

NEO INDUSTRIAL PLC: TURNOVER LOWER THAN PREVIOUS YEAR, OPERATING RESULT IN ACCORDANCE WITH FINANCIAL GUIDANCE

January-December:

- The Neo Industrial Group's turnover was EUR 103.8 million (110.9 million)
- The operating result was EUR 1.0 (5.1) million. The costs affecting the comparability burdened the operating result by EUR 0.6 million and IAS 19 pension bookings increased personnel costs by EUR 0.6 million
- The Cable segment's operating result was EUR 1.9 million (5.6 million).
- The Group's result for the period was EUR -0.5 million (3.0 million)
- ROI was 8.4 (25.4) percent

KEY FIGURES

	1-12/2018	1-12/2017	Change
Turnover, EUR million	103.8	110.9	-6.4 %
Operating result, EUR million	1.0	5.1	-80.4 %
Operating result before change in the value of open customer derivatives	1.1	4.9	-78.5 %
Result for the period, EUR million	-0.5	3.0	-117.6 %
Earnings per share, EUR	-0.09	0.51	-117.4 %
ROI, %	8.4	25.4	
IAS 19 corrected Equity ratio, %	25.5	30.4	

MANAGING DIRECTOR RALF SOHLSTRÖM:

The weaker than expected demand for cables in July, which is normally the peak in cable sales, reduced turnover and operating profit from the previous year.

Due to the weak earnings trend in the early part of the year, Neo Industrial's subsidiary Reka Cables Ltd ("Reka Cables") started a business development program in September with the objective of improving the company's competitiveness and profitability. To increase competitiveness and ensure profitability, Reka Cables is investing more and more in sales and product development.

As part of the business development program, Reka Cables improves its presence in the market by reorganizing domestic sales and establishing two new regional sales offices, with domestic sales currently centered at the company's Hyvinkää office.

Reka Cables also invests increasingly in product development and productivity improvement. In October, the company launched a new installation product family with higher fire performance classification, its main market areas being Finland and the Baltics. Reka Cables has also launched other new products in its main market area in the Nordic countries.

The good reputation of Reka Cables in the market together with sales and product development efforts create good opportunities for increasing market share in the future.

The fourth quarter operating result without items affecting comparability was EUR 0.3 million higher than previous year, which provides a good starting point for 2019.

The nature of Neo Industrial's business includes large variations between quarters and may differ from one year to another.

TURNOVER AND OPERATING RESULT

The Neo Industrial Group's turnover in 2018 was EUR 103.8 million (110.9 million). Its result for the full year was EUR -0.5 million (3.0 million).

The adoption of IFRS 15 as of January 1, 2018 partially changed the revenue recognition timing of Neo Industrial Group's turnover for cable accessories, cable drums. The effect of the change on turnover for 2018 was EUR 0.5 million and on the result EUR 0.4 million. The impact on the opening balance Equity was EUR -0.9 million.

IFRS 9 Financial Instruments standard came into force on 1 January 2018. As a result of this standard, for customer-specific hedges, hedge accounting is used after January 1, 2018. In Hedge accounting the change in open customer-specific derivatives is recorded to equity via the comprehensive income. Previously, the changes were recorded through income statement. The handling of other hedges was not changed.

BALANCE SHEET AND FINANCING

At the end of the financial year the interest-bearing liabilities were EUR 13.0 (9.8) million, of which other than finance lease liabilities were EUR 9.7 (6.2) million. In the end of the financial period the balance sheet total stood at EUR 46.3 million (43.2). During the year the value of the stocks was high, and money employed by stocks affected the liquidity from time to time.

In preparation for the 2019 peak season, the company agreed during the financial period on a new EUR 3 million limit loan. Limit loan was in full usage at the end 2018.

