

### **NEO INDUSTRIAL GROUP**

FINANCIAL STATEMENTS 2017 AND BOARD OF DIRECTORS' REPORT

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#### BOARD OF DIRECTOR'S REPORT 1/1 - 31/12/2017

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

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

The operating result was EUR 5.1 million (5.9). The decline in the operating profit is caused by increasing raw material prices which are always transferred with delay into the sales prices. In addition to that during the last quarter of the year the operating profit was stressed by the changes in exchange rates, especially the Norwegian and Swedish krona.

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

#### CONSOLIDATED FINANCIAL STATUS AND PERFORMANCE INDICATORS (IFRS)

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

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.

#### SEGMENTS

Neo Industrial's business segment is Cable Industry.

#### **CABLE**

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

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

The industry's key raw materials are copper, aluminum and plastics. At the beginning of the year the price of copper was EUR 5365 and the price of aluminum was EUR 1638. At the end of the financial year, the price of copper was EUR 5967 and the price of aluminum EUR 1869 which is 11 percent and 14 percent higher than in the beginning of the year. At its highest point, the daily price of copper during the review period was EUR 6043 in December, and at its lowest in June, at EUR 4925. The price of aluminum has been at its highest in November, when it was EUR 1883, and its lowest in August, when it was EUR 1591.

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

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

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

#### BALANCE SHEET AND FINANCING

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

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

#### MAJOR EVENTS AFTER THE REVIEW PERIOD

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

#### SHARE PRICE AND TRADING VOLUME

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

#### GROUP STRUCTURE AND SHAREHOLDERS

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

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

At the end of the year, the combined holding of the ten largest shareholders was 57.7 percent (57.5) of the shares and 70.6 percent (70.6) of the votes.

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

#### **RISKS AND UNCERTAINTY FACTORS**

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

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

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

#### RESEARCH AND DEVELOPMENT

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

#### **PERSONNEL**

During the financial year, the Group employed an average of 269 people (2256 in 2016 and 241 in 2015). At the end of 2017, the Group employed 261 (258 in 2016 and 240 in 2015) people, of whom 261 (257 in 2016 and 239 in 2015) worked in the Cable segment and 0 (1 in 2016 and 1 in 2015) in Group administration. The Group paid a total of EUR 12.0 million (11.6 million in 2016 and 10.5 million in 2015) in performance-based salaries and fees in 2017.

#### **ENVIRONMENT**

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

#### ANNUAL GENERAL MEETINGS

Neo Industrial's Annual General Meeting (AGM) was held in Helsinki on 30 March 2017.

The AGM approved the Board's proposal that no dividend be paid for the financial year 2016 resolved to distribute assets from the non-restricted equity of the company to the shareholders of the company for EUR 0.04 per share.

The AGM approved the 2016 financial statements and discharged the Board of Directors and CEO from liability for the year 2016.

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 2017 and the shares will be handed over in June 2018.

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 2018 – average share price in May 2017). Should the annual return exceed 50 percent, the bonus shall be paid in accordance with 50 percent.

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 2018 and the shares will be handed over in June 2018.

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 2018.

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

The 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 2017, Neo Industrial's audit committee reviewed business risks, balance sheet values, financing, liquidity, test calculation procedures, MAR and IFRS 15 regulations effects as well as the effects of various financial arrangements and structural changes on reporting. In guidance to internal audit measures requirements for documentation was noticed and emphasis to ICT risks 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 2017, its total share capital was EUR 24,081,440, and the number of shares was 6,020,360. The total number of shares includes 74,271 B shares held by Neo Industrial. The holding presents 1.2 percent of the company's share capital and 0.9 percent of the votes. The company held no A shares. Neo Industrial Plc's shares (NEO1V) are listed on the main list of NASDAQ Helsinki.

Company shares	31/12/2017	31/12/2016	31/12/2015
Company share capital (EUR)	24,081,440	24,081,440	24,081,440
A shares (20 votes per share)	139,600	139,600	139,600
B shares (1 vote per share)	5,880,760	5,880,760	5,880,760
Total	6,020,360	6,020,360	6,020,360
B shares held by the company	74,271	16,470	30,525

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

On 31 December 2017, the company held a total of 74,271 own B shares. Neo Industrial did not exercise it's authorisation 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 authorisation to transfer treasury B shares against or without payment. In the financial period of 2017, Neo Industrial Plc has paid remuneration and incentives to the Board of Directors with shares, totaling to 13,642 shares service fees totaling 35,000 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 1,468,661.14 including the result of the review period EUR 840,477.77. The Board proposes to the Annual General Meeting that a dividend of EUR 0.08 in total per share will be paid in two parts. EUR 0.04 per share was paid for 2016. According to the Board proposed share of dividend is not a risk to company's liquidity.

