NEO INDUSTRIAL GROUP

FINANCIAL STATEMENTS 2018
AND
BOARD OF DIRECTORS´ REPORT

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BOARD OF DIRECTOR´S REPORT 1/1 – 31/12/2018

The Neo Industrial Group´s turnover in 2018 was EUR 103.8 million (110.9 million in 2017). The result for the year was EUR -0.5 million (3.0).

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.

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.

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.

In October 2018, Reka Cables launched new installation cable products to the 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.

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.

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. As a result the provisions increased by EUR 1.1 million and the effect to the opening balance was EUR -0.9 million to Equity and EUR 0.2 million to deferred tax assets.

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.

CONSOLIDATED FINANCIAL STATUS AND PERFORMANCE INDICATORS (IFRS)

	2018	2017	2016
Turnover, EUR million	103.8	110.9	101.0
Operating result, % of turnover	1.0	4.6	5.8
Return on investment (ROI), %	8.4	25.4	22.6
IAS 19 corrected Return on equity (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

The company joined a pension fund in 31 December 2015 and the balance sheet equity, non-interest-bearing debts and total balance values are fluctuated by the pension liabilities according to IAS 19, for which the largest contributing factor is the fluctuation of the discount rate. The company has updated its alternative indicators in order to follow business development more effectively. Updated indicators are named in a way that the content of adjustment can be seen. From Balance Sheet items and total the effects of IAS 19 entries are excluded when calculating related performance indicators.

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.

SEGMENTS
Neo Industrial´s business segment is Cable Industry.

CABLE
The Cable segment´s turnover was EUR 103.8 million (110.9). Its 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.

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 from time to time to the liquidity. 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 AFTER THE REVIEW PERIOD

According to the company, the sanctions related to metals 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.

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 2,955,000 (2,950,868) of Neo Industrial´s B shares on 31 December 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 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.

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. During the financial period, total of EUR 0.2 million (EUR 0.4 million in 2017) of the development costs of new products and product families were activated in the balance sheet.

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 (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 ISO 14001 standard.

ANNUAL GENERAL MEETINGS
Neo Industrial´s Annual General Meeting (AGM) was held in Helsinki on 22 March 2018.

The AGM approved the Board´s proposal 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 approved the 2017 financial statements and discharged the Board of Directors and CEO from liability for the year 2017.

The AGM confirmed 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 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 with 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 2018 and the shares will be handed over in June 2019.

The AGM confirmed that the members of the Board be paid a bonus based on the development of the company´s B share price, the amount of which is EUR 1,000 for the chairman of the Board and EUR 500 for the members of the Board, multiplied by annual return based on the share price development of Neo Industrial Plc´s class B share share (average share price in May 2019 – average share price in May 2018). Should the annual return exceed 50 percent, the bonus shall be paid in accordance with 50 percent. Thus, the highest multiplier is 50.

The AGM decided that cirka 40 per cent of the bonuses will be paid with 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 2019.

The AGM approved that the auditor´s fees be paid as per invoice.

The AGM approved the proposal that the number of members of the Board shall be four (4) and nominated the following persons be elected 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 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 for a term that expires at the end of the AGM of 2019.

The AGM approved the Board’s proposal that it be authorized to decide on acquisition of the company's own shares by using the assets from the company's distributable funds so that the maximum number of class B shares to be acquired is 588,076. The proposed amount corresponds to approximately 9.77 percent of all the shares in company and in total ten percent of the company's class B shares.

The shares will be acquired through public 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 from a shareholder other than its major owner, by entering into 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 the acquisition of the company's own shares, derivatives, share lending and other contracts customary to the capital markets may be entered into within the limits set by law and regulations.

The authorization entitles the Board to decide on the acquisition in a proportion other than that of the shares held by the shareholders (directed acquisition).

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

The authorization remains in force until the next AGM.

AUDIT COMMITTEE

The audit committee is responsible for monitoring the company´s financial situation and financial reporting. It is also responsible for evaluating internal control and risk management as well as compliance with legislation and regulations. Moreover, the committee communicates with the auditor and reviews the auditor´s reports. The audit committee reports to the Board. The members of Neo Industrial´s audit committee are Marjo Matikainen-Kallström and Ari Järvelä. In 2018, Neo Industrial´s audit committee reviewed business risks, balance sheet values, financing, liquidity, test calculation procedures and IFRS regulations effects. In guidance to internal audit measures the emphasis was on ensuring going concern and both process and ICT risk management played major role.

CORPORATE GOVERNANCE STATEMENT

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 board of directors´ 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.

SHARES AND SHARE CAPITAL
Neo Industrial Plc´s share capital is divided into A and B shares. At the end of 2018, its total share capital was EUR 24,081,440, and the number of shares was 6,020,360. The total number of shares includes 72,439 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 Plc´s shares (NEO1V) are 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 72,439 own B shares. Neo Industrial did not exercise it’s authorization to acquire the 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 authorization to transfer treasury B shares against or without payment. In the financial period of 2018, Neo Industrial Plc has paid remuneration and incentives to the Board of Directors with shares, totaling to 1,832 shares.

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 1,840,199.88 including the result of the review period EUR 830,299.14. The Board proposes to the Annual General Meeting that a dividend of EUR 0.02 per share will be paid. EUR 0.08 per share was paid for 2017. According to the Board proposed share of dividend is not a risk to company’s liquidity.

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.

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.

Helsinki, 26 February 2019

Neo Industrial Plc

Board of Directors

CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000	Note	1/1-31/12/2018	1/1-31/12/2017
TURNOVER	1.1.	**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	1.2.	282	307
Materials and services		-77,124	-80,740
Personnel expenses	1.3.	-14,712	-14,837
Depreciation and impairment	1.4.	-2,485	-2,171
Other operating expenses	1.5.	-8,887	-8,540
		-102,820	-105,811
Operating result		**998**	**5,069**
Financial income	1.7.	132	189
Financial expenses	1.7.	-2,014	-1,986
		166	131
Result before taxes		**-716**	**3,403**
Taxes	1.8.	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	1.9.	-0.09	0.51
Number of shares		5,947,921	5,946,089

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

	2018	2017
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	Note	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Goodwill	2.2.	3,252	3,252
Other intangible assets	2.2.	1,191	1,645
Tangible assets	2.1.	14,260	13,905
Holdings in associates	2.3.	1,578	1,412
Receivables		19	30
Derivative contracts	2.14.	0	190
Deferred tax assets	2.4.	1,975	1,164
Total non-current assets		**22,276**	**21,598**
Current assets			
Inventories	2.5.	16,411	16,061
Sales receivables and other receivables	2.6.	6,622	3,698
Tax receivables from the profit		0	1
Derivative contracts	2.14.	80	57
Cash and cash equivalents	2.7.	889	1,827
Total current assets		**24,002**	**21,644**
Total Assets		**46,278**	**43,242**
SHAREHOLDERS' EQUITY AND LIBILITIES			
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 sharehoders of the parent		**8,170**	**10,759**
Non-controlling interets		0	0
Total shareholders´ equity	2.8.	**8,170**	**10,759**
Non-current liabilities			
Deferred tax liabilities	2.4.	27	21
Provisions	2.9.	3,127	2,557
Financial liabilities	2.10.	7,168	7,679
Other liabilities		4,113	2,777
Derivative contracts	2.14.	73	0
Current liabilities			
Tax liabilities from the profit		53	81
Provisions	2.9.	23	65
Financial liabilities	2.10.	5,841	2,100
Derivative contracts	2.14.	197	0
Accounts payable and other liabilities	2.12.	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	Sharehol-der´s equity to the sharehol-ders of the parent	Non-controlling interests	Total sharehol-ders´ equity
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 intrest								-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	Sharehol-der´s equity to the sharehol-ders of the parent	Non-controlling interests	Total sharehol-ders´ equity
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
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	**-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**

Reconcialition of cash flow statement is presented in note 2.11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

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.

Neo Industrial Plc’s Board of Directors approved these financial statements for publication at its meeting of 26 February 2019. In accordance with the Limited Liability Companies Act, shareholders have the right to approve or reject financial statements at the Annual General Meeting that is held after the publication of the financial statements. The Annual General Meeting also has the right to decide on making changes to the financial statements.

Accounting policies for the consolidated financial statements ★

The general accounting policies of the consolidated financial statements are described in this section. Detailed accounting policies and descriptions of decisions based on management’s judgement and management’s use of estimates are presented later at each item of the financial statements. Accounting policies are marked with star ★

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.

FRS 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. As a result the provisions increased by EUR 1.1 million and the effect to the opening balance was EUR -0.9 million 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 of goodwill, deferred tax assets of unused tax losses, effects on provisions given, handling of rental loss provision 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, 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.

Principles of consolidation

Subsidiaries
The consolidated financial statements include the parent company, Neo Industrial Plc, and its subsidiaries. Subsidiaries are companies in which the Group has a controlling interest. A controlling interest is created when The Group has a controlling interest when it is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

The acquisition cost method is used to eliminate mutual shareholdings within the Group. Acquired subsidiaries are consolidated from the moment when the Group has acquired a controlling interest, and divested subsidiaries are consolidated up to the termination of the controlling interest. All intra-Group transactions, receivables, liabilities and unrealised profits as well as internal profit distributions are eliminated in the consolidated accounts. Unrealised losses are not eliminated if the loss is due to impairment.

The subsidiaries have the same financial year as the parent company and comply with the consolidated preparation principles described here.

Associated companies
Associated companies are companies over which the Group exercises significant influence. Significant influence is generally created when the Group holds more than 20 percent of the voting rights or otherwise has significant influence but not control. Associated companies have been consolidated using the equity method. If the Group's share of an associated company's losses exceeds the book value of the investment, the investment is recognized at zero value on the balance sheet. Losses exceeding book value are not consolidated unless the Group has committed itself to fulfilling the associated company's obligations. Unrealised gains on transactions between the Group and its associated companies are eliminated in accordance with the Group's holding. Investments in associated companies include any goodwill that may be created upon acquisition. The Group's share of its associated companies' profits is reported under "Share of the results of associates" after the operating profit.

If an associated company's accounting policies are not essentially equivalent to the Group's accounting principles, the Group has made the necessary adjustments in figures reported by the associated company.

Foreign currency items

Figures related to the result and financial position of the Group's units are presented in the currency of each unit's principal operating environment ("functional currency"). The consolidated financial statements are presented in euros, the functional and reporting currency of the parent company.

Transactions denominated in a foreign currency are recognized in the functional currency, using the exchange rate on the transaction date or a day close to the transaction date. Monetary items denominated in a foreign currency have been translated into the functional currency at the exchange rate on the balance sheet date. Non-monetary items denominated in a foreign currency and recognized at fair value have been translated into the functional currency at the exchange rate on the date of recognition. Other non-monetary items have been recognized at the exchange rate on the transaction date.