MAJOR EVENTS DURING THE FINANCIAL PERIOD

In September, Neo Industrial Plc's ("Neo Industrial" or "Company") subsidiary Reka Cables Ltd ("Reka Cables") received a significant contract for underground power cables of a total value of approximately EUR 7 million. The deliveries will be spread over the years 2019-2021. Underground power cables are used when building power grids that are not vulnerable to weather conditions.

In September 2018, Reka Cables launched a business development program aimed at developing the company's competitiveness and profitability. As part of the program, co-operation negotiations led to the dismissal of a total of 18 people from the company's Hyvinkää, Riihimäki and Keuruu locations. In addition, termination of fixed-term employment contracts and pension arrangements timed for 2019 will reduce the company's wage costs from 2019 onwards. The cost savings of the personnel reductions will be approximately EUR 0.7 million in 2019.

To increase competitiveness and ensure profitability, Reka Cables is investing increasingly in sales and product development. Reka Cables improves its presence in the market by reorganizing sales in Finland and establishing two new regional sales offices.

In October 2018, Reka Cables brought new installation cable products to market. Reka Cables invests in product development by focusing especially on the development of new Cca-compliant cables in accordance with the new construction regulations.

SEGMENTS

Neo Industrial's business segment is Cable Industry.

CABLE SEGMENT

	H2/2018	H2/2017	Change	2018	2017	Change
Turnover, EUR million	49.2	52.9	-7.0 %	103.8	110.9	-6.4 %
Operating result, EUR million	0.5	1.8	-72.2 %	1.9	5.6	-66.1 %

The Cable segment's turnover was EUR 103.8 million (110.9). Operating profit was EUR 1.9 million (5.6 million). The costs affecting comparability burdened the operating result by EUR 0.6 million. In addition, IAS 19 pension bookings increased personnel costs by EUR 0.6 (0.3) million.

In 2018, the sales volumes were lower than previous year in Reka Cables' main market, the Nordic countries. Sales volumes in other market areas also 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 5,967 and the price of aluminum was EUR 1,869 per tonne. At the end of the December 2018, the price of copper was EUR 5,206 and the price of aluminum EUR 1,632.

At its highest point, the daily price of copper during the review period was EUR 6,182 per tonne in June 2018, and at its lowest in September, at EUR 5,024. The price of aluminum has been at its highest in April 2018, when it was EUR 2,102 per tonne, and its lowest in April, when it was EUR 1,605.

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

Investments fulfilled, EUR 2.4 million (2.9 million in 2017) were mainly targeted at improving productivity. Also, maintenance investments were made.

Turnover for Nestor Cables Ltd, an associated company in the Cable segment, was EUR 36.0 million (29.4 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

According to the company, the sanctions imposed by the USA on Rusal ended in January 2019.

In February 2019, Reka Cables agreed on a new EUR 1.5 million short term working capital loan from related party.

CONSOLIDATED FINANCIAL STATUS AND PERFORMANCE INDICATORS

	2018	2017	2016
Turnover, EUR million	103.8	110.9	101.0
Operating result, % of turnover	1.0	4.6	5.8
ROI, %	8.4	25.4	22.6
IAS 19 corrected ROE, %	-4.5	28.0	41.9
IAS 19 corrected Equity ratio, %	25.5	30.4	22.1
Earnings per share, EUR	-0.09	0.51	0.55

SHARE PRICE AND TRADING VOLUME

In 2018, a total of 1 280 875 (3 602 521 in 2017) of Neo Industrial's B shares were traded on NASDAQ Helsinki for a total of EUR 5.2 million (26.4 million), representing 21.8 (61.3) percent of the total number of the shares. At the end of trading on 31 December 2018, the share price was EUR 2.03 (5.01), and the average share price for 2018 was EUR 4.10 (7.32). The lowest quotation in 2018 was EUR 1.98 (4.57), and the highest quotation was EUR 6.6 (11.2). The company's market capitalization was valued at EUR 12.4 million (30.1) on 31 December 2018.

