Neo Industrial's turnover is expected to increase from the previous financial year and the operating result is expected to increase clearly from the previous financial year. Large variations between different quarters are part of the business and they may differ from year to year.

#### DIVIDEND POLICY

Neo Industrial aims to distribute at least 30 percent of its net earnings as dividends.

#### DIVIDEND PROPOSAL

The parent company's unrestricted equity stood at EUR 1,468,661.14 including the result of the review period EUR 840,477.77. The Board proposes to the Annual General Meeting that a dividend of EUR 0.08 in total per share will be paid in two parts. EUR 0.04 per share was paid for 2016. According to the Board proposed share of dividend is not a risk to company's liquidity.

#### ANNUAL GENERAL MEETING 2018

Neo Industrial Plc's Annual General Meeting will be held in Hyvinkää on 22 March 2018 at 10.00 a.m. A separate invitation will be published on 1 March 2018.

Hyvinkää, 13 February 2018

Neo Industrial Plc  
Board of Directors

Further information:  
Ralf Sohlström, Managing Director, tel. +358 40 770 2720

## CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
<b>TURNOVER</b>	<b>110,879</b>	<b>101,040</b>
Change in inventories of finished products and <b>production in progress</b>	118	2,579
Production for own use	53	138
Other operating income	307	411
Materials and services	-80,740	-72,464
Personnel expenses	-14,837	-14,215
Depreciation and impairment	-2,171	-2,091
Other operating expenses	-8,540	-9,497
	<b>-105,811</b>	<b>-95,139</b>
<b>Operating result</b>	<b>5,069</b>	<b>5,901</b>
Financial income	189	165
Financial expenses	-1,986	-2,028
	131	0
<b>Result before taxes</b>	<b>3,403</b>	<b>4,038</b>
Taxes	-359	-722
<b>Result for the period</b>	<b>3,044</b>	<b>3,316</b>
<b>Profit or loss attributable to</b>		
Shareholders of the parent	3,044	3,316
Non-controlling interests	0	0
	3,044	3,316
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	0.51	0.55
Number of shares	5,946,089	6,003,890

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

<b>Result</b>	3,044	3,316
<b>Other comprehensive items that may subsequently reclassified to statement of income</b>		
Translation differences related to foreign units	-6	13
Total	-6	13
<b>Other comprehensive items that are not subsequently reclassified to statement of income</b>		
Items related to remeasurements of net defined benefit liability	-77	-1,821
Taxes of items that are not subsequently reclassified to statement of income	15	364
Total	-61	-1,457
<b>Other comprehensive items total</b>	<b>-67</b>	<b>-1,444</b>
<b>Total comprehensive income</b>	<b>2,977</b>	<b>1,872</b>
<b>Total comprehensive income attributable to</b>		
Shareholders of the parent	2,977	1,872
Non-controlling interests	0	0
	2,977	1,872

## CONSOLIDATED BALANCE SHEET (IFRS)

EUR 1,000	31/12/2017	31/12/2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	3,252	3,252
Other intangible assets	1,645	1,059
Tangible assets	13,905	13,769
Holdings in associates	1,412	1,280
Receivables	30	57
Derivative contracts	190	58
Deferred tax assets	1,164	1,335
<b>Total non-current assets</b>	<b>21,598</b>	<b>20,810</b>
<b>Current assets</b>		
Inventories	16,061	15,557
Sales receivables and other receivables	3,698	5,268
Tax receivables from the profit	1	10
Derivative contracts	57	263
Cash and cash equivalents	1,827	2,268
<b>Total current assets</b>	<b>21,644</b>	<b>23,366</b>
<b>Total Assets</b>	<b>43,242</b>	<b>44,175</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholder's equity</b>		
Share capital	24,082	24,082
Premium fund	66	66
Reserve fund	1,221	1,221
Own shares	0	-106
Translation differences	-20	-14
Retained profit	-15,026	-38,852
Other unrestricted equity	436	21,328
<b>Equity attributable to shareholders of the parent</b>	<b>10,759</b>	<b>7,724</b>
Non-controlling interests	0	0
<b>Total shareholders' equity</b>	<b>10,759</b>	<b>7,724</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	21	42
Provisions	2,557	2,612
Financial liabilities	7,679	10,352
Other liabilities	2,777	2,383
Derivative contracts	0	44
<b>Current liabilities</b>		
Tax liabilities from the profit	81	143
Provisions	65	200
Financial liabilities	2,100	3,447
Derivative contracts	0	13
Accounts payable and other liabilities	17,203	17,216
<b>Total liabilities</b>	<b>32,483</b>	<b>36,452</b>
<b>Shareholders' equity and liabilities</b>	<b>43,242</b>	<b>44,175</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS)