Gains and losses arising from transactions denominated in a foreign currency and from the translation of monetary items are recognized in the income statement. The foreign exchange losses and profits from the Group's internal non-current liabilities, however, are included in the change in equity under translation differences. Foreign exchange profits and losses from business operations are included in the corresponding items above the operating profit. Foreign exchange losses and profits related to financing are included in financial income and expenses.

The income statements of foreign Group companies have been translated into euros at the average exchange rate of the period. Their balance sheets have been translated using the exchange rate on the balance sheet date. The use of different currency rates for translating the period's result for the income statement and the balance sheet causes a translation difference, which is recognized in equity. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries are recognized in equity. When a subsidiary is sold, the accumulated translation differences are recognized in the income statement as part of sales gains and losses.

The goodwill arising from the acquisition of foreign units – as well as the fair value adjustments to the book values of the assets and liabilities of said foreign units in conjunction with the acquisition – have been treated as the foreign units' assets and liabilities and translated into euros at the exchange rates on the balance sheet date.

Operating result

IAS 1 *Presentation of Financial Statements* does not define the concept of operating result. The Group defines it as follows: operating result is the net amount formed when the net sales figure is reduced by purchasing costs adjusted for the change in the inventories of finished products, work in progress, expenses incurred through production for own use and by expenses arising from employee benefits, depreciation and any impairment loss, with other operating income and expenses taken into account. Items other than those mentioned above are presented below the operating profit. The Operating result does not include any group contributions nor financial costs relating to IAS 19. Foreign exchange differences and changes in the fair values of derivatives are included in the operating profit if they arise from items related to business operations. Otherwise, they are recognized under financial items. Operating result is also known as operating profit or operating loss, depending on the context.

Adoption of new and amended standards and interpretations applicable in future financial years

Neo Industrial has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.
* = not yet endorsed for use by the European Union as of 31 December 2018.

- IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019). The new standard replaces the current 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 current 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 15 on Neo Industrial's consolidated financial statements have been assessed as follows:
    - 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 will benefit 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 are not handled in the Balance Sheet according to the IAS 17 standard. The Group has analyzed all such contracts and evaluated the periods to be used as ell the interest noticed.
  - The Group plans to implement the new IFRS 16 standard by using method of accumulated effect as of January 1, 2019. As a result the comparison figures of previous financial year will not be changed.
  - IFRS will influence substantially to the Balance structure of Neo Industrial Group. The estimated effect on opening Balance January 1, 2019 is an addition of EUR 19.6 million to non-current assets and financial liabilities.
- 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.

The following new standards and interpretations does not have effect on the Group´s Financial Statement.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for financial years beginning on or after 1 January 2019). The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2019). The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.
- Plan amendment, Curtailment or Settlement (Amendments to IAS 19)* (effective for financial years beginning on or after 1 January 2019).The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity uses updated actuarial assumptions to determine its current service cost and net interest for the period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).
- Annual Improvements to IFRSs (2015-2017 cycle)* (effective for financial years beginning on or after 1 January 2019). 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 3, IFRS 11, IAS 12 and IAS 23.
- Amendments to References to Conceptual Framework in IFRS Standards* (effective for financial years beginning on or after 1 January 2020). The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.
- Definition of a Business (Amendments to IFRS 3)* (effective for financial years beginning on or after 1 January 2020). The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.
- Definition of Material (Amendments to IAS 1 and IAS 8)* (effective for financial years beginning on or after 1 January 2020). The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved.
- IFRS 17 Insurance Contracts* (IASB's tentative proposal: effective for financial years beginning on or after 1 January 2022). The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4-standard.

1. Items related to the profit for the period

1.1 Operating segments

At this point Neo Industrial Group has one industrial operating segment, Cable industry. All other operations are categorised to group Other operations and eliminations.

Accounting policy of 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, the numbers of companies not belonging to Cable segment, IAS 19 bookkeeping entries and unallocated items as well financial liabilities related to acquiring businesses are recognised in other operations and eliminations. In addition, segment-specific statements present the operating result before and after open hedging instruments.

Information about geographical areas

Turnover by sales areas is based on customers' geographical locations and whether the customer's country is located to EU –area or not. Group's geographical areas are categorised to EU –countries and non-EU –countries.

Assets and investments of geographical areas are based on geographical locations of assets according to equal categorisation as turnover.

Revenue recognition principle

Revenue from the sale of goods is recognised when the significant risks, rewards and actual control usually associated with ownership of the goods have been transferred to the buyer. Usually revenue is recognised as income when products are delivered in accordance with the terms of sale. Revenue from services is recognised during the period when the service is rendered and the economic benefit of the transaction is probable. The share of Neo Industrial's revenue from services is not significant.

The cables are sold on drums and in most cases the drums are invoiced separately from cables. Drums ma howerer also be included to the price of cables when agreed so with the customer and cables are sold to the markets, from where drums are now usually returned. In revenue recognition of drums both the effects of sold and credited drums are noticed.

The turnover includes the income of the actual operations measured at fair value and adjusted for volume and cash payment discounts given. Turnover also includes foreign exchange rate gains and losses arising from trade receivables.During the financial year the volume discounts are estimated based on contracts, actual data and forecasts. At the end of the financial year the volume discounts are calculated based on actual figures.

Use of estimates

In revenue recognition of drums both the effects of sold and credited drums are noticed. Revenue recognition of drums includes estimates of how much of drums are returned. Estimates are based on earlier return percentage and seasonal changes.

Accounting policy

Derivative contracts are recognised at fair value when the Group becomes part of the contract. Accounting principles of derivative contracts are described more specifically in note 2.14.

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**

Based on earlier standard (before IFRS 15 standard) the turnover of cable segment in 2018 would have been EUR 103,279 thousand and operating result in 2018 would have been EUR1,298 thousand.

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 was 14.4 % and the share of the third largest was 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) and are located in Finland.

1.2. Other operating income

Accounting policy

Income related to other than normal business is recognised as other operating income. Such items are, for example, proceeds from sales of items of property and equipment and intangible assets, rental income, subsidies received and government grants.

EUR 1,000	2018	2017
Subsidies received	81	92
Rental income	93	83
Other income	109	132
Total	282	307

1.3. Personnel expenses

Accounting policy

Employee benefits include salaries and fees, pension expenses and other personnel expenses. Other expenses related to personnel are included in other operating expenses.

The Group’s statutory pension insurance for staff has been set up with pension insurance companies until December 31, 2015. Pension expenses have been recognized as costs in the financial year during which they are accumulated. Neo Industrial is part of Reka Group, whose pension insurances were transferred to the defined benefit plan. Due the transfer the pension responsibilities has been handled according to defined benefit plan (IAS 19). Bookkeeping entries according to IAS 19 affect personnel costs, financial costs and to the items booked to equity via consolidated statement of comprehensive income. IAS 19 bookkeeping entries are included to other operations and eliminations in the segment report.

EUR 1,000	2018	2017
Salaries and fees	11,707	11,949
Pension expenses, defined contribution plans	1,941	1,993
Pension expenses, defined benefit plans	572	269
Other personnel expenses	491	626
Total	14,712	14,837

Management benefits are presented in note 3.4 (”Related-party transactions”).

Average number of personnel in the financial period:

	2018	2017
Total	251	269
Cable segment	251	268

1.4. Depreciation and impairment

Accounting policy ☆

Depreciation of tangible assets is made on straight-line basis over their economic lifetime. No depreciation is made on land. Intangible assets with a limited economic life are depreciated as expenses on a straight-line basis in the income statement over their economic lifetime. No depreciation is recognised on other intangible assets with an unlimited useful life, but they are tested for impairment annually or more frequently, if necessary. The estimated useful lives are presented in notes 2.1. and 2.2.

EUR 1,000	2018	2017
Depreciation by commodity group		
Intangible non-current assets		
Customer realitionships	0	-115
Product brands and trademarks	-105	-11
Other intangible assets	-59	-161
Total	-165	-286
Tangible non-current assets		
Buildings	-458	-298
Machinery and equipment	-1,849	-1,573
Other tangible assets	-13	-11
Total	-2,318	-1,881
Impairment by commodity group		
Buildings	-2	-4
Total depreciation and impairment	-2,485	-2,171

1.5. Other operating expenses

Accounting policy ☆

Losses on sales of tangible and intangible assets as well as indirect expenses of operations excluding employee benefit expenses and financial expenses are recognised as other operating expenses.

EUR 1,000	2018	2017
Rental expenses	-3,101	-2,998
Machinery and property maintenance costs	-1,604	-1,949
Sales and marketing expenses	-593	-241
Voluntary personal expenses	-453	-497
Other expenses	-3,135	-2,855
Total	-8,887	-8,540

The ”Other expenses” includes fees paid to auditors as follows:
EUR 57 thousand (EUR 64 thousand) for KPMG Oy Ab for the audit of the accounts
EUR 0 thousand (EUR 8 thousand) for KPMG Oy Ab for the certificates
EUR 7 thousand (EUR 1 thousand) for KPMG Oy Ab for tax services
EUR 3 thousand (EUR 13 thousand) for KPMG Oy Ab for other services
EUR 29 thousand (EUR 33 thousand) for other companies for the audit of the accounts

1.6. Research and development expenses

Accounting policy

Research and development costs are recognised in the income statement as expenses, except for development costs that meet the capitalization criteria of IAS 38 *Intangible Assets.*

The research and development costs, EUR 0.2 million in 2018 (EUR 0.3 million in 2017) are capitalized. Capitalised development costs are also presented in note 2.2. Neo Industrial's research and development investments are allocated to Cable segment.

1.7. Financial income and expenses

Accounting policy

Costs of liabilities are recognised as expenses in income statement in the financial period during which they are incurred. In 2018, the Group had no borrowing costs (arising from asset purchases) that were activated.

Revenue recognition principle

Interest income is recognized using the effective interest method, and dividend income is recognized when the right to receive the dividend is created.

Accounting policy

Derivative contracts are recognised at fair value when the Group becomes part of the contract. Accounting principles of derivative contracts are described more specifically in note 2.14.

Financial income

EUR 1,000	**2018**	**2017**
Exchange rate differences	104	10
Acquisition of convertible bond	26	176
Other financial income	3	3
Total	132	189

Financial expenses

EUR 1,000	**2018**	**2017**
Interest expenses	-1,402	-1,509
Interest expenses on defined benefit pension liability	-62	-47
Expenses on metal derivates	-206	-9
Exchange rate differences	-54	-114
Other financial expenses	-290	-309
Total	-2,014	-1,986
Total exchange rate differences	50	-104

1.8. Taxes

Accounting policy

Income taxes include taxes calculated based on the taxable profit for the period and change in deferred income taxes. The current tax is measured using each country's tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets related to individual companies are recognised if it is probable, based on an evaluation, that the deferred tax assets can be utilised before the expiry of unused tax losses or unused tax-related credits. Deferred tax assets are recognised to the extent that it is likely that taxable income will be created in the future, against which the temporary difference can be utilised.

EUR 1,000	2018	2017
Taxes payable on profit	-217	-175
Taxes from previous financial periods	0	-19
Deferred tax on temporary differences	406	-166
Other direct taxes	0	0
Total	190	-359

Reconciliation of the tax expense in the income statement and taxes calculated at the domestic tax rate (20%).