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 2018, Neo industrial had 11,389 shareholders (11,658). 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 is domiciled in Juupajoki.

On 31 December 2018, the combined holding of the ten largest shareholders was 56.6 percent (57.7 on 31 December 2017) of the shares and percent 69.8 (70.6) of the votes.

The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,955,200 (2,950,868 on 31 December 2017) of Neo Industrial's B shares on 31 December 2018.

SHARES AND SHARE CAPITAL

Neo Industrial's share capital is divided into A and B shares. At the end of 2018, its total share capital was EUR 24,081,400, and the number of shares was 6,020,360. The total number of shares includes 74,439 B shares held by Neo Industrial. The holding presents 1.2 percent of the company's share capital and 0.8 percent of the votes. The company held no A shares. Neo Industrial's B-share (NEO1V) is listed on the exchange list of NASDAQ Helsinki.

Company shares	31.12.2018	31.12.2017	31.12.2016
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	72,439	74,271	16,470

ACQUISITION AND TRANSFER OF THE COMPANY'S OWN SHARES

On 31 December 2018, the company held a total of 74,439 B shares. Neo industrial did not exercise it's authorization to acquire company's own shares.

The Annual General Meeting of Neo Industrial 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 authorization to transfer treasury B shares against or without payment. In the financial period of 2018 Neo Industrial has paid remuneration and incentives to the Board of Directors with shares, totaling to 1,832 shares.

RESEARCH AND DEVELOPMENT

The Group invested a total of EUR 0.2 million in research and product development in 2018 (0.3 million in 2017). The investments were allocated to the Cable Segment and are recognized as costs in the Cable Segment's financial statement. During the financial period, development costs of new products and product families were cumulatively activated in the balance sheet EUR 0.2 million (EUR 0.4 million in 2017).

PERSONNEL

During the financial year, the Group employed an average of 251 people (269 in 2017 and 256 in 2016). At the end of 2018, the Group employed 252 (261 in 2017 and 258 in 2016) people, of whom 252 (261 in 2017 and 257 in 2016) worked in the Cable segment and 0 (0 in 2017 and 1 in 2016) in Group administration. The Group paid a total of EUR 11.3 million (EUR 12.0 million in 2017 and 11.6 million in 2016) in performance-based salaries and fees in 2018.

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 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. The Finnish Corporate Governance Code is available at www.cgfinland.fi.

ANNUAL GENERAL MEETING

Neo Industrial's Annual General Meeting (AGM), held in 22 March 2018 in Hyvinkää, approved the proposal of the Board that dividend of EUR 0.08 per share is paid for the financial year 2017. Dividend is paid in two parts, April and November 2018.

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 Authorized Public Accountants KPMG Ltd, with Authorized Public Accountant Lasse Holopainen as responsible auditor, be elected as the auditor of the company until the end of the 2019 AGM.

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

A separate release about the AGM's decisions and authorizations was published in 22 March 2018.

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 aluminum) 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.

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.

DIVIDEND POLICY

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

ANNUAL GENERAL MEETING 2019

Neo Industrial Plc's Annual General Meeting will be held in Helsinki on 28 March 2019 at 1.00 p.m. A separate invitation will be published on 28 February 2019.

Hyvinkää, 12 February 2019

Neo Industrial Plc
Board of Directors

Further information:

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

CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000	1/1-31/12/2018	1/1-31/12/2017
TURNOVER	103,818	110,879
Change in inventories of finished products and production in progress	83	118
Production for own use	24	53
Other operating income	282	307
Materials and services	-77,124	-80,740
Personnel expenses	-14,712	-14,837
Depreciation and impairment	-2,485	-2,171
Other operating expenses	-8,887	-8,540
	-102,820	-105,811
Operating result	998	5,069
Financial income	132	189
Financial expenses	-2,014	-1,986
	166	131
Result before taxes	-716	3,403
Taxes	190	-359
Result for the period	-527	3,044
Profit or loss attributable to		
Shareholders of the parent	-527	3,044
Non-controlling interests	0	0
	-527	3,044
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	-0.09	0.51
Number of shares	5,947,921	5,946,089

