

NEO INDUSTRIAL PLC'S HALF YEAR FINANCIAL REPORT JANUARY-JUNE 2019

Neo Industrial Plc's turnover for January-June 2019 was lower than year ago, operating result positive

January-June 2019

- Neo Industrial group's turnover was EUR 49.4 million (54.6 million)
- The operating result was EUR 0.2 (1.0) million.
- The operating result of the Cable Segment was EUR 0.8 (1.4) million
- The Group's result for the period was EUR -0.6 (0.1) million

Figures in brackets refer to the same period a year earlier, unless otherwise stated. The half year financial report is unaudited.

MANAGING DIRECTOR RALF SOHLSTRÖM:

Due to seasonal fluctuations, January and February turnover was lower than in the comparison period. Also the turnover in June was lower than expected. The reorganization of domestic sales was successfully implemented during the early part of the year, and we believe that the new area sales organization will have a positive impact on sales. In addition, we launched new products and services in the beginning of the year, of which the piloting of the smart drum management system is currently underway. Export has developed favourable, and the company delivers cables to several wind power projects in Sweden and Norway.

IFRS 16 Leases, which entered into force on 1 January 2019, is tempting to acquire assets for yourself instead of leases. As a first step Neo Industrial's cable segment bought end June one of the premises that is used in Keuruu plant. As tangible assets are partly handled via IFRS 16 and partly as bought assets, only IAS 19 effects are eliminated from alternative indicators.

The nature of Neo Industrial's business involves major fluctuations between quarters and may differ from year to year.

KEY FIGURES

| | 1-6/2019 | 1-6/2018 | 1-12/2018 |
|--|----------|----------|-----------|
| Turnover, EUR million | 49.4 | 54.6 | 103.8 |
| Operating result, EUR million | 0.2 | 1.0 | 1.0 |
| Operating result before change in the value of open customer derivatives | 0.2 | 1.1 | 1.1 |
| Result for the period, EUR million | -0.6 | 0.1 | -0.5 |
| Earnings per share, EUR | -0.10 | 0.02 | -0.09 |
| ROI, % | 2.1 | 22.2 | 8.4 |
| IAS 19 corrected Equity ratio, % | 19.1 | 26.0 | 25.5 |

Year 2019 IAS 19 adjusted Equity ratio and ROI are affected by EUR 7.0 million increase in the Balance Sheet due IFRS 16. IAS 19 adjusted Equity ratio without IFRS 16 effect would have been 21.8 %. ROI without IFRS 16 effect would have been 1.2 %.

TURNOVER AND OPERATING RESULT

Neo Industrial Group's turnover consisted of the Cable segment's turnover, totalling EUR 49.4 million (54.6).

The operating result was EUR 0.2 million (1.0).

The Group's result for the review period was EUR -0.6 million (0.1).

BALANCE SHEET AND FINANCING

At the end of the review period, the balance sheet totalled at EUR 60.2 million (47.5). On 31 December 2018 the balance sheet totalled at EUR 46.3 million (43.2). Due IFRS 16 the Group included January 1 2019 EUR 13.4 million of tangible assets. The Balance Sheet increased though substantially. At the end of June 2019 the

Balance Sheet include tangible assets due IFRS 16 EUR 7.0 million and EUR 5.5 million relating Keuruu plant real estate that was bought end of June.

During the period under review, the stocks were from time to time at a high level. At the end of June, the value of inventories was EUR 15.8 (18.6) million. Half of the EUR 3.0 million limit loan of the company was in use at the end of June.

SEGMENTS

Cable segment

| | 1-6/2019 | 1-6/2018 | Change |
|-------------------------------|----------|----------|---------|
| Turnover, EUR million | 49.4 | 54.6 | -9.5 % |
| Operating result, EUR million | 0.8 | 1.4 | -39.9 % |

The Cable Segment's turnover for the review period was EUR 49.4 million (54.6 million). The operating result was EUR 0.8 million (1.4).

The sales volumes in the cable market of Nordic countries, the main market area of Reka Cables Ltd, decreased from the previous year. The sales volumes in other markets decreased also.

The segment's key raw materials are copper, aluminum and plastics. At the beginning of the year, the copper price in tons was EUR 5,206 and the price of aluminum EUR 1,632. At the end of June 2019, the price of copper was EUR 5,251 and the price of aluminum EUR 1,560.