EUR 1,000	2018	2017
Result before taxes	-716	3,403
Taxes calculated at the domestic tax rate	-143	681
Effect of tax-exempt income	-7	-144
Effect of non-deductible expenses	255	28
Effect of different tax rates applicable to foreign subsidiaries	3	2
Effect of unrecognised deferred tax receivables related to taxable losses	20	183
Effect of other unrecognised deferred tax receivables	-319	-420
Taxes from previous periods	0	19
Other items	3	10
Taxes on the income statement	-190	359

1.9. Earnings per share

Undiluted earnings per share
The undiluted earnings per share are calculated by dividing the profit attributable to the shareholders of the parent company by the weighted average number of outstanding shares during the financial period.

Diluted earnings per share
When adjusting earnings per share for dilution, the diluting effect of the conversion of all potential ordinary shares is taken into account in the weighted average number of shares. The Group had no dilutive instruments on the closing date of the financial period.

	2018	2017
Profit from the financial period attributable to the shareholders of the parent company, EUR 1,000	-527	3,044
Weighted average numbers of shares during the period	5,947,921	5,946,089
Undiluted earnings per share	-0.09	0.51
Weighted diluted average numbers of shares during the period (number)	5,947,921	5,946,089
Earnings per share adjusted for dilution	-0.09	0.51
Earnings per share:		
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

2. Operating Assets and Liabilities

2.1. Tangible non-current assets

Accounting policy

Tangible non-current assets are measured at original acquisition cost less depreciation and impairment. Any expenses arising later are included in the book value of the tangible non-current asset only if the Group is likely to profit from the future financial benefit and if the acquisition cost of the asset can be determined reliably. Other repair and maintenance costs are recognised through profit and loss at the time of completion.

Depreciation of these assets is made on a straight-line basis over their useful lives. No depreciation is made on land. The estimated useful lives are as follows:

Buildings and structures	10–25 years
Machinery and equipment	3–20 years
Motor vehicles	3–10 years

Residual values and useful lives are reviewed on a regular basis in conjunction with annual financial statements and adjusted to reflect changes in expected financial benefits.

Sales gains and losses from decommissioning and disposal of tangible non-current assets are included in other operating income and expenses in the income statement.

Finance lease agreements
Lease agreements related to tangible assets in which the Group bears an essential part of the risks and rewards of ownership are recognized as finance lease agreements. Assets acquired through finance lease agreements are entered in the balance sheet at the leased item's fair value or the present value of minimum lease payments, if lower, at the beginning of the lease period. Assets acquired through finance leases are depreciated over their estimated useful lives or their lease periods, if shorter. Lease obligations are included in interest-bearing liabilities.

Other leases
Information regarding other leases is presented in note 3.1. Other leases

Impairment
On the closing date of the financial year, the Group evaluates whether any assets are showing signs of impairment. Values are evaluated by item. Assets classified as finance lease contracts are evaluated by contract.

If any indication exists, the asset´s recoverable amount is estimated or the financial impact of rental agreement is evaluated. The recoverable amount is the asset´s fair value less costs of disposal or its value in use, whichever is higher. The recoverable amount is based on the discounted estimated future net cash flows at the time of review. An impairment loss is recognized when an asset´s carrying amount exceeds its recoverable amount. An impairment loss is recognized immediately in profit and loss and it is included in Depreciation, amortization and impairment in comprehensive income. The useful life of the asset to be depreciated is reassessed at the recognition of the impairment loss.

An impairment loss is reversed in a subsequent period if there has been a significant positive change in the estimates used to determine an asset´s recoverable amount. An impairment loss can be reserved to the amount that would have been carrying value of the asset, had no impairment loss been recognized.

Use of estimates

When finding out whether there are any indications of the decrease in the value of the asset´s the management makes assumptions and estimates. These are used as a basis of for the possible further analyses. The Group has loss making rental agreement that is handled as financial lease and which financial impact is yearly evaluated by using the assumptions and estimations of the management. Possible changes in these assumptions and estimations may cause changes to the valuation in future years.

The total impairment recognised on buildings is EUR 0.7 (0.7) million and based on the difference between estimated income and expenses related to a long-term lease agreement.

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Motor vehicles	Advance payments and acquisitions in progress	Total
Acquistion costs 1/1/2018	0	4,232	31,041	270	83	35,626
Increase	30	242	1,625	0	251	2,148
	0	1,138	90	0	-90	1,138
Acquistion costs 31/12/2018	30	5,612	32,756	270	244	38,912
Accumulated depreciation and impairment 1/1/2018	0	1,675	19,807	240	0	21,720
Depreciation	0	460	1,841	20	0	2,321
	0	610	0	0	0	610
Accumulated depreciation and impairment 31/12/2018	0	2,744	21,649	260	0	24,651
Book value 1/1/2018	0	2,557	11,234	31	83	13,906
Book value 31/12/2018	30	2,868	11,108	10	244	14,260

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Motor vehicles	Advance payments and acquisitions in progress	Total
Acquistion costs 1/1/2017	0	3,832	29,502	270	0	33,604
Increase	0	400	1,577	0	83	2,060
Decrease	0	0	-38	0	0	-38
Acquistion costs 31/12/2017	0	4,232	31,041	270	83	35,626
Accumulated depreciation and impairment 1/1/2017	0	1,374	18,243	220	0	19,835
Depreciation	0	302	1,563	20	0	1,885
Accumulated depreciation and impairment 31/12/2017	0	1,675	19,807	240	0	21,720
Book value 1/1/2017	0	2,458	11,260	51	0	13,769
Book value 31/12/2017	0	2,557	11,234	31	83	13,906

Tangible non-current assets include assets leased through financial leases as follows:

EUR 1,000	2018	2017
Buildings		
Acquisition costs 1/1	4,346	3,946
Other increase	0	400
Acquisition costs 31/12	4,346	4,346
Accumulated depreciation 1/1	1,789	1,487
Depreciation for the period	308	302
Accumulated depreciation 31/12	2,097	1,789
Book value 31/12	2,249	2,557

2.2. Intangible non-current assets

Accounting policy

Goodwill
Goodwill is recognised in the amount by which the total amount of the assigned consideration, non-controlling interest in the object of acquisition and previously held equity interest exceeds the fair value of the acquired net assets.

No depreciation is recognised on goodwill, but goodwill is tested for impairment annually or more frequently, if necessary. For this purpose, goodwill is attributed to units generating cash flow. Goodwill is valued at the original acquisition cost less impairment.

Research and development expenses
Research and development expenses are recognised in the income statement as expenses, except for development costs that meet the capitalisation criteria of IAS 38 *Intangible Assets*. In that case, product development expenses are recognized in the balance sheet as intangible assets as of the moment when the product can be implemented technically, exploited commercially and expected to bring future financial benefit. Development costs that have been recognised as expenses previously will not be capitalised later. Depreciation will start as soon as the asset is ready for use. The depreciation period is 3 to 10 years, during which capitalised expenses are depreciated on a straight-line basis and recognised as costs. An asset that is not yet ready to be exploited is tested for impairment annually or more frequently, if necessary.

Other intangible assets
Other intangible assets with a limited useful life are recognised in the balance sheet and depreciated as expenses on a straight-line basis in the income statement over their useful lives. No depreciation is recognised on other intangible assets with an unlimited useful life, but they are tested for impairment annually or more frequently, if necessary. Intangible assets include assets that have an unlimited useful life. These include electric and gas connection rights that do not have a legal or contractual time limit.

The estimated useful lives are as follows:

Customer contracts and the related customer relationships	5–10 years
Software	3–5 years
Other intangible rights	5–10 years

Any gains or losses from the disposal of intangible assets are recognised in other operating income and expenses on the income statement.

EUR 1,000	**Goodwill**	**Development expenses**	**Other intangible**	**Total**
Acquisition costs 1/1/2018	3,252	374	6,974	10,600
Increase	0	152	87	239
Transfers between items	0	0	-1,138	-1,138
Acquisition costs 31/12/2018	3,252	526	5,923	9,701
Accumulated depreciation and impairment 1/1/2018	0	11	5,692	5,703
Depreciation	0	105	59	164
Transfers between items	0	0	-610	-610
Accumulated depreciation and impairment 31/12/2018	0	116	5,141	5,257
Book value 1/1/2018	3,252	363	1,282	4,897
Book value 31/12/2018	3,252	410	782	4,443

EUR 1,000	Goodwill	Development expenses	Other intangible	Total
Acquisition costs 1/1/2017	3,252	0	6,475	9,727
Increase	0	374	499	873
Acquisition costs 31/12/2017	3,252	374	6,974	10,600
Accumulated depreciation and impairment 1/1/2017	0	0	5,417	5,417
Depreciation	0	11	276	286
Accumulated depreciation and impairment 31/12/2017	0	11	5,692	5,703
Book value 1/1/2017	3,252	0	1,059	4,311
Book value 31/12/2017	3,252	363	1,282	4,897

Other intangible non-current assets include the following items: activated IT software and licenses.

Impairment testing

Accounting policy

Impairment
On the closing date of the financial year, the Group evaluates whether any assets are showing signs of impairment. If such signs are detected, the recoverable amount of the asset concerned is estimated. The recoverable amount is also assessed annually on the following assets, regardless of whether they are showing signs of impairment: goodwill, intangible assets with unlimited useful lives and unfinished intangible assets. The need for impairment is assessed at the level of units generating cash flows – that is, the lowest level on which units are mostly independent of others and cash flows can be separated from other cash flows.

The subsidiaries in the Cable segment constitute a unit generating cash flows. Balance sheet values related to the unit are tested through test calculation. The associated companies are tested separately if any balance sheet values are related to them. Nestor Cables Ltd and Riihimäen Kaapelitehdas Ltd are associated companies. In the 2018 financial statements, no balance sheet values are related to Nestor Cables Ltd. Riihimäen Kaapelitehdas Ltd was acquired at the end of 2016.

Other tangible and intangible balance sheet values are evaluated by item.

In the Cable segment, the indicators monitored are permanent changes in the euro prices of main raw materials and developments in the main markets. Their combination affects volumes, and it also affects the way in which an increase in the prices of capital goods can be incorporated into market prices. The interest rate level is not an indicator as such, but it may have an effect on the discount rate.

The recoverable amount is the fair value of an asset less selling expenses or value in use, if higher. Value in use refers to the estimated future net cash flows received from the asset or a unit generating cash flows, discounted to their current value. Determined before taxes, the discount rate reflects the market's view on the time value of money and the special risks related to the asset concerned.

An impairment loss is recognised when an asset's book value is higher than the recoverable amount. The impairment loss is recognised in the income statement. If an impairment loss is attributed to a unit generating cash flows, it is first allocated to reduce the unit's goodwill and then to reduce the unit's other assets in equal proportions. When an impairment loss is recognised, the useful life of the asset being depreciated is reassessed. An impairment loss recognised on assets other than goodwill is reversed if the assessments used in determining the recoverable amount of the asset have changed. The amount of reversed impairment losses, however, cannot be higher than the asset's book value without recognition of the impairment loss. An impairment loss recognised on goodwill is not reversed.