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

Result	-527	3,044
Other comprehensive items that may subsequently reclassified to statement of income		
Translation differences related to foreign units	-10	-6
Change in the value of open customer derivatives	-174	0
Taxes of items that may subsequently reclassified to statement of income	35	0
Total	-150	-6
Other comprehensive items that are not subsequently reclassified to statement of income		
Items related to remeasurements of net defined benefit liability	-704	-77
Taxes of items that are not subsequently reclassified to statement of income	141	15
Total	-563	-61
Other comprehensive items total	-713	-67
Total comprehensive income	-1,240	2,977
Total comprehensive income attributable to		
Shareholders of the parent	-1,240	2,977
Non-controlling interests	0	0
	-1,240	2,977

CONSOLIDATED BALANCE SHEET (IFRS)

EUR 1,000	31/12/2018	31/12/2017
ASSETS		
Non-current assets		
Goodwill	3,252	3,252
Other intangible assets	1,191	1,645
Tangible assets	14,260	13,905
Holdings in associates	1,578	1,412
Receivables	19	30
Derivative contracts	0	190
Deferred tax assets	1,975	1,164
Total non-current assets	22,276	21,598
Current assets		
Inventories	16,411	16,061
Sales receivables and other receivables	6,622	3,698
Tax receivables from the profit	0	1
Derivative contracts	80	57
Cash and cash equivalents	889	1,827
Total current assets	24,002	21,644
Total Assets	46,278	43,242
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	-30	-20
Retained profit	-17,604	-15,026
Other unrestricted equity	436	436
Equity attributable to shareholders of the parent	8,170	10,759
Non-controlling interests	0	0
Total shareholders' equity	8,170	10,759
Non-current liabilities		
Deferred tax liabilities	27	21
Provisions	3,127	2,557
Financial liabilities	7,168	7,679
Other liabilities	4,113	2,777
Derivative contracts	73	0
Current liabilities		
Tax liabilities from the profit	53	81
Provisions	23	65
Financial liabilities	5,841	2,100
Derivative contracts	197	0
Accounts payable and other liabilities	17,483	17,203
Total liabilities	38,108	32,483
Shareholders' equity and liabilities	46,278	43,242

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS)

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Transla- tion diffe- rences	Pension liability IAS 19	Fair value fund	Other un- restricted equity	Retained profit	Shareholder's equity to the	Non- controlling interests	Total shareholder's equity
										shareholders of the parent		
Shareholders' equity 31/12/2016	24,082	66	1,221	-106	-14	-1,457	0	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
Dividends paid										0		0
Return of unsettled dividends								-236	0	-236		-236
Payments by own shares				106					192	298		298
Minority interest								-20,656	20,656	0	0	0
Total transactions with the owners				106				-20,892	20,848	63	0	63
Shareholders' equity 31/12/2017	24,082	66	1,221	0	-20	-1,518	0	436	-13,508	10,759	0	10,759

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Transla- tion diffe- rences	Pension liability IAS 19	Fair value fund	Other un- restricted equity	Retained profit	Shareholder's equity to the	Non- controlling interests	Total shareholder's equity
										shareholders of the parent		
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 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
Translation differences					-10					-10		-10
Total comprehensive income					-10	-563	-139		-527	-1,239	0	-1,239
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

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

EUR 1,000

1/1-31/12/2018 1/1-31/12/2017

Cash flows from operating activities

Payments received from operating activities	100,993	112,303
Payments paid on operating activities	-100,238	-103,427
Paid interests and other financial expenses	-1,812	-1,922
Direct taxes paid	-243	-244
Net cash provided by operating activities	-1,300	6,710