The daily price of copper during the review period was at its highest in April, when it was EUR 5,787 and its lowest in June, when it was EUR 5,119. The price of aluminum has been at its peak in March, when it was EUR 1,694 and the lowest in June, when it came to EUR 1,523.

Neo Industrial uses partial commodity hedging with aid of commodity derivatives for metal purchases. The fair value of open hedges on 30 June 2019 was EUR -0.2 (0.1) million.

The turnover for Nestor Cables Ltd, an associated company of the Cable Segment, was EUR 17.3 million (18.5) during the review period. The operating result was positive but lower than in previous year. The value of the shares of Nestor Cables Ltd in the consolidated balance sheet is zero due to the cumulative results of the previous years, and its share of the 2019 result is not taken into account in the Group's figures.

INVESTMENTS

Neo Industrial has stated that with some premises and other non-current assets it seems more tempting in longer term to buy such assets than handle them according to IFRS 16. As a first step Neo Industrial's cable segment bought end June one of the premises that is used in Keuruu plant.

During the review period, investments totalled EUR 5.9 million (1.3), of which the Cable Segment represented EUR 5.9 million (1.1). Investments include the purchase of one real estate relating Keuruu plant with transfer tax, in total EUR 5.5 million. Other investments, EUR 0.4 million, were made to improve productivity.

PERSONNEL

In January–June, the Group employed an average of 247 (262) people. At the end of the review period, the personnel of the Group was 248 employees (266), of which 248 (266) represented the Cable Segment.

ANNUAL GENERAL MEETING DECISIONS

The Annual General Meeting (AGM) of Neo Industrial Plc was held in Helsinki, on 22 March 2019.

The AGM approved the financial accounts for the 2018 accounting period and granted the Company's Board and the Managing Director discharge from liability for the 2018 accounting period.

The AGM resolved, in accordance with the Board's proposal, that for the 2018 accounting period a dividend of EUR 0.02 per share will be paid. The AGM resolved to pay the dividend on 29 April 2019.

The AGM approved the annual remuneration of EUR 10,000 for the members of the Board of Directors, EUR 12,500 for the chairman of the Board and an attendance remuneration of EUR 600 per each meeting for the Board and the committees, and that the members of the Board are compensated for their travel expenses.

Circa 40 per cent of the annual remunerations will be paid by the shares of the company. Transfer to the shares is made by using the average share price of Neo Industrial Plc's B-share in May 2019 and the shares will be handed over in June 2020.

The AGM resolved that the members of the Board will be paid a bonus based on the price development of the Company's class B share, the amount of which is EUR 1,000 for the chairman of the Board and EUR 500 for the ordinary members of the Board, multiplied by annual return based on the share price development of the Company's class B share (average share price in May 2020 – average share price in May 2019). Should the annual return exceed 50 per cent, the bonus shall be paid in accordance with 50 per cent. Thus, the highest multiplier is 50.

Circa 40 per cent of the bonuses will be paid with the shares of the company. Conversion into the shares will be carried out based on the average share price of the Company's class B share in May 2020, and the shares will be handed over in June 2020.

In addition, the AGM approved the proposal of the Board that the auditors' fees be paid as per invoice.

The AGM approved, in accordance with the shareholders' proposal, that the number of members of the Board shall be four (4) and re-elected the following persons to the Board: Markku E. Rentto, chairman; Jukka Koskinen, deputy chairman and Marjo Matikainen-Kallström and Ari Järvelä as members of the Board. No deputy members were elected.

The AGM elected, in accordance with the shareholders' proposal, Authorized Public Accountants KPMG Ltd, with Authorized Public Accountant Leenakaisa Winberg as responsible auditor, as the Company's auditor for a term that expires at the end of the Annual General Meeting of 2020.

The AGM authorized, in accordance with the Board of Director's proposal, the Board of Directors to decide on the acquisition of the Company's own shares with assets from the Company's unrestricted equity so that the maximum number of class B shares to be acquired is 588,076. The amount corresponds to approximately 9.77 per cent of all the shares in the Company and in total 10,0 per cent of the Company's class B shares.