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Pension liability IAS 19	Other un-restricted equity	Retained profit	Shareholder's equity to the	Non-controlling interests	Total shareholders' equity
									shareholders of the parent		
Shareholders' equity 31/12/2015	24,082	66	1,221	-197	-27	0	21,328	-40,647	5,827	0	5,827
Comprehensive income											
Result for the period								3,316	3,316	0	3,316
Other comprehensive items											
Items related to remeasurements of net defined benefit liability						-1,457			-1,457		-1,457
Translation differences					13			0	13		13
Total comprehensive income					13	-1,457		3,316	1,872	0	1,872
Transactions with the owners											
Payments by own shares				91				-63	28		28
Total transactions with the owners				91				-63	28	0	28
<b>Shareholders' equity 31/12/2016</b>	<b>24,082</b>	<b>66</b>	<b>1,221</b>	<b>-106</b>	<b>-14</b>	<b>-1,457</b>	<b>21,328</b>	<b>-37,395</b>	<b>7,724</b>	<b>0</b>	<b>7,724</b>

  

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Pension liability IAS 19	Other un-restricted equity	Retained profit	Shareholder's equity to the	Non-controlling interests	Total shareholders' equity
									shareholders of the parent		
Shareholders' equity 31/12/2016	24,082	66	1,221	-106	-14	-1,457	21,328	-37,395	7,724	0	7,724
Comprehensive income											
Result for the period								3,044	3,044	0	3,044
Other comprehensive items											
Items related to remeasurements of net defined benefit liability						-61			-61		-61
Translation differences					-6			-4	-10		-10
Total comprehensive income					-6	-61		3,040	2,974	0	2,974
Transactions with the owners											
Dividends paid							-236		-236		-236
Payments by own shares				106				192	298		298
Other change							-20,656	20,656	0		0
Total transactions with the owners				106			-20,892	20,848	63	0	63
<b>Shareholders' equity 31/12/2017</b>	<b>24,082</b>	<b>66</b>	<b>1,221</b>	<b>0</b>	<b>-20</b>	<b>-1,518</b>	<b>436</b>	<b>-13,508</b>	<b>10,759</b>	<b>0</b>	<b>10,759</b>

## CONSOLIDATED CASH FLOW STATEMENT (IFRS)

EUR 1,000

1/1-31/12/2017 1/1-31/12/2016

**Cash flows from operating activities**

Payments received from operating activities	112,303	114,998
Payments paid on operating activities	-103,427	-97,698
Paid interests and other financial expenses	-1,922	-2,277
Interests received and other financial incomes	0	67
Direct taxes paid	-244	-13
<b>Net cash provided by operating activities</b>	<b>6,710</b>	<b>15,077</b>

**Cash flows from investments**

Investments in tangible assets	-2,761	-2,015
Sales of tangible assets	47	82
Loan repayments	0	76
<b>Net cash provided by investing activities</b>	<b>-2,714</b>	<b>-1,858</b>

**Cash flows from financing activities**

Increase in loans	0	8,633
Decrease in loans	-3,910	-20,663
Payments of finance lease activities	-281	-206
Dividends paid	-236	0
<b>Net cash provided by financing activities</b>	<b>-4,427</b>	<b>-12,236</b>

**Change in cash and cash equivalents at the end of the period**

<b>Change in cash and cash equivalents at the end of the period</b>	<b>-431</b>	<b>983</b>
Cash and cash equivalents at beginning of the period	2,268	1,280
Exchange rate differences	-9	4
<b>Change in cash and cash equivalents at the end of the period</b>	<b>1,827</b>	<b>2,268</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Neo Industrial Plc is the parent company of the Group, which includes the Neo Industrial wholly owned subsidiary Alnus Ltd with its subsidiaries and associated companies.