Cash flows from investments

Investments in tangible assets	-2,549	-2,761
Sales of tangible assets	0	47
Net cash provided by investing activities	-2,549	-2,714

Cash flows from financing activities

Increase in loans	5,000	0
Decrease in loans	-1,356	-3,910
Payments of finance lease activities	-251	-281
Dividends paid	-476	-236
Net cash provided by financing activities	2,917	-4,427

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

Change in cash and cash equivalents at the end of the period	-932	-431
Cash and cash equivalents at beginning of the period	1,827	2,268
Exchange rate differences	-7	-9
Change in cash and cash equivalents at the end of the period	889	1,827

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 2018. 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 2018 the following new and amended standards that have come into effect:

IFRS 9 Financial Instruments

IFRS 9 replaces the earlier 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 sales receivable of Cable industry is mainly covered by credit insurances and therefore the impact of IFRS 9 to the bad debt allowances is not significant. For customer-specific hedges made after January 1, 2018 hedge accounting is used. In Hedge accounting the change in open customer-specific derivatives is recorded to equity via the comprehensive income. Previously, the changes were dealt with through income statement. The handling of other hedges was not changed.

IFRS 15 Revenue from Contracts with Customers

New standard has replaced earlier IAS 18 and IAS 11 standards and related interpretations. IFRS 15 include a five-step model that 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 introduced also extensive new disclosure requirements.

The cables constitute the most significant performance obligations. The revenue of selling cables is recognized when the risks and the control of the goods is transferred to the customer according to the contract terms. Revenue from the service is recognized when service is rendered. The share of service sales of the turnover of Neo Industrial Group is not essential.

The cables are sold on coils which are mainly invoiced separately. Coils may however also be included in the prices of cables if agreed with customer and sold to markets from where coils usually are not returned. Other than cables do not constitute significant performance obligations.

IFRS 15 changed the revenue recognition timing regarding by-products, coils. As a result the revenue recognition of coils notice both sold coils and credit of returning coils. Revenue recognition include estimates of the proportion of returning coils. Estimates are based on historical return percentage and seasonal changes.

In addition to coils, some customers have also variable considerations like cash payment and volume discounts. During the financial year the amount of such considerations are estimated based on contracts, actuals and forecasts. At the end of the financial year the volume considerations are calculated based on the actual figures of the financial year.

The new IFRS 15 standard was implemented by using method of accumulated effect. As a result the comparison figures of previous financial year was not changed. The identified changes in timing of revenue recognition has been booked to opening balance of 2018 and during financial year 2018 it is calculated what would have been the revenue recognition with earlier standard. The effect to opening balance was EUR -1.1 million of which EUR -0.9 million was booked to Equity and EUR 0.2 million to deferred tax assets.

Amendments to IFRS 2 - Clarification and Measurement of Share-based Payment Transactions

The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled. The Group has payments based on shares or made with shares.

Annual Improvements to IFRSs (2014-2016 cycle)

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments relate to IFRS 1 and IAS 28.

IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates -standard is not clear on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The Group has currency transactions.

Above described standard changes and interpretations did not have substantial effect on the reported Financial result of Financial position

Other new or amended standards and interpretations did not have effect on to the Financial Statement of the Group.

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.

Neo Industrial decided that for customer-specific hedges made after January 1, 2018 hedge accounting is used. In Hedge accounting the change in open customer-specific derivatives is recorded to equity via the comprehensive income. Customer- specific hedged made before January 1, 2018 are included to the operating result.

With updated hedging policy all new open customer-specific hedge changes are booked to equity. Other changes with 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.

The IFRS 16, leases, standard came to effect in 1 January 2019. IFRS 16 has substantial effect on the Balance Sheet of the Group. To be able to follow the development of business operations during IFRS 16 Neo Industrial decided in December 2018 to update its alternative indicators in a way that in addition to eliminate the effects of IAS 19 also the effects of IFRS 16 are eliminated. In 2019 the related indicators are named IAS 19 and IFRS 16 corrected ROE, IAS 19 and IFRS 16 corrected net gearing ratio and IAS 19 and IFRS 16 corrected equity ratio. The IAS 19 and IFRS 16 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.