The shares will be acquired through trading arranged by Nasdaq Helsinki in accordance with its rules, and the consideration to be paid for the shares to be acquired must be based on market price. The Company may acquire B class shares directly by a contractual trade, provided that the number of class B shares to be acquired via contractual trade is at least 15,000 and that the consideration to be paid for the shares is equal to the prevailing market price in Nasdaq Helsinki at the time of the acquisition. When carrying out acquisitions of the Company's own shares, derivatives, stock lending and other agreements customary to the capital markets may be entered into within the limits set by law and regulations.

The authorization entitles the Board of Directors to also decide on a directed acquisition in a proportion other than that of the shares held by the shareholders, provided the Company has a weighty reason for this as defined in the Finnish Companies Act.

The Board of Directors is entitled to decide on all other matters pertaining to the acquisition of the Company's own shares.

The authorization will remain in force until the next Annual General Meeting

SHARES AND SHARE CAPITAL

Neo Industrial Plc's share capital is divided into A and B shares. On 30 June 2019, its total share capital was EUR 24,082,000 and the number of shares was 6,020,360. The total number of shares includes 68,610 shares held by Neo Industrial. The holding represents 1.1% of the company's share capital and 0.8% of the votes. The company held no A shares. Neo Industrial Plc's B shares (NEO1V) are listed on the main list of NASDAQ Helsinki.

| Companyt shares | 30/6/2019 | 30/6/2018 |
|-------------------------------|------------------|------------------|
| Company share capital (EUR) | 24,082,000 | 24,082,000 |
| A shares (20 votes per share) | 139,600 | 139,600 |
| B shares (1 vote per share) | 5,880,760 | 5,880,760 |
| Total | 6,020,360 | 6,020,360 |
| B shares held by the company | 68,610 | 72,439 |

On January-June, a total of 465,619 (592,398) of Neo Industrial Plc's B shares were traded on NASDAQ Helsinki, representing 7.9% (10.1%) of the total number of shares. At the end of trading on 30 June 2019 the share price was EUR 2.15 (4.28), and the average share price for the review period was EUR 2.16 (5.28). The lowest quotation in January-June was EUR 1.80 (4.11), with the highest being EUR 2.50 (6.60). The company's market capitalisation was valued at EUR 12.8 million (25.6) on 30 June 2019.

ACQUISITION OF OWN SHARES

Neo Industrial did not exercise its authorisation to acquire the company's own shares.

GROUP STRUCTURE AND SHAREHOLDERS

Neo Industrial Plc is the parent company of the Group which includes the Neo Industrial's wholly owned subsidiaries Novalis Plc and Alnus Ltd and their subsidiaries and associated companies. Neo Industrial Plc is domiciled in Hyvinkää.

At the end of the review period, Neo Industrial had 11,257 shareholders (11,544). The largest shareholder, Reka Ltd, held 50.76% of the shares and 65.77% of the votes. Neo Industrial Plc is therefore part of the Reka Group. Reka Ltd is domiciled in Juupajoki.

At the end of June 2019, the combined holding of the ten largest shareholders was 55.81% of the shares and 69.28% of the votes. The members of the Board, the Managing Director and the CFO directly and through their controlled corporations owned and controlled a total of 2,964,930 (2,952,700) of Neo Industrial's B shares.

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.

The Group has carried out and is carrying out the simplifications of the Group structure with mergers. Tax authority has questioned the tax neutrality of the subsidiary merge carried out in 2015. Neo Industrial has filed for changes in its tax assessment notice. Neo Industrial has the opinion that the merge is universal succession and therefore tax neutral. The difference of opinion of the Neo Industrial and tax authority is EUR 1.2 million.

MAJOR EVENTS AFTER THE REVIEW PERIOD

After the review period the Group has made financial arrangements and paid the purchase price of the real estate bought in June.

Neo Industrial Plc's subsidiary Reka Cables Ltd is one of two companies to win the public acquisition of substantial contract for underground power cables. Total value of Reka Cables's share is approximately EUR 20 million. The deliveries will be made during 2020-2021. The decision is currently under appeal and contract will be signed after the appeal period has expired, latest in the end of August. Underground power cables are used when building grids that are not vulnerable to weather conditions.

NEAR-TERM OUTLOOK

For the financial year 2019, Neo Industrial's operating result without items affecting comparability is expected to increase from the year 2018.