In addition to Finland, the Group operates in Sweden, Denmark, Norway, the Baltic countries and Russia.

The parent company is domiciled in Hyvinkää. Neo Industrial Plc's address is Kankurinkatu 4-6, 05800 Hyvinkää. Neo Industrial Plc's B shares are listed on NASDAQ Helsinki.

The Neo Industrial Group is part of the Reka Group. Reka Ltd, the parent company of the Reka Group, is domiciled in Juupajoki. Reka Ltd's address is Salokunnantie 590, 35550 Salokunta.

### **Principles of preparation**

#### *Adherence to IFRS standards*

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the IAS standards as well as SIC and IFRIC interpretations effective on 31 December 2017. International financial standards refer to standards and the related interpretations that are laid down in the Finnish Accounting Act and regulations based on the Finnish Accounting Act and that have been approved in accordance with the EU Regulation (EC) No 1606/2002. The notes to the consolidated financial statements also comply with Finnish accounting and companies' laws that supplement IFRS regulations.

Neo Industrial Group has applied as from 1 January 2017 the following new and amended standards that have come into effect.

- Amendments to IAS 7 Disclosure Initiative (effective for financial years beginning on or after 1 January 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have an impact on the disclosures in Neo Industrial's consolidated financial statements.
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective for financial years beginning on or after 1 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments have no impact on Neo Industrial's consolidated financial statements.

#### Adoption of new and amended standards and interpretations applicable in 2018 financial statements

- IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impacts of IFRS 9 on Neo industrial's consolidated financial statements have been assessed and the expect impacts are as follows: Group does not use hedge accounting. The expected impacts of the standard are the noticing the credit losses in future Financial Statements. Noticing potential credit losses change the values of the related Balance Sheet items but the effect on result is not expected to be major. Neo Industrial apply the new standard first time at the opening Balance Sheet of January 1 2018.
- IFRS 15 Revenue from Contracts with Customers, Effective date of IFRS 15 and Clarifications to IFRS 15 (effective for financial years beginning on or after 1 January 2018): The new standard replaces current IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also extensive new disclosure requirements. The impacts of IFRS 15 on Neo Industrial's consolidated financial statements have been assessed as follows:
  - Majority of the Group's turnover consists of sale of cables. The revenue of selling cables is recognized when the control of the goods is transferred to the customer according to the contract terms.

- Identifying the separate performance obligations is not expected to bring any changes to the revenue recognition. Quarantee's included to the contracts are so called ordinary quarantees what are not separate performance obligations.
- To determine the transaction price the terms of the contracts has been analysed from the point of discounts, yearly bonuses and other customer credits.
- To determine the timing of revenue recognition the delivery terms, rights of returning products and invoice and hold arrangements has been analysed. As a result of the analyses made the usage of delivery terms has been clarified with contracts and harmonized already in the present way of doing. Otherwise no major changes are expected for the timing of the revenue recognition.
- The expected effect is the partial revenue recognition timing change regarding by-products of the cables. Regarding cable sales there has not been identified any change to the revenue recognition timing.
- Neo Industrial apply the new standard first time at the opening Balance Sheet of January 1 2018 having the update of revenue recognition timing at the opening Balance Sheet. During financial year 2018 Neo Industrial will present comparison calculations showing what would have been revenue recognition of the turnover based on earlier standard.

#### Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent assets and liabilities and the recognition of income and expenses in profit or loss. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

The most important items, which require management estimates and assumptions and which may include uncertainty, are impairment testing and goodwill, deferred tax assets of unused tax losses and net realisable value of inventories. Detailed descriptions of decisions based on management's judgement and management's use of estimates are presented later at each item of the financial statements.

The Group's management makes judgements concerning the adoption and application of the accounting policies for the financial statements. The management has used its judgement in selecting and applying the accounting policies, for example, to the classification of leases.

Any assumptions and estimates related to the comparison period are based on the circumstances and outlook that prevailed at the reporting date of that period.

#### *Valuation principles*

The consolidated financial statements have been prepared based on original cost, except for the following items, which have been recognised at fair value: derivative contracts, cash and cash equivalents and other financial assets.