31/12/2018

EUR 1,000	Cable	Other operations and eliminations	Group
Turnover	103,818	0	103,818
Operating result before change in the value of open derivatives	1,894	-839	1,055
Change in the value of open derivatives	-57	0	-57
Operating result after change in the value of open derivatives	1,837	-839	998
Unallocated items		-1,525	-1,525
			-716
Result for the period			-527
Assets			
Segment's assets	42,658	3,620	46,278
Total assets	42,658	3,620	46,278
Liabilities			
Segment's liabilities	24,432	13,676	38,108
Total liabilities	24,432	13,676	38,108
Assets - liabilities	18,226	-10,056	8,170
Investments	2,274	170	2,444
Depreciations	2,379	106	2,485

31/12/2017

EUR 1,000	Cable	Other operations and eliminations	Group
Turnover	110,879	0	110,879
Operating result before change in the value of open derivatives	5,614	-354	5,261
Change in the value of open derivatives	-23	-169	-192
Operating result after change in the value of open derivatives	5,591	-522	5,069
Unallocated items		-2,024	-2,024
			3,403
Result for the period			3,044
Assets			
Segment's assets	40,189	3,054	43,242
Total assets	40,189	3,054	43,242
Liabilities			
Segment's liabilities	20,324	12,159	32,483
Total liabilities	20,324	12,159	32,483
Assets - liabilities	19,865	-9,106	10,758
Investments	2,809	124	2,933
Depreciations	2,076	96	2,171

Cable segment's turnover by product group, EUR million	1-12/2018	1-12/2017
LV energy	21.9	25.0
Power cable	81.9	85.9
Total	103.8	110.9

Cable segment's turnover by sales area, EUR million	1-12/2018	1-12/2017
EU-countries	89.7	104.3
Non-EU-countries	14.1	6.6
Total	103.8	110.9

Taken all market areas into the consideration the largest customer Group's share of the Group's turnover was 18.4%, the share of the second largest is 14.4 % and the share of the third largest is 10.7 %. Other separate customer's share of the Group's turnover was under 10 %.

On 31 December 2018, non-current assets other than financial instruments and deferred taxes were EUR 20.3 million (20.4). The assets are located in Finland.

Changes in tangible non-current assets

EUR 1,000	2018	2017
Acquisition costs 1/1	35,626	33,604
Increase	2,148	2,060
Decrease	0	-38
Exchange rate differences	1,138	0
Acquisition costs 31/12	38,912	35,626
Accumulated depreciation and impairment 1/1	21,720	19,835
Depreciation	2,321	1,885
Exchange rate differences	610	0
Accumulated depreciation and impairment 31/12	24,651	21,721
Book value 1/1	13,905	13,769
Book value 31/12	14,260	13,905

The Group as a lessee

Minimum lease payments based on non-cancellable other leases:

EUR 1,000	2018	2017
Within 1 year	1,903	1,884
1-5 years	915	915
Total	2,818	2,799

The income statement for 2018 includes EUR 2.6 million (2.5) 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 31/12/2018	Current net values 31/12/2017	Nominal values 31/12/2018	Nominal values 31/12/2017
Currency derivatives						
Forward exchange agreements	80	-38	42	0	0	0
Raw material options						
Metal derivatives	0	-232	-232	247	3,436	4,873
Total derivatives	80	-270	-190	247	3,436	4,873

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

Contingent liabilities

EUR 1,000	31/12/2018	31/12/2017
Debts secured against business mortgages, securities or guarantees		
Loans from financial institutions	3,000	0
Loans from others	3,117	3,474
Granted business mortgages	4,000	0
Book value of pledged securities	26,165	26,165
Granted guarantees	3,117	3,474
Guarantees and payment commitments	2,726	253
Lease liabilities	243	390

Business mortgages on December 31, 2018 were EUR 15 million, of which EUR 11 million under company's own control.