Hyvinkää, 7 August 2019

Neo Industrial Plc
Board of Directors

Further information:

Markku E. Rentto, chairman of the Board, tel. +358 40 500 1858

CONSOLIDATED INCOME STATEMENT (IFRS)

| EUR 1,000 | 1/1-30/6/2019 | 1/1-30/6/2018 |
|--|----------------|----------------|
| TURNOVER | 49,392 | 54,643 |
| Change in inventories of finished products and production in progress | -627 | 2,257 |
| Production for own use | 0 | -6 |
| Other operating income | 133 | 124 |
| Materials and services | -35,692 | -42,659 |
| Personnel expenses | -7,368 | -7,395 |
| Depreciation and impairment | -2,255 | -1,259 |
| Other operating expenses | -3,420 | -4,702 |
| | -49,229 | -53,639 |
| Operating result | 162 | 1,004 |
| Financial income | 36 | 11 |
| Financial expenses | -1,074 | -938 |
| | 104 | 57 |
| Result before taxes | -771 | 134 |
| Taxes | 162 | -30 |
| Result for the period | -610 | 104 |
| Profit or loss attributable to | | |
| Shareholders of the parent | -610 | 104 |
| Non-controlling interests | 0 | 0 |
| | -610 | 104 |
| Earnings per share attributable to the shareholders of the parent before and after dilution, EUR | -0.10 | 0.02 |
| Number of shares | 5,951,750 | 5,947,921 |
| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) | | |
| Result | -610 | 104 |
| Other comprehensive items that may subsequently reclassified to statement of income | | |
| Translation differences related to foreign units | 0 | 7 |
| Change in the value of open customer derivatives | 19 | 5 |
| Taxes of items that may subsequently reclassified to statement of income | -4 | -1 |
| Total | 15 | 10 |
| Other comprehensive items that are not subsequently reclassified to statement of income | | |
| Items related to remeasurements of net defined benefit liability statement of income | -1,986 | -235 |
| | 397 | 47 |
| Total | -1,589 | -188 |
| Other comprehensive items total | -1,574 | -178 |
| Total comprehensive income | -2,184 | -74 |
| Total comprehensive income attributable to | | |
| Shareholders of the parent | -2,184 | -74 |
| Non-controlling interests | 0 | 0 |
| | -2,184 | -74 |

CONSOLIDATED BALANCE SHEET (IFRS)

| EUR 1,000 | 30/6/2019 | 31/12/2018 |
|--|---------------|---------------|
| ASSETS | | |
| Non-current assets | | |
| Goodwill | 3,252 | 3,252 |
| Other intangible assets | 1,122 | 1,191 |
| Tangible assets | 16,168 | 11,339 |
| Right-of-use assets | 9,734 | 2,921 |
| Holdings in associates | 1,682 | 1,578 |
| Receivables | 19 | 19 |
| Deferred tax assets | 2,539 | 1,975 |
| Total non-current assets | 34,516 | 22,276 |
| Current assets | | |
| Inventories | 15,756 | 16,411 |
| Sales receivables and other receivables | 8,834 | 6,622 |
| Tax receivables from the profit | 15 | 0 |
| Derivative contracts | 9 | 80 |
| Cash and cash equivalents | 1,074 | 889 |
| Total current assets | 25,689 | 24,002 |
| Total Assets | 60,206 | 46,278 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | |
| Shareholder's equity | | |
| Share capital | 24,082 | 24,082 |
| Premium fund | 66 | 66 |
| Reserve fund | 1,221 | 1,221 |
| Own shares | 0 | 0 |
| Translation differences | -44 | -30 |
| Retained profit | -19,874 | -17,604 |
| Other unrestricted equity | 436 | 436 |
| Equity attributable to shareholders of the parent | 5,886 | 8,170 |
| Non-controlling interests | 0 | 0 |
| Total shareholders' equity | 5,886 | 8,170 |
| Non-current liabilities | | |
| Deferred tax liabilities | 0 | 27 |
| Provisions | 3,080 | 3,127 |
| Financial liabilities | 4,089 | 4,089 |
| Lease liabilities | 8,459 | 3,079 |
| IAS19 pension liability | 6,555 | 4,107 |
| Other liabilities | 8 | 7 |
| Derivative contracts | 96 | 73 |
| Current liabilities | | |
| Tax liabilities from the profit | 8 | 53 |
| Provisions | 23 | 23 |
| Financial liabilities | 5,426 | 5,575 |
| Lease liabilities | 1,786 | 266 |
| Derivative contracts | 89 | 197 |
| Accounts payable and other liabilities | 24,698 | 17,483 |
| Total liabilities | 54,319 | 38,108 |
| Shareholders' equity and liabilities | 60,206 | 46,278 |