All changes in value in derivatives are recognized through the income statement. Derivatives that hedge net sales are included in net sales. Changes in metal derivatives targeted at customer orders and changes in raw-material purchase hedging for periods less than 12 months are included in material purchases. Longer-term raw-material purchase hedging is included in financial income or expenses. Customer-specific commodity derivatives and segment-specific currency hedging have been recognized under each segment. Other derivatives are recognized in other operations and eliminations. In addition, segment-specific statements present the operating result before and after open hedging instruments.

#### *Alternative indicators*

Neo Industrial uses alternative indicators in its financial reporting as advised by the European Securities and Markets Authority (ESMA).

The ESMA instructions came to effect in 3 July 2016. Alternative indicators are used in this Financial Statement. According to Neo Industrial's interpretation the following can be counted as alternative indicators as defined by ESMA's instructions: operating result, ROE, ROI, gross investments, net gearing ratio, and equity ratio. The calculation principles of all above mentioned alternative indicators have been presented in the 2016 Financial Statement as well as in previous Financial Statements. The definitions of alternative indicators have been clarified during 2016.

The company joined a pension fund in the end of December 2015. The processing of IAS 19 benefit-based pension liabilities can be seen especially in fluctuation of capital, non-interest bearing debts and the balance

sheet total. The largest single factor affecting the pension liabilities processed according to IAS 19 is the fluctuation of discount rate. In order to follow business development more efficiently, the company has updated its alternative indicators in the end of 2016 in a way that eliminates the effects of the IAS 19 bookings from balance sheet items. The names of the indicators in question have been updated in a manner showing the executed corrections. The updated indicators are IAS 19 corrected equity ratio, IAS 19 corrected net gearing ratio and ja IAS 19 corrected ROE. The effects of IAS 19 bookings are removed from the balance sheet items and balance sheet total when calculating indicators in question. The IAS 19 corrected indicators are balanced with the financial figures reported in the Financial Statement.

This financial statement release is unaudited.

### Segment information

In accordance with IFRS 8, segment-specific reporting is based on the management's internal reporting. Turnover by product group and sales area are presented as complementary information. Customer-specific commodity derivatives and segment-specific currency hedging have been recognised under each segment. Other derivatives are recognised in other operations and eliminations. In addition, segment-specific statements present the operating result before and after open hedging instruments.

31/12/2017	Other operations		
EUR 1,000	Cable	and eliminations	Group
<b>Turnover</b>	<b>110,879</b>	<b>0</b>	<b>110,879</b>
<b>Operating result before change in the value of open derivatives</b>	<b>5,614</b>	<b>-354</b>	<b>5,261</b>
Change in the value of open derivatives	-23	-169	-192
Unallocated items			0
<b>Operating result after change in the value of open derivatives</b>	<b>5,591</b>	<b>-522</b>	<b>5,069</b>
Unallocated items		-2,024	-2,024
<b>Result for the period</b>			<b>3,044</b>
<b>Assets</b>			
Segment's assets	40,189	3,054	43,242
Unallocated items			0
<b>Total assets</b>	<b>40,189</b>	<b>3,054</b>	<b>43,242</b>
<b>Liabilities</b>			
Segment's liabilities	20,324	12,159	32,483
Unallocated items		0	0
<b>Total liabilities</b>	<b>20,324</b>	<b>12,159</b>	<b>32,483</b>
<b>Assets - liabilities</b>	<b>19,865</b>	<b>-9,106</b>	<b>10,758</b>
<b>Investments</b>	<b>2,809</b>	<b>124</b>	<b>2,933</b>
<b>Depreciations</b>	<b>2,076</b>	<b>96</b>	<b>2,171</b>

31/12/2016	Other operations		
EUR 1,000	Cable	and eliminations	Group
<b>Turnover</b>	101,039	1	101,040
<b>Operating result before change in the value of open derivatives</b>	6,358	-764	5,594
Change in the value of open derivatives	138	169	307
<b>Operating result after change in the value of open derivatives</b>	6,496	-595	5,901
Unallocated items		-2,585	-2,585
<b>Result for the period</b>			3,316
<b>Assets</b>			
Segment's assets	41,465	2,711	44,175
<b>Total assets</b>	41,465	2,711	44,175
<b>Liabilities</b>			
Segment's liabilities	20,179	16,273	36,452
<b>Total liabilities</b>	20,179	16,273	36,452
Assets - liabilities	21,286	-13,562	7,724
<b>Investments</b>	1,751	29	1,780
<b>Depreciations</b>	2,059	32	2,091