#### **NEAR-TERM OUTLOOK**

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

#### **ANNUAL GENERAL MEETING 2018**

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

Hyvinkää, 1 March 2018

Neo Industrial Plc

**Board of Directors** 

# CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000	Note	1/1-31/12/2017	1/1-31/12/2016
TURNOVER	1.1.	110,879	101,040
Change in inventories of finished products and			
production in progress		118	2,579
Production for own use		53	138
Other operating income	1.2.	307	411
Materials and services		-80,740	-72,464
Personnel expenses	1.3.	-14,837	-14,215
Depreciation and impairment	1.4.	-2,171	-2,091
Other operating expenses	1.5.	-8,540	-9,497
		-105,811	-95,139
Operating result		5,069	5,901
Financial income	1.7.	189	165
Financial expenses	1.7.	-1,986	-2,028
Thatford Oxportood	1.1.3	131	0
Result before taxes		3,403	4,038
Taxes	1.8.	-359	-722
Result for the period		3,044	3,316
Profit or loss attributable to			
Shareholders of the parent		3,044	3,316
Non-controlling interests		0	0
		3,044	3,316
Earnings per share attributable to the shareholders	4.0	0.54	0.55
of the parent before and after dilution, EUR	1.9.	0.51	0.55
Number of shares		5,946,089	6,003,890
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	E (IFRS)		
Result		3,044	3,316
Other comprehensive items that may subsequently		·	
reclassified to statement of income Translation differences related to foreign units		-6	13
Total		-6	13
Other comprehensive items that are not subsequently		Ŭ	10
reclassified to statement of income			
Items related to remeasurements of net defined benefit liability		-77	-1,821
Taxes of items that are not subsequently reclassified to statement			· · · · · · · · · · · · · · · · · · ·
of income		15	364
Total		-61	-1,457
Other comprehensive items total		-67	-1,444
Total comprehensive income		2,977	1,872
Total comprehensive income attributable to			
Shareholders of the parent		2,977	1,872
Non-controlling interests		0	0
•		2,977	1,872

# CONSOLIDATED BALANCE SHEET (IFRS)

EUR 1,000	Note	31/12/2017	31/12/2016
ASSETS			
Non-current assets			
Goodwill	2.2.	3,252	3,252
Other intangible assets	2.2.	1,645	1,059
Tangible assets	2.1.	13,905	13,769
Holdings in associates	2.3.	1,412	1,280
Receivables		30	57
Derivative contracts	2.14.	190	58
Deferred tax assets	2.4.	1,164	1,335
Total non-current assets	£ , "T*	21,598	20,810
Current assets			
Inventories	2.5	16.061	15 557
Sales receivables and other receivables	2.5.	16,061	15,557
Sales receivables and other receivables	2.6.	3,698	5,268
Tax receivables from the profit		1	10
Derivative contracts	2.14.	57	263
Cash and cash equivalents	2.7.	1,827	2,268
Total current assets		21,644	23,366
Total Assets		43,242	44,175
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	-106
Translation differences		-20	-14
Retained profit		-15,026	-38,852
Other unrestricted equity		436	21,328
Equity attributable to sharehoders of the parent		10,759	7,724
Non-controlling interets		0	0
Total shareholders' equity	2.8.	10,759	7,724
Non-current liabilities		10,7 00	. ,
Deferred tax liabilities	2.4.	21	42
Provisions	2.9.	2,557	2,612
Financial liabilities	2.10.	7,679	10,352
Other liabilities		2,777	2,383
Derivative contracts	2.14.	0	44
Current liabilities	70.10	•	
Tax liabilities from the profit		81	143
Provisions	2.9.	65	200
Financial liabilities	2.10.	2,100	3,447
Derivative contracts	2.14.	2,100	13
Accounts payable and other liabilities	2.12.	17,203	17,216
• •	۷. ۱۷.		
Total liabilities		32,483	36,452
Shareholders' equity and liabilities		43,242	44,175