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS)

| EUR 1,000 | A | B | C | D | E | F | G | H | I | J | K | L |
|--|---------------|-----------|--------------|----------|------------|---------------|-------------|------------|----------------|--------------|----------|--------------|
| Shareholders' equity 31/12/2017 | 24,082 | 66 | 1,221 | 0 | -20 | -1,518 | 0 | 436 | -13,508 | 10,759 | 0 | 10,759 |
| Effects of IFRS 15 and 9 changes | | | | | | | | | -890 | -890 | | -890 |
| Shareholders' equity 1/1/2018 | 24,082 | 66 | 1,221 | 0 | -20 | -1,518 | 0 | 436 | -14,398 | 9,869 | 0 | 9,869 |
| Comprehensive income | | | | | | | | | | | | |
| Result for the period | | | | | | | | | -527 | -527 | 0 | -527 |
| Other comprehensive items | | | | | | | | | | | | |
| Items related to remeasurements of net defined benefit liability | | | | | | -563 | | | | -563 | | -563 |
| Derivatives | | | | | | | -139 | | | -139 | | -139 |
| Payments by own shares | | | | 0 | | | | | 0 | 0 | 0 | 0 |
| Translation differences | | | | | -10 | | | | | -10 | | -10 |
| Total comprehensive income | | | | | -10 | -563 | -139 | | -527 | -1,239 | 0 | -1,239 |
| Effect of reclassification to translation differences | | | | | | | | | 0 | 0 | | 0 |
| Transactions with the owners | | | | | | | | | | | | |
| Dividends paid | | | | | | | | | -476 | -476 | | -476 |
| Payments by own shares | | | | | | | | | 17 | 17 | | 17 |
| Total transactions with the owners | | | | | | | | | -459 | -459 | 0 | -459 |
| Shareholders' equity 31/12/2018 | 24,082 | 66 | 1,221 | 0 | -30 | -2,081 | -139 | 436 | -15,383 | 8,170 | 0 | 8,170 |
| EUR 1,000 | A | B | C | D | E | F | G | H | I | J | K | L |
| Shareholders' equity 31/12/2018 | 24,082 | 66 | 1,221 | 0 | -30 | -2,081 | -139 | 436 | -15,383 | 8,170 | 0 | 8,170 |
| Comprehensive income | | | | | | | | | | | | |
| Result for the period | | | | | | | | | -610 | -610 | 0 | -610 |
| Other comprehensive items | | | | | | | | | | | | |
| Items related to remeasurements of net defined benefit liability | | | | | | -1,589 | | | | -1,589 | | -1,589 |
| Derivatives | | | | | | | 15 | | | 15 | | 15 |
| Translation differences | | | | | -14 | | | | 14 | 0 | | 0 |
| Total comprehensive income | | | | | -14 | -1,589 | 15 | | -596 | -2,183 | 0 | -2,183 |
| Transactions with the owners | | | | | | | | | | | | |
| Dividends paid | | | | | | | | | -119 | -119 | | -119 |
| Payments by own shares | | | | | | | | | 17 | 17 | | 17 |
| Total transactions with the owners | | | | | | | | | -102 | -102 | 0 | -102 |
| Shareholders' equity 30/6/2019 | 24,082 | 66 | 1,221 | 0 | -44 | -3,670 | -125 | 436 | -16,081 | 5,886 | 0 | 5,886 |

Explanations for the letter codes:

- A Share capital
- B Premium fund
- C Reserve fund
- D Own shares
- E Translation differences
- F Pension liability IAS 19
- G Fair value fund
- H Other unrestricted equity
- I Retained earnings
- J Shareholder's equity to the shareholders of the parent
- K Non-controlling interests
- L Total shareholders' equity