Use of estimates

The execution of the annual impairment test has required management to make assumptions and estimates to measure the recoverable amounts of the cash-generating units. The estimated future cash flows are discounted to their current value.

The key assumptions

The goodwill recognised in the financial statements arose from the acquisition of shares in Reka Cables Ltd and it has been allocated entirely to the Cable segment for impairment testing purposes. The recoverable amount has been determined based on value in use calculations.

The following are the most significant factors used in the calculations related to the Cable segment: the prices of metals and other key raw materials in EUR, the effects of demand and competition on volumes and market prices, the timing of infrastructure investments and the expansion of cooperation with key customers. The prediction calculations are based on actual outcome information and predictions updated based on the actual outcome. The effects of the investments as well as already visible outcome of efficiency improvement program have been taken into account in the predictions.

Assumptions used in the cash flow analysis, %	2018
Terminal value growth 2023 -	0
WACC (Pre-Tax)	5.88

Assumptions used in the cash flow analysis, %	2017
Terminal value growth 2022 -	0
WACC (Pre-Tax)	7.63

	2018	2017
Sensitivity analysis	Value used, %	Value used, %
WACC (Pre-Tax)	5.88 – 22.31	7.63 – 26.71

According to the results of the impairment tests, the Group has no need to recognise impairments. The recoverable amount determined in impairment testing exceeds the book value of the units tested.
Based on the sensitivity calculations, the present value of future cash flows is larger than the investments, when discount rate is under 22.31 %.

2.3. Holdings in associates

EUR 1,000	**2018**	**2017**
At the beginning of the period	1,412	1,280
Share of profit	166	131
At the end of the period	1,578	1,412

On the closing date of the financial period, Neo Industrial’s associated companies were Nestor Cables Ltd and Riihimäen Kaapelitehdas Oy. The value of the shares of Nestor Cables Ltd is zero in the 2018 financial statements. The value of the shares of Riihimäen Kaapelitehdas Oy is the purchase price of the shares in December 2016 added to profit for year 2017 and 2018.

EUR 1,000	2018	2017
Nestor Cables Ltd, Oulu, share 22.94 %		
Assets	22,916	20,704
Liabilities	24,353	18,099
,of which subordinated loans	5,505	5,505
Turnover	35,982	29,359
Profit	1,465	347
Value on the consolidated balance sheet	0	0
Riihimäen Kaapelitehdas Ltd, Riihimäki, share 49.01 %		
Assets	11,477	12,773
Liabilities	8,423	9,960
,of which subordinated loans	0	0
Turnover	1,253	1,237
Profit	315	250
Value on the consolidated balance sheet	1,578	1,412

The above figures (turnover, assets and liabilities) were calculated in keeping with the associated companies' accounting principles.

2.4. Deferred tax assets and liabilities

Accounting policy

The tax expenses in the income statement consist of the income tax for the financial year and deferred taxes. The income tax for the financial year is calculated on the taxable income, using the tax rate in force in each country on the balance sheet date or on a subsequent tax rate.

Deferred tax assets related to individual companies are recognized if it is probable, based on an evaluation, that the deferred tax assets can be utilised before the expiry of unused tax losses or unused tax-related credits. Deferred tax assets are recognised to the extent that it is likely that taxable income will be created in the future, against which the temporary difference can be utilised.

Changes in deferred taxes during 2018:

EUR 1,000	1/1 2018	in the income statement	31/12 2018
Deferred tax receivables			
Provisions	73	5	79
Deferred tax receivables on losses	537	422	960
IAS 19 pension liability	554	268	822
Adoption of IFRS 15 and 9 standard	222	-107	115
Total	1,386	589	1,975
Deferred tax liabilities			
Accumulated depreciation difference	-21	-6	-27
Total	-21	-6	-27

Changes in deferred taxes during 2017:

EUR 1,000	1/1 2017	Recorded in the income statement	31/12 2017
Deferred tax receivables			
Provisions	178	-105	73
Deferred tax receivables on losses	681	-145	537
IAS 19 pension liability	475	78	554
Total	1,335	-171	1,164
Deferred tax liabilities			
Accumulated depreciation difference	-18	-2	-21
Purchase price allocation in accordance with IFRS 3 and recognition of costs resulting from the allocation	-23	23	0
Total	-41	21	-21

Confirmed losses of the Group companies expire in 2023 or later.
Evaluation of deferred tax receivables is based on forecasts of Cable segment and for which sensitivity analyses have been carried out. Deferred tax receivables of the Group´s parent company have been fully used during 2016.

2.5. Inventories

Accounting policy

Inventories are recognised at acquisition cost or recoverable amount, depending on which is lower, in accordance with the FIFO principle. The acquisition cost of finished products and work in progress consists of raw materials, direct expenses arising from work, other direct expenses and fixed acquisition and production costs. The recoverable amount is the estimated sales price in normal business less estimated expenses required to complete the product and selling expenses.

Use of estimates

Neo Industrial Group regularly reviews inventories for obsolescence and turnover, and for a possible reduction in net realisable value below cost, and recognises obsolescence when necessary. Such reviews require estimates of future demand for products and development of the market price. Possible changes in these estimates may cause adjustments in inventory valuation in future periods.

EUR 1,000	2018	2017
Materials and supplies	4,707	4,439
Production in progress	4,621	4,572
Finished products	7,084	7,050
Total	16,411	16,061

In year 2018 there is recognised inventory impairment of EUR 0.7 (EUR 0.8) million.

2.6. Current receivables

Accounting policy

The new IFRS 9 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. 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. The bad debt allowances are made based on age analysis and are represented as adjustments to the sales receivables.

EUR 1,000	**2018**	**2017**
Sales receivables	5,562	1,774
Other receivables	1,060	1,924
Total	6,622	3,698

Age distribution of Sales receivables:

EUR 1,000	**2018**	**2017**
Undue	5,527	1,555
less than 30 days	57	214
less than 60 days	-37	0
less than 90 days	23	2
more than 90 days	-9	2
Total	5,562	1,774

To open Sales receivables a bad debt allowance of EUR 1 thousand has been booked. Bad debt allowance is included to the Sales Receivable amount.

Current receivables distributed by currency:

EUR 1,000	**2018**	**2017**
EUR	4,509	3,376
SEK	129	71
DKK	126	0
RUB	13	22
NOK	1,845	229
Total	6,622	3,698

2.7. Cash and cash equivalents

EUR 1,000	**2018**	**2017**
Cash and bank	889	1,827

2.8. Shareholders' equity

The parent company´s share capital by share series	**2018**		**2017**	
	Number	Shareholders equity EUR 1,000	Number	Shareholders equity EUR 1,000
Series A (20 votes/share)	139,600	558	139,600	558
Series B (1 vote/share)	5,880,760	23,524	5,880,760	23,524
	6,020,360	24,082	6,020,360	24,082

Neo Industrial Plc has two series of shares. The maximum number of A shares is 0.2 million (0.2 million in 2016), and the maximum number of B shares is 9.6 million (9.6 million). All issued shares are paid up in full.

Own shares

Accounting policy

Acquiring own shares and related direct costs are booked directly to Equity. Disposal of own shares is booked directly to Equity.

When paying rewards, company uses also its own shares as means of payment. Part of the yearly and bonus remunerations of the Board of Directors can be paid via shares according to the decisions made in the AGM. Valid decisions of the AGM are always seen at www pages of the company and the decisions are informed also as a part of financial reporting. In addition to that, company can sign agreements, where part of service (e.g. consulting) can be paid with shares instead of money (exchange rate to transfer money to shares is defined in the related agreements, like average share price of the service delivery month or other predefined value). Company publishes stock releases when making payment with own shares.

The AGM 2017 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.

	2018		**2017**	
	Number	EUR 1,000	Number	EUR 1,000
Own shares 1/1	74,271	0	16,470	106
Increase	0	0	106,443	0
Fee payments	-1,832	0	-48,642	-106
Own shares 31/12	72,439	0	74,271	0

Premium fund and reserve fund
The premium fund and reserve fund were set up before 1998. Their use is governed by the Limited Liability Companies Act.

Other unrestricted equity
Other unrestricted equity was created in 2000 through a reduction in the share capital. At the time, the amount equivalent to the reduction was transferred to a fund to be used in accordance with the Annual General Meeting's decision.

Translation differences
Translation differences primarily consist of differences arising from the conversions of foreign units' financial statements and intra-Group loans.

Dividends
The Board proposes to the Annual General Meeting that a dividend of EUR 0.02 per share will be paid for 2018. Dividend of EUR 0.08 was paid for 2017.

2.9. Provisions

Accounting policy

A provision is made when the Group has a legal or actual obligation as a result of a previous event, when it is likely that a payment obligation must be fulfilled and when the amount of the obligation can be assessed reliably.

A warranty provision is made when a product with a warranty clause is sold. The amount of the warranty provision is based on proven knowledge about actual warranty costs.

A contingent liability is a conditional obligation resulting from previous events that is confirmed when an uncertain eventuality beyond the Group's control actually occurs. Contingent liabilities also include existing obligations which are not likely to require payment or the amount of which cannot be determined reliably. Potential contingent liabilities are presented in the notes to the financial statements. Contingent liabilities due to derivative contracts and pension responsibilities are presented in particular note.

Use of estimates

The evaluation of the provisions and contingent liabilities require management to make considerations.

The product warranty are made based on claims made but not yet paid as well as assigned provisions based on experience from past years. The assigned provision takes into account any compensation obligations potentially occurring in the Cable segment over a period of five years, unless otherwise agreed with the customer.

The granted guarantee is based on discounted balance sheet value of the instalments of Avilon Fibres Ltd´s industrial premises for the price remaining unpaid, for which the Group has granted a guarantee. The granted guarantee was noticed in the balance sheet of financial statement 2012 due the bankruptcy of Avilon Fibres Ltd. The guarantee is paid annually by amount of EUR 0.2 million until year 2035. The remaining amount of guarantee obligation is evaluated yearly by the management. In evaluation the sales price got when selling parts of the industrial premises lower the guarantee obligation.

	Product warranty provisions	Other provisions	Provision of unpaid purchase price	Total
Provisions 1/1/2018	365	1 109	2 257	3 731
Increase	23	0	0	23
Decrease	0	-539	-65	-604
Provisions 31/12/2018	**388**	**570**	**2 192**	**3 150**

	Product warranty provisions	Other provisions	Provision of unpaid purchase price	Total
Provisions 1/1/2017	879	0	1 933	2 812
Withdrawal	-513	0	-200	-713
Decrease	0	0	-61	-61
Re-classification	0	0	585	585
Provisions 31/12/2017	**365**	**0**	**2 257**	**2 622**

In financial statements 2012 provision due to Avilon Fibres Ltd was booked through income statement. Part of the industrial premises was sold in 2017 and guarantee obligation has been lowered by related sales price (EUR 0.2 million).