Cable segment's turnover by product group, EUR million	1-12/2017	1-12/2016
LV energy	25.0	22.6
Power cable	85.9	78.4
<b>Total</b>	110.9	101.0

Cable segment's turnover by sales area, EUR million	1-12/2017	1-12/2016
EU-countries	104.3	96.3
Non-EU-countries	6.6	4.7
<b>Total</b>	110.9	101.0

Taken all market areas into the consideration the largest customer Group's share of the Group's turnover was 22.1% and the share of the second largest is 10.9 %. Other separate customer's share of the Group's turnover was under 10 %.

On 31 December 2017, non-current assets other than financial instruments and deferred taxes were EUR 20.5 million (19.5). The assets are located in Finland.

Changes in tangible non-current assets

EUR 1,000	2017	2016
Acquisition costs 1/1	33,604	32,431
Increase	2,060	1,176
Decrease	-38	-4
Acquisition costs 31/12	35,626	33,604
Accumulated depreciation and impairment 1/1	19,835	18,161
Depreciation	1,885	1,675
Exchange rate differences	0	-2
Accumulated depreciation and impairment 31/12	21,721	19,835
Book value 1/1	13,769	14,271
Book value 31/12	13,905	13,769

The Group as a lessee

Minimum lease payments based on non-cancellable other leases:

EUR 1,000	2017	2016
Within 1 year	1,884	1,260
1-5 years	1,273	107
Total	3,157	1,367

The income statement for 2017 includes EUR 2.5 million (2.1) in expenses based on other leases.

Liabilities and derivatives

Derivative financial instruments valid on the closing date of the financial period:

EUR 1,000	Positive current values	Negative current values	Current net values 2017	Current net values 2016	Nominal values 2017	Nominal values 2016
<b>Raw material options</b>						
Metal derivatives	247	0	247	263	4,873	5,061
<b>Total derivatives</b>	247	0	247	263	4,873	5,061

Raw-material derivatives and currency derivatives have been valued using third-party market value reports (hierarchy level 2).

Contingent liabilities

EUR 1,000	31/12/2017	31/12/2016
Debts secured against business mortgages, securities or guarantees		
Loans from others	3,474	6,383
Book value of pledged securities	26,165	26,165
Granted guarantees	3,474	6,383
Guarantees and payment commitments	253	423
Lease liabilities	390	297

Previously granted business mortgages EUR 15 million are existing, but under company's own control.

Investment commitments

On December 31 2017 investment commitments for tangible fixed assets amounted to EUR 0.4 million (0.3 in 31 December 2016).

Related-party events

The Group's related parties include the subsidiaries and associated companies, other companies belonging to the Reka Group, the Group's Board of Directors and management group. The management group consists of General Manager and CFO. Also related parties include companies that have ownership connection through the owner who has significant decision power, or that belong to the related-party companies via the management or board members.

Neo Industrial Plc, and therefore also the Neo Industrial Group, belong to the Reka Group. Reka Ltd merged with its largest parent company in 2017 and the parent company's name changed to Reka Ltd. Reka Ltd has a 50.76 percent holding of shares and a 65.77 percent holding of votes.

## Related-party transactions

## Transactions with the Reka Group

EUR 1,000	1-12/2017	1-12/2016
Rental expenses	-509	-765
Other purchases	-720	-746
Other income	0	1
Interest revenues	0	51
Interest expenses	-184	-271
Sales receivables and other receivables at end of the period	883	1
Loans	3,474	6,383
Other debts at the end of the period	135	143

Neo Industrial's Cable segment is tenant of Reka Ltd's premises in Keuruu. In addition, the Group uses the Reka Group level finance and supporting systems as well as related licenses and virtual servers.