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

| EUR 1,000 | 1/1-30/6/2019 | 1/1-30/6/2018 |
|---|---------------|---------------|
| Cash flows from operating activities | | |
| Payments received from operating activities | 47,345 | 53,937 |
| Payments paid on operating activities | -44,557 | -54,571 |
| Paid interests and other financial expenses | -919 | -778 |
| Direct taxes paid | -106 | -27 |
| Net cash provided by operating activities | 1,763 | -1,440 |
| Cash flows from investments | | |
| Investments in tangible assets | -537 | -1,278 |
| Sales of tangible assets | 0 | 0 |
| Net cash provided by investing activities | -537 | -1,278 |
| Cash flows from financing activities | | |
| Increase in loans | 1,500 | 2,000 |
| Decrease in loans | -1,544 | -356 |
| Payments of finance lease activities | -878 | -132 |
| Dividends paid | -119 | -238 |
| Net cash provided by financing activities | -1,042 | 1,274 |
| Change in cash and cash equivalents at the end of the period | 184 | -1,444 |
| Cash and cash equivalents at beginning of the period | 889 | 1,827 |
| Exchange rate differences | 2 | -4 |
| Change in cash and cash equivalents at the end of the period | 1,074 | 379 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies

This unaudited interim report has been prepared in accordance with IAS 34 requirements for interim reports. This interim report has been prepared in accordance with the same principles as the financial statements for 2018.

The Group has adopted following new or amended IAS/IFRS standards and interpretations effective for financial periods beginning on January 1, 2019:

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019). The new standard replaced the IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contracts in which the lease term is 12 months or less, or to low value items i.e. assets of value about USD 5,000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The impacts of IFRS 16 on Neo Industrial's consolidated financial statements:

- The Group has several contracts in which the lease term is 12 months or less and assets of value less than USD 5,000. The Group benefits the exceptions and does not expect any change in handling of such contracts nor assets. IT- devices are whether already in the the Assets in the Balance Sheet or their value is less than USD 5,000. IFRS 16 will be noticed also in future when comparing different contract models and in decisions whether to buy or lease some IT related purchases.
- The Group has rental agreements, which are valid over 12 months or for the time being, of which part were not handled in the Balance Sheet according to the IAS 17 standard. The Group analyzed all such contracts and evaluated the periods to be used as well the interest noticed.
- For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.
- The new IFRS 16 standard is implemented by using method of accumulated effect as of 1 January 2019. As a result the comparison figures of previous financial year was not changed.
- IFRS 16 muuttaa olennaisesti Neo Industrial konsernin taserakennetta. The effect of IFRS 16 to the opening balance was EUR 13.4 million to non-current assets and interest bearing liabilities.

A reconciliation of the operating lease commitment at 31 December 2018 and the lease liabilities recognised at 1 January 2019 is presented in the following table:

| EUR million | 1/1/2019 |
|---|--------------------|
| Operating lease commitment at 31/12/2018 | 3.1 |
| VAT adjustment | -0.6 |
| Other adjustments | 0.6 |
| Lease adjustments from other leases 31/12/2018 | 3.0 |
| <u>Discounted at 1/1/2019</u> | <u>2.8</u> |
| Finance lease liabilities recognised as at 31/12/2018 | 3.3 |
| Recognition exemption fo: | |
| - Short-term leases | -0.1 |
| - Leases of low-value assets | -0.1 |
| <u>Extension options reasonably certain to be exercised</u> | <u>10.8</u> |
| <u>Lease liabilities recognised at 1/1/2019</u> | <u>16.7</u> |

During the reporting period January–June 2019 the Group recognised depreciation expense on right-of-use assets from former operating lease contracts totalling EUR 0.9 million and interest expenses totalling EUR 0.3 million. The rent expenses reversed from other operating expenses relating to these contracts totalled EUR 1.1 million.

The Group's activities as a lessor are not material and hence IFRS 16 does not have any significant impact on the financial statements regarding the Group's activities as a lessor.

IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial years beginning on or after 1 January 2019). The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The interpretation is not expected to have significant impact.