The new IFRS 15 revenue recognition 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. As a result the provisions increased by EUR 1.1 million on January 1 2018. Provision related is shown in above in Other provisions. During the financial year the provision decreased.

2.10. Financial liabilities

Accounting policy

In cases where the fair value of financial assets and liabilities has not been used as the book value, the financial assets and liabilities are valued at allocated acquisition cost. Financial assets and liabilities recognised at fair value are valued based on market quotations.

EUR 1,000	**2018**	**2017**
Long-term financial liabilities valued at allocated acquisition cost		
Finance lease agreements	3,079	3,346
Other loans	4,089	4,334
Total	7,168	7,679
Short-term financial liabilities valued at allocated acquisition cost		
Bank loans	3,000	0
Other loans	2,575	1,849
Finance lease agreements	266	251
Total	5,841	2,100

The Group’s financing loans are whether fixed or euribor based. Finance leases have fixed interest rates. The Group’s average interest rate on 31 December 2018 was 4.4 percent (4.4).

The amounts of consolidated liabilities and their re-pricing periods under the agreements:

EUR 1,000	**2018**	**2017**
Less than 6 months	266	251
6-12 months	5,575	1,849
More than 12 months	7,168	7,679
Total	13,010	9,779

All loans are denominated in euro.

Maturing of finance lease agreements

EUR 1,000	**2018**	**2017**
Finance lease agreements - total amount of minimum lease payments		
Within 1 year	455	455
1-5 years	1,820	1,820
After 5 years	2,390	2,845
Total	4,665	5,120
Unaccumulated financial expenses	-1,317	-1,521
Present value of finance agreements	3,348	3,598
Finance lease agreements - present value if minimum lease payments		
Within 1 year	266	251
1-5 years	1,238	1,167
After 5 years	1,844	2,181
Total	3,348	3,598

Located next to the Valkeakoski plant, the Kirjasniemi residential area is leased from the bankruptcy estate of the Kuitu Finland for 25 years as a part of a comprehensive restructuring carried out in the Viscose Fibres segment in 2010. Neo Industrial has the option to continue the lease for another 25 years, and it also has the right to purchase the area based on a preliminary agreement signed in 2010. The long-term lease for the Kirjasniemi residential area is recognised as a financial lease agreement. Avilon Fibres Ltd´s bankruptcy in 2013 did not affect the terms of the lease.

Reka Cables Ltd has 10 years rental agreement regarding part of Keuruu plant. The rental contract is handled as financial lease.

At the end of December 2016 Neo Industrial made minority investment to the shares of Reka Kaapelitehdas Oy who is lessor in the Riihimäki plant. Investment had no effect on the booking entries of the rental agreement.

2.11. Reconciliation of cash flow

EUR 1,000	**1/1/2018**	Cash flow	Non-effected changes to cash flow Acquisition	Exchange rate changes	Current value changes	**31/12/2018**
Long-term liabilities	4,334	-12	-233			4,089
Short-term liabilities	1,849	3,656	70			5,575
Finance lease agreements	3,597	-251				3,346
Total financial liabilities	**9,779**	**3,393**	**-162**	**0**	**0**	**13,009**

EUR 1,000	**1/1/2017**	Cash flow	Non-effected changes to cash flow Acquisition	Exchange rate changes	Current value changes	**31/12/2017**
Long-term liabilities	7,125	-2,017	-382		-392	4,334
Short-term liabilities	3,241	-1,500	108			1,849
Finance lease agreements	3,433	-281	445			3,597
Total financial liabilities	**13,799**	**-3,799**	**170**	**0**	**-392**	**9,779**

2.12. Accounts payable and other liabilities

EUR 1,000	**2018**	**2017**
Current financial liabilities valued at allocated acquisitions cost:		
Accounts payable	8,406	8,229
Personnel expenses allocated by period	3,261	2,693
Accruals and deferred income	4,328	3,438
Other liabilities	1,489	2,843
Total	17,483	17,203

Accruals and deferred income consist of following items:

EUR 1,000	**2018**	**2017**
Internal accruals	16	77
Accruals of interest and other financial items	13	121
Tax liabilities	2,815	2,375
Accrued discounts	1,411	784
Other accruals	73	80
Total	4,328	3,438

Non-interest-bearing current liabilities distributed by currency:

EUR 1,000	**2018**	**2017**
EUR	17,353	16,425
USD	1	627
RUB	13	17
DKK	26	20
NOK	39	49
SEK	50	63
Other currency	0	1
Total	17,483	17,203

2.13. Pension liabilities

Statutory pension liabilities of Neo Industrial Group are transferred on 31.12.2015 from pension insurance company to Reka Pension Fund. The management and board of directors of Reka Pension Fund administer the assets of the Reka Pension Fund.

EUR 1,000	Present value of defined benefit obligations	Present value of assets related	Total
1.1.2018	**8,785**	**-6,016**	**2,769**
Defined benefit pension cost recognised in Income statement			
Cost based on review period´s work performance	815	0	815
Interest expense or income	211	-150	62
	1,026	-150	877
Items due to remeasurements			
Profit for assets related to arrangement (except items including in Interest expense or income)	0	448	448
Gain (-) / loss (+) arising from changes in financial assumptions	246	0	246
Experiential gain (-) / loss (+)	9	0	9
	255	448	704
Payments made by employer to arrangement	0	-243	-243
Paid benefits	-75	75	0
31/12/2018	**9,991**	**-5,885**	**4,107**

Change in the net defined benefit liability recognised in Balance Sheet during previous year

EUR 1,000	Present value of defined benefit obligations	Present value of assets related	Total
1/1/2017	**7,841**	**-5,464**	**2,377**
Defined benefit pension cost recognised in Income statement			
Cost based on review period´s work performance	707	0	707
Interest expense or income	172	-125	47
	879	-125	754
Items due to remeasurements			
Profit for assets related to arrangement (except items including in Interest expense or income)	0	-36	-36
Gain (-) / loss (+) arising from changes in financial assumptions	-644	0	-644
Experiential gain (-) / loss (+)	757	0	757
	112	-36	77
Payments made by employer to arrangement	0	-438	-438
Paid benefits	-48	48	0
31.12.2017	**8,785**	**-6,016**	**2,769**

Significant assumptions behind insurance mathematical calculations	**2018**	**2017**
Discount rate	2.29 %	2.41 %
Inflation	1.65 %	1.85 %
Increase of pensions	1.00 %	1.00 %

Sensitivity analysis, EUR 1,000

	Effect on pension liability	2018	2017
Discount rate			
	0.5 %-increase	-1 086	-964
	0.5 %-decrease	1 280	1 137
Pension increase			
	0.5 %-increase	1 136	473
	0.5 %-decrease	-1 020	-449
Life expectancy			
	1 year increase	274	235
	1 year decrease	-266	-229

Duration based on weighted average of liability is 25.6 years

Assets related to defined benefit plan are divided to categories as follows

%	2018	2017
Equity instruments	10.1 %	16.3 %
Debt instruments	3.2 %	5.8 %
Investment funds	76.1 %	66.8 %
Properties	10.6 %	11.1 %
	100.0 %	100.0 %

In addition to companies belonging to Reka Group also some related party companies of Reka Ltd have joined to Reka Pension Fund. The Assets of Reka Pension Fund are approximately EUR 31 million and pension liabilities are approximately EUR 28 million. The risk related is that the Assets of the pension fund increases slower than the pension liabilities which would cause that in the long run the Assets would not cover the liabilities.

The Group expects to pay contributions in financial year 2019 total EUR 2.5 (2018: 2.6) million.

2.14. Financial risk management

The Group's business operations involve risks related to financing. Neo Industrial's primary financial risks are currency, interest rate, commodity, liquidity, credit and investment market risks.

The Board of Directors approves the Group's general risk management principles. The operational management is responsible for the practical implementation of these principles. Operating under the parent company's Board of Directors, the audit committee is responsible for assessing the sufficiency and pertinence of risk management.

For risk management, the Group uses forward contracts, options, commodity derivatives, interest rate swaps and reference rate changes, if necessary, as well as various selling and buying orders based on threshold values.

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.

Currency risk
Operating internationally, the Group is subjected to currency transaction risks as well as risks that arise when different currencies, investments, assets and liabilities are converted into the parent company's functional currency. For the Group, the most significant currencies are the U.S. dollar (USD) and the Swedish krona (SEK). In relation to these, currency positions are determined at least once a year, and the currency positions are hedged, in accordance with foreign exchange trends, with hedging instruments to a degree ranging from 0 to 125 percent. Currently, the Group has not hedged net investments in foreign units by using external loans denominated in the corresponding currency or by using foreign exchange forward contracts. All of the Group's external loans are denominated in euro's.

The U.S. dollar is important for the Group, because the prices of the metals it purchase are determined based on the dollar. The combined effect of metal and pulp prices and the USD/EUR ratio is essential to the Group. If the dollar had been 10 percent stronger against the euro on the closing date of the financial period, its effect on the operating result before taxes would have been EUR -3.5 million (-4.5). Had the dollar been 10 percent weaker, its effect would have been EUR 3.5 million (4.5).
Interest rate risk
The Group's interest rate risks arise from borrowing.

Finance leases and part of external loans have fixed interest rates The reference rates for other external loans is 3-month Euribor. On the closing date of the financial year, the Group's average financing rate for external loans was 4.4 percent (4.4). If the average interest rate had been 1 percentage point higher, it would have affected the Group's result before taxes by EUR -0.1 million (-0.1 million).

Commodity risk
In the Cable segment, the key raw materials are metals (copper and aluminium) and plastics. Partial price hedging through commodity derivatives is used in metal purchases. In terms of metals, the development of dollar prices is important for the Group, as is the development of the USD/EUR ratio. If the market value of aluminium had been 10 percent higher on the closing date of the financial period, its effect on the operating result before taxes would have been EUR 0.3 million (0.3) in terms of commodity derivatives. Had the market value of aluminium been 10 percent lower, its effect on the operating result before taxes would have been EUR -0.3 million (-0.3 million). If the market value of copper had been 10 percent higher on the closing date of the financial period, its effect on the operating result before taxes would have been EUR 0.0 million (0.2) in terms of commodity derivatives. Had the market value of copper been 10 percent lower, its effect on the operating result before taxes would have been EUR -0.0 million (-0.2).

Partial price fixing is used with electricity.

Liquidity risk
Ensuring liquidity and sufficient funding by conducting negotiations on financing and payment terms, measures for boosting inventory and freeing up capital assets are taken into action.

The Group aims to continuously evaluate and monitor the amount of financing required by its business operations in order to ensure that the Group has sufficient liquid funds to finance operations and repay loans.

The Group uses sales of accounts receivables as a part of optimising circulation of working capital and controlling liquidity risk.

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. The covenant terms of the limit loan (equity ratio, ownership, clean down period) were meet on 31 December 2018.