## Transactions with Reka Pension Fund

EUR 1,000	1-12/2017	1-12/2016
Purchases	0	-1,260
Paid pension expenses	-2,640	-2,531
Interest expenses	-59	-48
Factoring debts	887	0
Other debts at the end of the period	327	1,785

Reka Group's pension insurances were transferred into Reka's Pension Fund in 31 December 2015. Because of the transfer, pension liabilities of Neo Industrial Group have been processed in IFRS through benefit-based calculation. The transfer in 31 December 2015 caused an IFRS booking with EUR -0.5 million result. In 2017 IAS 19 based IFRS booking increased pension costs by EUR -0.3 (-0.1) million, some financial costs and liabilities against the broad P&L result by EUR 0.1 (-1.8) million.

## Transactions with associated companies

EUR 1,000	1-12/2017	1-12/2016
Sales		
Nestor Cables Ltd	30	23
Purchases		
Riihimäen Kaapelitehdas Ltd	995	0

Neo Industrial acquired a share of the Riihimäen Kaapelitehdas Ltd in the end of December 2016. Riihimäen Kaapelitehdas Ltd is a limited company, which owns the property leased by Reka Cables Ltd. Reka Pension Society is the other owner of Riihimäen Kaapelitehdas Ltd.

## Management fringe benefits

EUR 1,000	2017	2016
Salaries and other short-term fringe benefits	448	471
Pension benefits, defined contribution plans	54	43
Total	502	515

The Group's Board of Directors and management group have been defined as key management personnel of the company.

Annual remuneration is paid to the members of the Board of Directors. In addition to that separate meeting attendance remuneration is paid and travel expenses are compensated. The Board of Directors has a bonus system and the terms of the bonus system is decided each year in the Annual General meeting. The members

of the Board of Directors do not any other benefits. Part of the yearly and bonus remunerations can be paid via shares according to the decisions made in the AGM. The decisions of the Annual General Meeting on 30 March 2017 have been published as a separate stock release.

The Group CFO is not employed by the company at the end of the year and therefore her rewards are handled as other purchases with other related parties, in total EUR 56 thousand (31 Dec 2016: 48).

## KEY FIGURES

Key figures from the income statement and balance sheet

<b>EUR 1,000</b>	2017	2016	2015
Turnover	110,879	101,040	84,585
Result before taxes and discontinued operations	3,403	4,038	-3,973
% of turnover	3.07 %	4.00 %	-4.70 %
Result for the period	3,044	3,316	-3,691
Alternative Performance Measures:			
Operating profit	5,069	5,901	-1,995
Operating profit, %	4.57 %	5.84 %	-2.36 %
Return on investment (ROI)	25.42 %	22.62 %	-6.04 %
IAS 19 corrected Return on equity (ROE)	28.00 %	41.86 %	-47.19 %
IAS 19 corrected Equity ratio, %	30.42 %	22.03 %	12.66 %
IAS 19 corrected Gearing	61.22 %	119.80 %	401.92 %
Investments in tangible assets	2,060	1,780	2,051
Other Performance Measures:			
Average number of personnel	269	256	241

<b>Share-related key figures (A and B shares)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Equity per share, EUR	1.79	1.28	0.98
Earnings per share (EPS), EUR	0.51	0.55	-0.62
Dividend/share, EUR	0.00	0.00	0.00
Dividend/earnings, %	0.00 %	0.00 %	0.00 %
Effective dividend yield, %	0.00 %	0.00 %	0.00 %
Price/earnings (P/E)	9.8	8.8	-2.6
Share performance, EUR			
-average share price	7.32	3.89	2.39
-lowest price	4.57	1.52	0.62
-highest price	11.20	5.27	3.71
-price at the end of the period	5.01	4.85	1.61
Market capitalisation, EUR 1,000	30,112	28,985	9,753
Trading, number of shares			
%	61.26	34.70	29.30
Adjusted weighted average number of shares			
during the period	6,020,360	6,020,360	6,020,360
A shares	139,600	139,600	139,600
B shares	5,880,760	5,880,760	5,880,760
Adjusted number of shares at the end of the period			
A shares	139,600	139,600	139,600
B shares	5,880,760	5,880,760	5,880,760