SEGMENT INFORMATION

30/6/2019

| EUR 1,000 | Cable | Other operations and eliminations | Group |
|--|---------------|---|---------------|
| Turnover | 49,392 | 0 | 49,392 |
| Operating result before change in the value of open derivatives | 841 | -679 | 162 |
| Change in the value of open derivatives | 0 | 0 | 0 |
| Operating result after change in the value of open derivatives | 841 | -679 | 162 |
| Unallocated items | | -772 | -772 |
| | | | -771 |
| Result for the period | | | -610 |
| Assets | | | |
| Segment's assets | 55,266 | 4,939 | 60,206 |
| Total assets | 55,266 | 4,939 | 60,206 |
| Liabilities | | | |
| Segment's liabilities | 37,562 | 16,757 | 54,319 |
| Total liabilities | 37,562 | 16,757 | 54,319 |
| Assets - liabilities | 17,704 | -11,818 | 5,886 |
| Investments | 426 | 12 | 438 |
| Depreciations | 2,243 | 11 | 2,255 |

30/6/2018

| EUR 1,000 | Cable | Other operations and eliminations | Group |
|--|---------------|---|---------------|
| Turnover | 54,643 | 0 | 54,643 |
| Operating result before change in the value of open derivatives | 1,444 | -358 | 1,086 |
| Change in the value of open derivatives | -83 | 0 | -83 |
| Operating result after change in the value of open derivatives | 1,362 | -358 | 1,004 |
| Unallocated items | | -900 | -900 |
| | | | 134 |
| Result for the period | | | 104 |
| Assets | | | |
| Segment's assets | 43,714 | 3,781 | 47,495 |
| Total assets | 43,714 | 3,781 | 47,495 |
| Liabilities | | | |
| Segment's liabilities | 22,076 | 15,860 | 37,936 |
| Total liabilities | 22,076 | 15,860 | 37,936 |
| Assets - liabilities | 21,638 | -12,078 | 9,559 |
| Investments | 1,130 | 161 | 1,290 |
| Depreciations | 1,207 | 51 | 1,259 |

| Cable segment's turnover by product group, EUR million | 1-6/2019 | 1-6/2018 |
|---|-----------------|-----------------|
| LV energy | 11.2 | 10.0 |
| Power cable | 38.2 | 44.6 |
| Total | 49.4 | 54.6 |

| Cable segment's turnover by sales area, EUR million | 1-6/2019 | 1-6/2018 |
|--|-----------------|-----------------|
| EU-countries | 40.5 | 48.4 |
| Non-EU-countries | 8.9 | 6.2 |
| Total | 49.4 | 54.6 |

Taken all market areas into the consideration the largest customer Group's share of the Group's turnover was 19.5%. Other customer Group's and single customers' share of the Group's turnover was under 10%.

Other income

| EUR 1,000 | 1-6/2019 | 1-6/2018 |
|--------------------|------------|------------|
| Subsidies received | 32 | 40 |
| Rental income | 42 | 50 |
| Other income | 59 | 35 |
| Total | 133 | 124 |

Other expenses

| EUR 1,000 | 1-6/2019 | 1-6/2018 |
|--|---------------|---------------|
| Rental expenses | -442 | -1,568 |
| Machinery and property maintenance costs | -875 | -916 |
| Sales and marketing expenses | -324 | -328 |
| Voluntary personal expenses | -291 | -312 |
| Other expenses | -1,489 | -1,578 |
| Total | -3,420 | -4,702 |

Change in non-current assets

| EUR 1,000 | 1-6/2019 | 1-6/2018 |
|--|---------------|---------------|
| Book value at the beginning of the period | 14,260 | 14,705 |
| Investments | 13,769 | 1,222 |
| Depreciation | -2,126 | -1,154 |
| Book value at the end of the period | 25,902 | 14,772 |

Other leases

| EUR 1,000 | 30/6/2019 | 30/6/2018 |
|---------------|------------|--------------|
| Within 1 year | 109 | 1,896 |
| 1-5 years | 0 | 915 |
| Total | 109 | 2,811 |

Contingent liabilities

| EUR 1,000 | 30/6/2019 | 30/6/2018 |
|---|--------------|--------------|
| Loans from financial institutions | 1,456 | |
| Loans from others | 4,617 | 3,117 |
| Granted business mortgages | 4,000 | |
| Book value of pledged securities | 26,165 | 26,165 |
| Granted guarantees | 3,117 | 3,117 |
| Guarantees and payment commitments | 2,726 | 2,753 |

Investment commitments

Investment commitments for tangible fixed assets amounted to EUR 0.2 million on 30 June 2019 (EUR 0.3 million on 30 June 2018).