EUR 1,000	Balance sheet value	Cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31/12/2018						
Bank loans	3 000	3 000	3 000	0	0	0
Other loans	6 664	6 664	2 414	1 641	1 481	1 128
Finance lease agreements	3 345	4 665	455	910	1 699	1 600
Accounts payable and other liabilities	17 483	17 483	17 483	0	0	0
Total	30 493	31 811	23 352	2 551	3 180	2 728
Derivatives						
Commodity derivatives	-232	-232	-159	-73	0	0
Financial derivatives	42	42	42	0	0	0

EUR 1,000	Balance sheet value	Cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31/12/2017						
Other loans	6,183	6,183	1,849	1,233	1,974	1,128
Finance lease agreements	3,596	5,120	455	910	1,365	2,390
Accounts payable and other liabilities	17,203	17,203	17,068	135	0	0
Total	26,982	28,506	19,372	2,278	3,339	3,517
Commodity derivatives	247	247	57	190	0	0

The figures are undiscounted and include both interest payments and principal repayments.

Credit risk
The Group manages its credit risk by regularly monitoring the credit rating of its key partners – customers, suppliers and other partners – and by regularly and actively monitoring customer payment behaviour and external information. In addition, Reka Cables Ltd has customer-specific credit insurance. The Group also manages its credit risk through market-specific and customer-specific payment terms. The Group's maximum credit risk corresponds to the book value of financial assets at the end of the financial period. Age analysis of sales receivable is presented in enclosure 18. Taken all market areas into the consideration the largest customer Group´s share of the Group´s turnover was 28.4 % , the share of the second largest was 14.4 % and the share of the third largest was 10.7 %.. Other separate customer´s share of the Group´s turnover was under 10 %.

Investment market risk
Through its investments in securities, the Group is subjected to investment market risks. Market prices of shares, changes in fund values and the general market situation affect the company's performance through changes in the values of said investments. The company had no active investments in securities on the closing date of the financial period.

Accounting policy

Derivatives are recognised at fair value on the date when the Group becomes party to a derivative contract. Derivatives are recognised either as current or non-current receivables or liabilities on the balance sheet.

Based on IFRS 9 for the 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 hedges made before January 1, 2018 are included to the operating result. Handling of other hedges was not changed.

Gains and losses arising from fair value measurement are recognised in accordance with the derivative's use as follows:

- The 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.
- Derivatives that hedge turnover are included in turnover.
- Changes in metal derivatives targeted at customer orders are included in material purchases, as are commodity derivatives with a maturity of less than 12 months.
- Commodity derivatives with a maturity of 12 months or more are included in financial income or expenses.
- Derivatives related to financing are included in financial income or expenses.

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).

2.15. Capital management

The Group invests in industrial companies. In capital management, it monitors key figures, such as return on investment (ROI), equity ratio, operating profit and earnings per share.

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

2.16. Fair values of financial assets and liabilities

Derivatives are presented in note 2.14. Other cash and cash equivalents as well as receivables and liabilities are recognised in accordance with the amount open in the financial statements, excluding any credit losses. Fair values and those hierarchy levels are not presented as the bookkeeping values are rather close to the fair values.

For the 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. Other hedges are included to the operating result in a way described more specifically in note 2.14.

3. Other notes

3.1. Other leases

Accounting policy

Lease agreements in which the lessor bears the risks and rewards of ownership are recognised in other leases. Rents payable under other leases are recognised as expenses in the income statement in equal instalments during the lease period. Lease agreements mainly consist of premises, vehicles and equipments. Lease agreements include VAT.

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 minimum lease payments of Riihimäki plant has been handled according to the present contract (6 month, totalling EUR 0.5 million). The lessor has option to transfer present contract as fixed-term contract with 10 years rental time.

The income statement for 2018 includes EUR 2.6 million (2.5) in expenses based on other leases.

Due IFRS 16 standard major part of other leases is transferred to non-current assets and financial liabilities. Effects of IFRS 16 to the opening balance at 1 January 2019 is described in chapter of adoption of new and amended standards and interpretations applicable in future financial years.

3.2. Contingent liabilities and commitments

Accounting policy

A contingent liability is a conditional obligation resulting from previous events that is confirmed when an uncertain eventuality beyond the Group's control actually occurs. Contingent liabilities also include existing obligations which are not likely to require payment or the amount of which cannot be determined reliably. Potential contingent liabilities are presented in this note.

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

Previously granted business mortgages, total EUR 15 million are existing and EUR 11 million are under company's own control.

Investment commitments
On December 2018 the investment commitments for tangible fixed assets amounted to EUR 0.3 million (0.4).

3.3. Group structure

The Neo Industrial Group's internal parent companies, subsidiaries and associated companies 31.12.2017:

Company name	Home country	Domicile	Group's equity share (%)	Group's share of votes (%)
Parent company: Neo Industsrial Oyj	Finland	Hyvinkää		
Alnus Oy	Finland	Helsinki	100.00	100.00
Metsämarkka 1 Oy	Finland	Hyvinkää	100.00	100.00
Metsämarkka 101 Oy	Finland	Hyvinkää	100.00	100.00
Novalis Oyj	Finland	Helsinki	100.00	100.00
Reka Kaapeli Oy	Finland	Hyvinkää	100.00	100.00
Reka Kabel Ab	Sweden	Göteborg	100.00	100.00
Reka Kabel AS	Norway	Kolbotn	100.00	100.00
Reka Kabel A/S	Denmark	Roskilde	100.00	100.00
OOO Reka Kabel	Russia	Pietari	99.00	99.00
Reka Cables Baltic OÜ	Estonia	Tallinna	100.00	100.00
Nestor Cables Oy	Finland	Oulu	22.94	22.94
TOO Reka Kabel	Kazakstan	Almaty	100.00	100.00
Riihimäen Kaapelitehdas Oy	Finland	Riihimäki	49.01	49.01

The Group has decided to continue carrying out the simplifications of the Group structure and started in October 2018 the merge process of two companies. The timing of merges of Metsämarkka 101 Ltd and Novalis PLC to Alnus Ltd is planned to be end of March 2019.

3.4. Related-party events

The Group´s related parties include the subsidiaries and associated companies, other companies belonging to the Reka Group, Reka Pension Fund, the Group´s Board of Directors and management group. The management group consists of Managing Director 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	1-12/2018	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. When IFRS 16 come to force the rental agreements will be handled according to IFRS 16.

The Neo Industrial 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, financial costs and liabilities by EUR -0.7 (-0.1) million that was booked through consolidated statement of 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 company, which owns the property in Riihimäki 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 has been defined as key persons and to the Group's related parties.

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 bonus system and the terms of the bonus system is decided each year in the Annual General meeting. The Board of Directors do not have any other benefits. Part of the yearly and bonus remunerations can be paid via shares according to the decisions made in the AGM. Payments by shares are always released separately.

AGM in 2018:

- The AGM confirmed 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 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 with 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 2018 and the shares will be handed over in June 2019.
- The AGM confirmed that the members of the Board be paid a bonus based on the development of the company´s B share price, the amount of which is EUR 1,000 for the chairman of the Board and EUR 500 for the members of the Board, multiplied by annual return based on the share price development of Neo Industrial Plc´s class B share share (average share price in May 2019 – average share price in May 2018). Should the annual return exceed 50 percent, the bonus shall be paid in accordance with 50 percent. Thus, the highest multiplier is 50.

- The AGM decided that cirka 40 per cent of the bonuses will be paid with 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 2019.

The Management does not have any bonus system in Neo Industrial. The Managing Director act also as Managing Director of Reka Cables Ltd having bonus system at Reka Cables Ltd.

Salaries and other fringe benefits by person:

EUR 1,000	**2018**	**josta osakkeilla maksettu**	**2017**
Salaries and fees:			
Ralf Sohlström, Managing Director	325		299
Sari Tulander, Member of the Board (CFO)	24		24
Board of Directors:			
Markku E.Rentto	22	5	29
Raimo Valo	0	0	3
Jukka Koskinen	56	4	58
Marjo Matikainen-Kallström	17	4	20
Ari Järvelä	16	4	16
Total	459	17	447

The amounts above include statutory pension insurances as follows: Ralf Sohlström EUR 58 thousand (54).

EUR 1,000	**1-12/2018**	**1-12/2017**
Other purchases	52	74
Other debts at the end of the period	7	4

The Group CFO is not employed by the company and therefore her rewards are handled as other purchases with other related parties, in total EUR 38 (56) thousand.

The Group has no other significant transactions, receivables, liabilities or guarantees involving related parties.

3.5. Major events after the end of the financial period

According to the company, the sanctions related to metals 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.

3.6. Key financial indicators

Accounting policy

Alternative performance measures
Neo Industrial use in its financial reporting the alternative performance measures according to the European Securities and Markets Authority (ESMA).

ESMA guidelines came into force on 3 July 2016. The financial statements include alternative performance measures. According to Neo Industrial´s interpretation of the ESMA guidelines, in addition to the operating profit, return on equity (ROE), return on investment (ROI), gross investments, gearing and the equity ratio can all be counted as alternative performance measures. The calculation principles of alternative performance measures are presented in the financial statements for the year 2016, as well as in the previous financial statements. The definition of operating profit has been clarified during financial year 2016.

The company joined a pension fund in 31 December 2015. The balance sheet capital, non-interest-bearing debts and total are fluctuated by the pension liabilities according to IAS 19, for which the largest contributing factor is the fluctuation of the discount rate. In the end of the financial year 2016 the company has updated its alternative performance measures so that IAS 19 effects are eliminated for balance items in order to follow business development more effectively. Names of those alternative performance measures are written so that adjustments can be seen from the name. Updated alternative performance measures are IAS 19 corrected Equity ratio, IAS 19 corrected gearing, IAS 19 corrected ROE. From balance items and total balance amount the effects of IAS 19 are removed when calculating related indicators. IAS 19 corrected indicators are matched with the 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.