## CALCULATION OF KEY FINANCIAL INDICATORS

Earnings per share (EPS), EUR	=	$\frac{\text{Profit for the period attributable to equity holders of the parent company}}{\text{Number of shares adjusted for share issues (average)}}$	
Equity per share, EUR	=	$\frac{\text{Shareholders' equity - non-controlling interest}}{\text{Number of shares adjusted for share issues at the end of the period}}$	
Dividend per share, EUR	=	$\frac{\text{Dividend for the period}}{\text{Number of shares adjusted for share issues at the end of the period}}$	
Dividend per earnings, %	=	$\frac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$	
Effective dividend yield, %	=	$\frac{\text{Dividend/share}}{\text{Share price adjusted for share issues at the end of the period}} \times 100$	
Price/earnings (P/E)	=	$\frac{\text{Share price adjusted for share issues at the end of the period}}{\text{Earnings/share}}$	
Market capitalisation	=	(Number of B shares - own B shares) x share price at the end of the period + number of A shares x average share price	
<i>Alternative Performance Measures:</i>			
IAS 19 corrected Return on equity (ROE) %	=	$\frac{\text{Result for the period}}{\text{Shareholders' equity excluding effects of IAS 19 bookings (average)}} \times 100$	
IAS 19 corrected Equity ratio, %	=	$\frac{\text{Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings}}{\text{Balance sheet total - advances received excluding effects of IAS 19 bookings}} \times 100$	
IAS 19 corrected Gearing, %	=	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents, liquid financial and investment securities}}{\text{Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings}} \times 100$	
Return on investment (ROI) %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{[\text{Balance sheet total - obligatory provisions and non-interest-bearing liabilities}] \text{ (average)}} \times 100$	
Operating profit	=	<b>Neo Industrial has defined</b> operating profit as follows: Operating result is the net sum formed when from the net sales are deducted the purchase costs adjusted by the change in the stocks of non-finished and finished goods as well as expenses for production for personal use. Also deducted from the net sales are expenses, depreciation, amortization and any impairment losses arising from employee benefits. Also other operating income and expenses are taken into account. Other income statement items than those mentioned above are presented below operating result. Exchange rate differences and changes in fair values of derivatives are included in operating result if they arise from items related to business operations; otherwise they are recognized in financial items. Operating profit or operating loss are also terms used instead of operating result, according to the situation.	

## Reconciliation of IAS 19 adjusted Alternative Performance Measures to figures reported in Financial Statements

EUR 1,000	2017	2016	2015	2014
IAS 19 effect on non-interest-bearing liabilities	2,769	2,377	488	0
IAS 19 effect on Shareholders' equity	2,231	-1,901	-391	0
IAS 19 effect on Balance sheet total	538	475	98	0
Shareholders' equity in Financial statements	10,759	7,724	5,827	9,426
IAS 19 eliminations	2,231	1,901	391	0
Shareholders' equity in IAS 19 adjusted Performance Measures	12,990	9,625	6,218	9,426
Balance sheet total in Financial Statements	43,242	44,175	49,216	44,731
IAS 19 eliminations	-538	-475	-98	0
Balance sheet total in IAS 19 adjusted Performance Measures	42,704	43,700	49,118	44,731

All comments in this report that do not refer to actual facts are future estimates. Such estimates include expectations concerning market trends, growth and profitability as well as statements including the words “believe”, “assume” or “will be” or a similar expression. Since these estimates are based on current plans and estimates, they involve risks and uncertainty factors that may cause the actual results to differ substantially from current statements.

Among other things, such factors include 1) operating conditions, such as continued success in production and the ensuing efficiency benefits, availability and cost of production inputs, demand for new products and changes in circumstances affecting the acquisition of capital under acceptable conditions; 2) sector-specific circumstances, such as the intensity of demand for products, the competition, current and future market prices for the Group’s products and related pricing pressures, the financial situation of the Group’s customers and competitors and competitors’ possible new products; and 3) the general economic situation, such as economic growth in the Group’s main market areas or changes in exchange rates and interest rates.

[www.neoindustrial.fi](http://www.neoindustrial.fi)

Neo Industrial's strategy is to invest mainly in industrial companies with similar synergic benefits. The aim of investments is with active ownership to develop the purchased companies and establish additional value. Returns are sought through both dividend flow and an increase in value. Neo Industrial's class B shares are listed on the main list of NASDAQ Helsinki Stock Exchange. Neo Industrial's business segment is Cable Industry.