Valid derivative contracts

| EUR 1,000 | Positive current values | Negative current values | Current net values 30/6/2019 | Current net values 30/6/2018 | Nominal values 30/6/2019 | Nominal values 30/6/2018 |
|-----------------------------|-------------------------|-------------------------|------------------------------|------------------------------|--------------------------|--------------------------|
| Currency derivatives | | | | | | |
| Forward exchange agreements | 9 | -33 | -23 | 12 | 0 | 0 |
| Raw material options | | | | | | |
| Metal derivatives | 0 | -153 | -153 | 61 | 2,497 | 3,481 |
| Total derivatives | 9 | -186 | -177 | 73 | 2,497 | 3,481 |

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 an owner who has significant decision power or that belong to the related-party companies via management or board members.

Neo Industrial Plc, and therefore also the Neo Industrial Group, belong to the Reka Group. Reka Ltd has a 50.76% holding of shares and a 65.77% holding of votes.

Related-party transactions

Transactions with the Reka Group

| EUR 1,000 | 1-6/2019 | 1-6/2018 |
|--|----------|----------|
| Rental expenses | -259 | -256 |
| Other purchases | -332 | -390 |
| Other income | 2 | 0 |
| Interest expenses | -85 | -64 |
| Sales receivables and other receivables at end of the period | 287 | 401 |
| Loans | 3,117 | 3,117 |
| Other debts at the end of the period | 5,312 | 52 |

Neo Industrial's Cable segment was tenant of Reka Ltd's premises in Keuruu until end June 2019. At the end of June the Cable segment bought related real estate.

The Group uses the Reka Group level finance and supporting systems as well as related licenses and virtual servers.

Transactions with Reka Pension Society

| EUR 1,000 | 1-6/2019 | 1-6/2018 |
|--------------------------------------|----------|----------|
| Paid pension expenses | -1,580 | -1,325 |
| Factoring debts | 0 | 1,043 |
| Other debts at the end of the period | 1,689 | 220 |

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. During the review period January-June 2019 IAS 19 based IFRS booking increased pension costs by EUR -0.4 (-0.2) million, some financial costs and increased liabilities by EUR 2.0 (0.2) million that was booked through consolidated statement of comprehensive income.

Transactions with associated companies

| EUR 1,000 | 1-6/2019 | 1-6/2018 |
|-----------------------------|----------|----------|
| Sales | | |
| Nestor Cables Ltd | 24 | 16 |
| Purchases | | |
| Riihimäen Kaapelitehdas Ltd | 509 | 502 |
| Receivables | | |
| Nestor Cables Ltd | 7 | 1 |
| Riihimäen Kaapelitehdas Ltd | 0 | 105 |

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

Transactions with other related parties

| EUR 1,000 | 1-6/2019 | 1-6/2018 |
|--------------------------------------|----------|----------|
| Other purchases | 17 | 17 |
| Other debts at the end of the period | 0 | 3 |

Other related parties consist of companies that are connected to the company through an owner that has significant controlling power or that belong to related-party companies through management or board members. During the review period the Group's CFO was not employed by the company, but her reward is processed in transactions with other related parties, is included in other acquisitions during the financial year, a total of EUR 15 thousand (30 June 2018: 17).

CALCULATION OF KEY FIGURES

Return on investment (ROI) % = $\frac{\text{Profit before taxes + interests and other financial expenses}}{[\text{Balance sheet total} - \text{obligatory provisions and non-interest-bearing liabilities}] \text{ (average)}} \times 100$

IAS 19 corrected Equity ratio, % = $\frac{\text{Shareholder's equity + non-controlling interest excluding effects of IAS 19 bookings}}{\text{Balance sheet total} - \text{advances received excluding effects of IAS 19 bookings}} \times 100$

Earnings per share (EPS), EUR = $\frac{\text{Profit for the period attributable to the equity holders of the parent company}}{\text{Number of share adjusted for share issues (average)}}$

Operating profit = the net sum formed when from the turnover 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 turnover are expenses, depreciation, amortization and any impairment losses arising from employee benefits. Also other operating income and expenses are taken into account.

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 and change in exchange rates and interest rates.