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
Dividend/share, EUR	0.02	0.08	0.00
Dividend/earnings, %	-22.58 %	15.69 %	0.00 %
Effective dividend yield, %	0.99 %	1.60 %	0.00 %
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	=	Profit for the period attributable to equity holders of the parent company Number of shares adjusted for share issues (average)	
Equity per share, EUR	=	Shareholders' equity - non-controlling interest Number of shares adjusted for share issues at the end of the period	
Dividend per share, EUR	=	Dividend for the period Number of shares adjusted for share issues at the end of the period	
Dividend per earnings, %	=	Dividend/share Earnings/share	x 100
Effective dividend yield, %	=	Dividend/share Share price adjusted for share issues at the end of the period	x 100
Price/earnings (P/E)	=	Share price adjusted for share issues at the end of the period 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	

Alternative Performance Measures:

IAS 19 corrected Return on equity (ROE) %	=	Result for the period Shareholders' equity excluding effects of IAS 19 bookings (average)	x 100
IAS 19 corrected Equity ratio, %	=	Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings Balance sheet total - advances received excluding effects of IAS 19 bookings	x 100
IAS 19 corrected Gearing, %	=	Interest-bearing liabilities - cash and cash equivalents, liquid financial and investment securities Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings	x 100
Return on investment (ROI) %	=	Profit before taxes + interest and other financial expenses [Balance sheet total - obligatory provisions and non-interest-bearing liabilities] (average)	x 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

INCOME STATEMENT OF THE PARENT COMPANY (FAS)

	Notes	1/1-31/12/2018	1/1-31/12/2017
TURNOVER	1	329,500.20	317,800.00
Other operating income	2	92,107.12	68,027.74
Materials and services		0.00	-1,146.73
Personnel expenses	3	-69,899.98	-143,619.92
Depreciation and impairment	4	-18,409.81	-14,176.12
Other operating expenses	5	-887,869.78	-570,213.34
OPERATING RESULT		-554,572.25	-343,328.37
Financial income and expenses	6	931,776.05	572,232.34
RESULT BEFORE TAXES AND APPROPRIATIONS		377,203.80	228,903.97
Appropriations	7	662,651.40	797,805.14
Taxes	8	-209,556.06	-186,231.34
RESULT FOR THE PERIOD		830,299.14	840,477.77

BALANCE SHEET OF THE PARENT COMPANY (FAS)

	Notes	31/12/2018	31/12/2017
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	185,612.00	155,012.00
Tangible assets	10	231,013.57	109,932.79
Other investments	11	1,450,956.63	1,450,956.63
		1,867,582.20	1,715,901.42
CURRENT ASSETS			
Non-current receivables	12	20,944,000.00	20,128,000.00
Current receivables	13	13,582,170.36	13,205,953.89
Cash and cash equivalents		419,298.78	120,292.24
		34,945,469.14	33,454,246.13
ASSETS		36,813,051.34	35,170,147.55
LIABILITIES			
SHAREHOLDERS´EQUITY	14		
Share capital		24,081,440.00	24,081,440.00
Premium fund		66,400.00	66,400.00
Reserve fund		1,221,254.58	1,221,254.58
Retained profit		574,289.43	192,572.06
Other unrestricted equity		435,611.31	435,611.31
Result for the period		830,299.14	840,477.77
		27,209,294.46	26,837,755.72
ACCUMULATED APPROPRIATIONS	15	19,843.63	15,495.03
OBLIGATORY PROVISIONS	16	4,280,324.08	4,478,440.07
NON-CURRENT LIABILITIES	17	1,134,557.59	1,135,665.73
CURRENT LIABILITIES	18	4,169,031.58	2,702,791.00
LIABILITIES		36,813,051.34	35,170,147.55

PARENT COMPANY CASH FLOW STATEMENT (FAS)

EUR 1,000	**1/1-31/12/2018**	**1/1-31/12/2017**
Cash flow from operating activities:		
Payments received from operating activities	409,848.76	1,128,353.65
Payments paid on operating activities	-1,453,294.88	-2,059,900.50
Paid interests and other financial expenses	-481,113.70	-374,185.66
Interests received and other financial income	72,833.42	90,223.59
Direct taxes paid	-236,882.11	-222,641.31
Cash flow from operating activities	**-1,688,608.51**	**-1,438,150.23**
Cash flow from investments:		
Investments in tangible and intangible fixed assets	-170,090.59	-124,158.10
Loans granted	0.00	-2,519,716.96
Loan repayments	15,659.46	0.00
Cash flow from investments	**-154,431.13**	**-2,643,875.06**
Cassh flow from financing activities:		
Increase in loans	3,181,793.96	0.00
Decrease in loans	-1,267,412.59	-2,298,526.29
Maksetut osingot ja muu voitonjako	-475,760.40	-235,893.08
Group contributions received/paid	703,425.21	5,366,574.79
Cash flow from financing activities	**2,142,046.18**	**2,832,155.42**
Change in cash and cash equivalents	**299,006.54**	**-1,249,869.87**
Cash and cash equivalents at the beginning of the period	120,292.24	1,370,162.11
Cash and cash equivalents at the end of the period	**419,298.78**	**120,292.24**

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (FAS)

ACCOUNTING POLICIES

The financial statements of the parent company have been prepared in accordance with the general accounting principles of Finnish Accounting Standards (FAS; chapter 3, section 3).

Valuation principles

Valuation of non-current assets
Non-current assets are recognized in the balance sheet at original cost less depreciation. Depreciation has been determined on the basis of the useful lives of the assets. Machinery and equipment are depreciated over a period of 3 to 5 years.

Valuation of current assets
The company's financial securities are recognized at fair value. Realised and unrealised gains and losses from changes in fair value are recognized in the income statement in the financial period in which they occur.

Fair value is assessed based on information received from the counterparty or a valuation report or valuation model submitted by a third party.

Recognition of pensions
The statutory pension insurance for staff has been transferred to Reka Pension Fund on 31.12.2015. Pension expenses are recognized as costs in the financial year during which they are accumulated.

Comparability of the profit

Profit is comparable to previous year's profit.

Foreign currency items

Receivables and liabilities denominated in foreign currencies have been converted to euros using the exchange rate listed by the European Central Bank on the closing date of the financial period.

NOTES TO THE INCOME STATEMENT

1. Turnover

	2018	2017
Turnover from consulting and management services	329,500.20	317,800.00
	329,500.20	317,800.00

2. Other operating income

	2018	2017
Rental income from Group companies	0.00	960.00
Rental income from other companies	86,733.18	66,890.01
Other income	5,373.94	177.73
	92,107.12	68,027.74

3. Personnel expenses

	2018	2017
Salaries and fees	69,899.98	135,459.18
Pension expenses	0.00	7,349.33
Other personnel expenses	0.00	811.41
	69,899.98	143,619.92
of which		
Board of Directors´ fees	69,899.98	86,950.02
	69,899.98	86,950.02

4. Depreciation and impairment

	2018	2017
Depreciation on machinery and equipment	3,510.83	3,510.85
Depreciation on other tangible assets	12,558.29	10,665.27
Depreciation on buildings	2,340.69	0.00
	18,409.81	14,176.12
Total depreciation and impairment	18,409.81	14,176.12

5. Other operating income

	2018	2017
Rents	176,538.39	180,418.04
Voluntary personnel expenses	560.00	1,192.96
Audit of the accounts	32,951.23	35,265.00
Consultant services	288,084.14	257,500.43
Sales and marketing	24,702.25	1,982.73
Machinery and property maintenance costs	114,368.42	98,421.23
Change in obligatory provisions	1,884.01	-195,889.54
Other expenses	248,781.34	191,322.49
	887,869.78	570,213.34

Fees paid to the auditors

The amounts are included in other operating expenses	2018	2017
Annual audit of the accounts	22,724.23	21,200.00
Tax services	7,437.00	850.00
Other services	2,790.00	13,215.00
	32,951.23	35,265.00

6. Financial income and expenses

Financial income	2018	2017
Dividend yield from others	52.44	55.20
Interest and financial income from Group companies	1,251,718.34	842,992.03
Interest and financial income from other companies	0.15	23.39
	1,251,770.93	843,070.62
Financial expenses		
Interest and financial expenses to Group companies	-53,777.18	-44,250.56
Interest and financial expenses to other comapanies	-266,217.70	-226,587.72
	-319,994.88	-270,838.28
Total financial income and expenses	931,776.05	572,232.34

7. Appropriations

	2018	2017
Change in cumulative accelerated depreciation	-4,348.60	-2,194.86
Group contributions received	667,000.00	800,000.00
Total appropriations	662,651.40	797,805.14

8. Taxes on the income statement

	2018	2017
Income taxes	209,556.06	167,693.13
Other taxes	0.00	18,538.21
Taxes total	209,556.06	186,231.34

NOTES TO THE BALANCE SHEET

9. Intangible assets

Intangible assets	2018	2017
Acquisition costs 1/1	155,012.00	57,512.00
Increase	30,600.00	97,500.00
Acquisition costs 31/12	185,612.00	155,012.00
Book value 31/12	185,612.00	155,012.00

10. Tangible assets

Land and water areas	2018	2017
Acquisition costs 1/1	0.00	0.00
Increase	29,685.00	0.00
Acquisition costs 31/12	29,685.00	0.00
Book value 31/12	29,685.00	0.00

Buildings	2018	2017
Acquisition costs 1/1	0.00	0.00
Increase	100,315.00	0.00
Acquisition costs 31/12	100,315.00	0.00
Accumulated depreciation 1/1	0.00	0.00
Depreciation according to plan	-2,340.69	0.00
Accumulated depreciation 31/12	-2,340.69	0.00
Book value 31/12	97,974.31	0.00

Machinery and equipment (EUR 1,000)	2018	2017
Acquisition costs 1/1	176,929.12	150,271.02
Increase	9,490.59	26,658.10
Acquisition costs 31/12	186,419.71	176,929.12
Accumulated depreciation 1/1	-66,996.33	-52,820.21
Depreciation according to plan	-16,069.12	-14,176.12
Accumulated depreciation 31/12	-83,065.45	-66,996.33
Book value 31/12	103,354.26	109,932.79

11. Other investments

Holdings in Group companies:

	2018	2017
Acquisition costs 1/1	1,450,956.63	1,450,956.63
Acquisition costs 31/12	1,450,956.63	1,450,956.63

Holdings in Group companies	Business ID	Share capital EUR 1,000	Number of shares	Proportion of Shares, %
Alnus Oy, Helsinki	0762281-4	168	1,000	100000.00 %
Riihimäen Kaapelitehdas Oy, R	2746558-8	2,403	961	96100.00 %

Neo Industrial Plc owns the whole share capital of its subsidiary Alnus Ltd. Share of Riihimäen Kaapelitehdas Ltd is 49.01 %

12. Non-current receivables

	2018	2017
Subordinated loan receivables from Group companies	13,600,000.00	13,600,000.00
Non-current interest receivables from Group companies	7,344,000.00	6,528,000.00
Total	20,944,000.00	20,128,000.00

13. Current receivables

	2018	2017
Sales receivables	1,014.45	949.70
Sales receivables from Group companies	385,473.50	376,771.20
Current loan receivables from Group companies	11,564,791.76	5,579,371.72
Interest receivables from Group companies	779,308.14	416,370.63
Other receivables, Neo Indutrial Group	0.00	703,425.21
Accrued income from Group companies	667,000.00	6,003,579.50
Other receivables	16,816.92	6,840.00
Accrued income	167,765.59	118,645.93
Total	13,582,170.36	13,205,953.89

Material items of accrued income

	2018	2017
Accrued income from Group companies	667,000.00	6,003,579.50
Other accrued income	167,765.59	118,645.93
Total	834,765.59	6,122,225.43