Investment commitments

On December 31, 2018 investment commitments for tangible fixed assets amounted to EUR 0.3 million (0.4 in 31 December 2017).

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 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	1-12/2018	1-12/2017
Rental expenses	-513	-509
Other purchases	-752	-720
Other income	1	0
Interest expenses	-130	-184
Sales receivables and other receivables at end of the period	287	883
Loans	3,117	3,474
Other debts at the end of the period	16	135

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	1-12/2018	1-12/2017
Paid pension expenses	-2,521	-2,640
Interest expenses	0	-59
Factoring debts	0	887
Other debts at the end of the period	0	327

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 2018 IAS 19 based IFRS booking increased pension costs by EUR-0.6 (-0.3) million, some financial costs and EUR 0.7 (0.1) million liabilities which are recorded to equity via the comprehensive income.

Transactions with associated companies

EUR 1,000	1-12/2018	1-12/2017
Sales		
Nestor Cables Ltd	29	30
Purchases		
Riihimäen Kaapelitehdas Ltd	1,008	995

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	2018	2017
Salaries and other short-term fringe benefits	459	448
Pension benefits, defined contribution plans	58	54
Total	518	502

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 22 March 2018 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 38 thousand (31 Dec 2017: 56).

KEY FIGURES

Key figures from the income statement and balance sheet

EUR 1,000	2018	2017	2016
Turnover	103,818	110,879	101,040
Result before taxes and discontinued operations	-716	3,403	4,038
% of turnover	-0.69 %	3.07 %	4.00 %
Result for the period	-527	3,044	3,316
Alternative Performance Measures:			
Operating profit	998	5,069	5,901
Operating profit, %	0.96 %	4.57 %	5.84 %
Return on investment (ROI)	8.36 %	25.42 %	22.62 %
IAS 19 corrected Return on equity (ROE)	-4.51 %	28.00 %	41.86 %
IAS 19 corrected Equity ratio, %	25.46 %	30.42 %	22.03 %
IAS 19 corrected Gearing	104.39 %	61.22 %	119.80 %
Investments in tangible assets	2,148	2,060	1,780
Other Performance Measures:			
Average number of personnel	251	269	256

Share-related key figures (A and B shares)	2018	2017	2016
Equity per share, EUR	1.36	1.79	1.28
Earnings per share (EPS), EUR	-0.09	0.51	0.55
Price/earnings (P/E)	neg.	9.8	8.8
Share performance, EUR			
-average share price	4.10	7.32	3.89
-lowest price	1.98	4.57	1.52
-highest price	6.60	11.20	5.27
-price at the end of the period	2.03	5.01	4.85
Market capitalisation, EUR 1,000	12,363	30,112	28,985
Trading, number of shares	1,280,875	3,602,521	2,042,292
%	21.78	61.26	34.70
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	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

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) %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{[Balance sheet total - obligatory provisions and non-interest-bearing liabilities] (average)}} \times 100$	
Operating profit	=	Neo Industrial has defined 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	2018	2017	2016
IAS 19 effect on non-interest-bearing liabilities	4,107	2,769	2,377
IAS 19 effect on Shareholders' equity	-3,441	-2,231	-1,901
IAS 19 effect on Balance sheet total	665	538	475
Shareholders' equity in Financial statements	8,170	10,759	7,724
IAS 19 eliminations	3,441	2,231	1,901
Shareholders' equity in IAS 19 adjusted Performance Measures	11,612	12,990	9,625
Balance sheet total in Financial Statements	46,278	43,242	44,175
IAS 19 eliminations	-665	-538	-475
Balance sheet total in IAS 19 adjusted Performance Measures	45,613	42,704	43,700

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.

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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.