14. Shareholders´equity

	2018	2017
Share capital 1/1		
Series A	558 400,00	558 400,00
Series B	23 523 040,00	23 523 040,00
Share capital 31/12	24 081 440,00	24 081 440,00
Premium fund 1/1	66 400,00	66 400,00
Premium fund 31/12	66 400,00	66 400,00
Reserve fund 1/1	1 221 254,58	1 221 254,58
Reserve fund 31/12	1 221 254,58	1 221 254,58
Restricted equity 31/12	25 369 094,58	25 369 094,58
Own shares 1/1	0,00	-106 127,94
Payments by own shares	0,00	106 127,94
Own shares 31/12	0,00	0,00
Retained profit 1/1	1 033 049,83	-20 655 302,07
Transfer from unrestricted equity	0,00	20 655 302,07
Payments by own shares	17 000,00	192 572,06
Dividends paid	-475 760,40	0,00
Retained profit 31/12	574 289,43	192 572,06
Other unrestricted equity 1/1	435 611,31	21 326 806,46
Transfer to retained profit	0,00	-20 655 302,07
Return from unrestricted equity	0,00	-235 893,08
Other unrestricted equity 31/12	435 611,31	435 611,31
Result for the period	830 299,14	840 477,77
Unrestricted equity 31/12	1 840 199,88	1 468 661,14
Shareholders´equity 31/12	27 209 294,46	26 837 755,72

The parent company´s share capital by share series	Number	2018 Shareholders´ equity	Number	2017 Shareholders´ equity EUR 1,000
Series A (20votes/share)	139,600	558	139,600	558
Series B (1 vote/share)	5,880,760	23,523	5,880,760	23,523
	6,020,360	24,081	6,020,360	24,081

15. Accumulated appropriations

	2018	2017	Change
Difference between depreciation accoring to plan and depreciation in accordance with the Finnish Business Tax Act (EVL)	19,843.63	15,495.03	4,348.60

16. Obligatory provisions

	2018	2017
Rental loss provision	680,324.08	678,440.07
Payment guarantee for the purchase price of premises (Avilon Fibres Ltd)	3,600,000.00	3,800,000.00
Total obligatory provisions	4,280,324.08	4,478,440.07

In Financial Statement of year 2012 company booked through income statement the guarantees given on behalf of Avilon Fibres Ltd, totalling EUR 5.3 million. Part of the related industrial premises was sold in 2017 and guarantee obligation has been lowered by related sales price (EUR 0.2 million).
The remaining amount of the guarantee at 31 December 2018 is EUR 3.6 million, which is paid annually by amounts of EUR 0.2 million until year 2035.

17. Non-current liabilities

	2018	2017
Other liabilities	1,134,557.59	1,135,665.73
Total	1,134,557.59	1,135,665.73

18. Current liabilities

	2018	2017
Accounts payable	72,035.97	77,118.38
Accruals and deferred income	97,290.19	420,036.53
Muut lyhytaikaiset velat	0.00	5,386.00
Other liabilities to Group companies	1,999,705.42	1,200,250.09
Other liabilities	2,000,000.00	1,000,000.00
Total	4,169,031.58	2,702,791.00

Material items of accrued liabilities

	2018	2017
Personnel expenses allocated by period	45,075.00	40,275.02
Tax liability	38,651.06	177,882.91
Other accrued liabilities	13,564.13	201,878.60
Total	97,290.19	420,036.53

19. Contingent liabilities

Financial lease and other lease liabilities

	2018	2017
Maturing within 1 year	179,161.68	174,626.75
Maturing in 1 to 5 years	716,646.72	698,507.00
Maturing after 5 years	2,090,219.60	2,211,938.83
Total	2,986,028.00	3,085,072.58

20. List of bookkeeping books and vouchers

List of bookkeeping books and vouchers and their preservation:

Journal and general ledger	in electric format
Sales receivable and accounts payable	in electric format
Bank statements	in electric format
Sales invoices	in electric format
Purchase invoices	in electric format
Travel invoices	in electric format
Payroll	in electric format
Memorandums	in electric format
Note vouchers	in electric format

Bookkeeping books and vouchers are preserved at archive (Kankurinkatu 4-6, 05800 Hyvinkää).

During financial year 2018 the following voucher classes were used:

1	General ledger
10	Payroll seasoning
26	Payments of sales receivable
32	Payments of accounts payable
35	Purchase invoices
40	Sales invoices
60	Memorandums
90	Seasonal vouchers
96	Payroll
99	Note vouchers

21. Board’s proposal to the Annual General meeting

The parent company’s unrestricted equity stood at EUR 1,840,199.88 including the result of the review period EUR 830,299.14. The Board proposes to the Annual General Meeting that a dividend of EUR 0.02 in total per share will be paid in two parts. EUR 0.08 per share was paid for 2017. According to the Board proposed share of dividend is not a risk to company’s liquidity.

Signatures of the Financial Statement and Board of Directors´ report

Helsinki, 26 February 2019

MARKKU E.RENTTO
Markku E. Rentto
Chairman

JUKKA KOSKINEN
Jukka Koskinen

MARJO MATIKAINEN-KALLSRTÖM
Marjo Matikainen-Kallström

ARI JÄRVELÄ
Ari Järvelä

RALF SOHLSTRÖM
Ralf Sohlström
Managing Director

AUDITOR'S NOTE

We have issued the auditor's report today.

Helsinki, 26 February 2019

KPMG OYAB
Authorized Public Audit Firm

LASSE HOLOPAINEN
Lasse Holopainen
APA

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Neo Industrial Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Neo Industrial Plc (business identity code 0693494-7) for the year ended December 31, 2018. The financial statements comprise consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 1.5 Other operating expenses to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue recognition (Accounting policies for the consolidated financial statements and note 1.1)	
Revenue recognition is one of our focus areas due to following, for example: Volumes of individual sales transactions are relatively large. The Group uses different pricing models, client contract templates as well as sales channels. Part of the client contracts include terms for storing products on behalf of the client. The user rights in the sales-related IT systems are relatively extensive.	Our audit procedures covered assessment of the sales-related internal control environment, as well as testing of the operating effectiveness of the associated key controls. We also carried out both analytical and substantive audit procedures. Our audit procedures included key person interviews and assessment of the appropriateness of the revenue recognition principles and practices applied. We inspected the contents of the essential sale agreements and tested the consistency of the accounting with the terms of sale in the agreements. As part of our year-end audit procedures we tested the recognition of revenues on accrual basis. Our work also included consideration of rebates and discount practices and the process for recognising credit notes, as well as testing of related controls and accounting material. In addition, we considered the appropriateness of the Group's disclosures in respect of revenues.
Financing arrangements of the Group (Accounting policies for the consolidated financial statements and notes 2.10, 2.14, 3.4 and 3.5)	
As a result of the financing agreement carried out in previous years the liability of Neo Industrial Group to Reka Group amount to EUR 3.1 million as at December 31, 2018.	We discussed regularly the ongoing and planned financing arrangements with the Group management. Our audit procedures included assessment of

In recent years the liquidity position of the Group has been occasionally challenging and the Group has continued arrangements relating to its financing during 2018.

In order to enhance the liquidity position, especially in peak season, the Group has agreed in 2018 on a new limit loan of EUR 3.0 million.

the administrative documents and agreements regarding the executed financing arrangements. We also assessed the reasonableness of the cash flow estimates prepared by the Group management.

In addition, we considered the appropriateness of the Group's disclosures in respect of financing.

Related party transactions
(Accounting policies for the consolidated financial statements and notes 3.4 and 3.5)

Related party transactions are one of our focus areas due to following, for example:

The Group has significant transactions with its related parties.

Due to the above-mentioned reasons the accuracy and the adequacy of the financial statement information on related party transactions is emphasized.

We assessed the Group's process for identifying related parties and recording and disclosing related party transactions in the financial statements.

Our audit procedures included assessment of the administrative documents and agreements with related parties to understand the nature of the transactions. We also assessed uniformity of accounting treatment regarding related party transactions with the underlying material.

In addition, we considered the appropriateness of the Group's disclosures in respect of related party transactions.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on March 29, 2012, and our appointment represents a total period of uninterrupted engagement of 7 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. We have obtained the report of the Board of Directors prior to the date of this auditor’s report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki February 26, 2019

KPMG OY AB

LASSE HOLOPAINEN
Authorized Public Accountant, KHT

SHAREHOLDERS 31.12.2018

Neo Industrial Plc´s ten largest shareholders on Decmber 31 2018

	A-class shares	B-class shares	Shares total	Proportion of equity %	Prpportion of votes %
Reka Oy	139,400	2,916,387	3,055,787	50.76	65.77
Neo Industrial Oyj		72,439	72,439	1.23	0.84
Kuisla Reima		59,870	59,870	0.99	0.69
Sinkko Erkki		39,000	39,000	0.65	0.45
Skandinaviska Enskilda Banken AB		34,921	34,921	0.58	0.40
Sijoitusrahasto Titanium osake		32,260	32,260	0.54	0.37
Lainema Matti		32,000	32,000	0.53	0.37
Vehviläinen Teemu		31,100	31,100	0.52	0.36
Haloan Oy		26,000	26,000	0.43	0.30
Therman Markus		22,439	22,439	0.37	0.26
Other shareholders	200	2,614,344	2,614,544	43.40	30.19
Total	139,600	5,880,760	6,020,360	100.00	100.00

Ownership by type of shareholder

Type of shareholder	Share-holders no.	Share-holders %	Shares total	Proportion of equity %	Proportion of votes %
Companies	215	1.89	3,354,316	55.72	69.25
Financial institutions and insurance companies	9	0.08	76,608	1.27	1.43
Public organisations	61	0.54	45,080	0.75	0.52
Non-profit organisations	187	1.64	106,749	1.77	1.23
Households	10,907	95.77	2,378,533	39.51	27.43
Outside Finland	10	0.09	5,886	0.10	0.13
Nominee registered	7	0.00	53,188	0.88	0.61
Not in the book-entry securities system			0	0.00	0.00
Total	11,389	100.00	6,020,360	100.00	100.00

Ownership by the amount held

Shares held	Share-holders no.	Share-holders %	Shares total	Proportion of equity %	Proportion of votes %
1 - 50	5,102	44.80	144,996	2.41	1.68
51 - 100	2,808	24.66	244,485	4.06	2.84
101 - 1 000	3,047	26.75	992,784	16.49	11.47
1 001 - 10 000	409	3.59	1,022,313	16.98	11.79
10 001 -	23	0.20	3,615,782	60.06	72.23
Not in the book-entry securities system			0	0.00	0.00
Total	11,389	100.00	6,020,360	100.00	100.00

Management's shareholding
The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,950,868 (2,950,868) of Neo Industrial's B shares on 31 December 2018. Neo Industrial held 72,439 (74,271) of its own shares on 31 December 2018.

Shares and share capital
Neo Industrial Plc's share capital was EUR 24,081,440 (24,081,440) on 31 December 2018. The share capital is divided into 6,020,360 shares. Of the shares, 139,600 are A shares with 20 votes per share and 5,880,760 are B shares with one vote per share. The total number of votes is 8,672,760, of which A series represents 2,792,000 votes and B series represents 5,880,760 votes. The total number of shares includes 72,439 (74,271) B shares owned by Neo Industrial. The company's Articles of Association do not include any redemption clauses. There are no shareholder agreements.