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

EUR 1,000	Sha <i>r</i> e capital	Premium fund	Reserve fund	Own shares	Transla- tion diffe- rences		Other un- restricted equity	Retained profit	Shareholder's equity to the shareholders of the parent		Total sharehol- ders' equity
Shareholders' equity 31/12/2015	24,082	66	1,221	-197	-27	0	21,328	-40,647	5,827	0	5,827
Comprehensive income											
Result for the period								3,316	3,316	0	3,316
Other comprehensive items											
Items related to											
remeasurements of net						4 457					
defined benefit liability					40	-1,457			-1,457		-1,457
Translation differences					13	4 457		0	13	-	13
Total comprehensive income					13	-1,457		3,316	1,872	0	1,872
Transactions with the owners				04				~	00		00
Payments by own shares  Total transactions with the owners				91 91				-63 -63	28 28	0	28 28
Shareholders' equity 31/12/2016	24,082	66	1,221	-106	-14	-1,457	21,328	-37,395	7,724	0	7,724
									Sharehol-		
					T	Benefee	041		der's equity to the	N	Total
	Share	Promium	Pasanya	Own			Other un-	Patained	equity to the sharehol-		sharehol-
EUR 1.000		Premium fund			tion diffe-	liability	restricted		equity to the sharehol- ders of the	controlling	sharehol- ders
EUR 1,000 Shareholders' equity 31/12/2016	Share capital 24,082	Premium fund 66	Reserve fund	Own shares				Retained profit	equity to the sharehol-		sharehol-
	capital	fund	fund	shares	tion diffe- rences	liability IAS 19	restricted equity	profit	equity to the sharehol- ders of the parent	controlling interests	sharehol- ders' equity
Shareholders' equity 31/12/2016	capital	fund	fund	shares	tion diffe- rences	liability IAS 19	restricted equity	-37,395	equity to the sharehol- ders of the parent	controlling interests	sharehol- ders' equity
Shareholders' equity 31/12/2016 Comprehensive income Result for the period Other comprehensive items Items related to	capital	fund	fund	shares	tion diffe- rences	liability IAS 19	restricted equity	profit	equity to the sharehol- ders of the parent 7,724	controlling interests	sharehol- ders' equity 7,724
Shareholders' equity 31/12/2016 Comprehensive income Result for the period Other comprehensive items Items related to remeasurements of net defined benefit liability	capital	fund	fund	shares	tion differences	liability IAS 19	restricted equity	-37,395 3,044	equity to the sharehol- ders of the parent 7,724 3,044	controlling interests	shareholders' equity 7,724 3,044
Shareholders' equity 31/12/2016 Comprehensive income Result for the period Other comprehensive items Items related to remeasurements of net defined benefit liability Translation differences	capital	fund	fund	shares	tion differences -14	liability IAS 19 -1,457	restricted equity	profit -37,395 3,044	equity to the sharehol- ders of the parent 7,724 3,044	controlling interests 0	shareholders' equity 7,724 3,044 -61 -10
Shareholders' equity 31/12/2016 Comprehensive income Result for the period Other comprehensive items Items related to remeasurements of net defined benefit liability Translation differences Total comprehensive income	capital	fund	fund	shares	tion differences	liability IAS 19 -1,457	restricted equity	-37,395 3,044	equity to the sharehol- ders of the parent 7,724 3,044	controlling interests	shareholders' equity 7,724 3,044
Shareholders' equity 31/12/2016 Comprehensive income Result for the period Other comprehensive items Items related to remeasurements of net defined benefit liability Translation differences Total comprehensive income Transactions with the owners	capital	fund	fund	shares	tion differences -14	liability IAS 19 -1,457	restricted equity 21,328	profit -37,395 3,044	equity to the sharehol- ders of the parent 7,724 3,044  -61 -10 2,974	controlling interests 0	shareholders' equity 7,724 3,044 -61 -10 2,974
Shareholders' equity 31/12/2016 Comprehensive income Result for the period Other comprehensive items Items related to remeasurements of net defined benefit liability Translation differences Total comprehensive income Transactions with the owners Dividends paid	capital	fund	fund	shares -106	tion differences -14	liability IAS 19 -1,457	restricted equity	9rofit -37,395 3,044 -4 3,040	equity to the sharehol- ders of the parent 7,724 3,044  -61 -10 2,974 -236	controlling interests 0	shareholders' equity 7,724 3,044 -61 -10 2,974 -236
Shareholders' equity 31/12/2016 Comprehensive income Result for the period Other comprehensive items Items related to remeasurements of net defined benefit liability Translation differences Total comprehensive income Transactions with the owners Dividends paid Payments by own shares	capital	fund	fund	shares	tion differences -14	liability IAS 19 -1,457	restricted equity 21,328	9rofit -37,395 3,044 -4 3,040	equity to the sharehol- ders of the parent 7,724 3,044  -61 -10 2,974  -236 298	controlling interests 0	shareholders' equity 7,724 3,044 -61 -10 2,974 -236 298
Shareholders' equity 31/12/2016 Comprehensive income Result for the period Other comprehensive items Items related to remeasurements of net defined benefit liability Translation differences Total comprehensive income Transactions with the owners Dividends paid	capital	fund	fund	shares -106	tion differences -14	liability IAS 19 -1,457	restricted equity 21,328	9rofit -37,395 3,044 -4 3,040	equity to the sharehol- ders of the parent 7,724 3,044  -61 -10 2,974 -236	controlling interests 0	shareholders' equity 7,724 3,044 -61 -10 2,974 -236

# CONSOLIDATED CASH FLOW STATEMENT (IFRS)

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Cash flows from operating activities		
Payments received from operating activities	112,303	114,998
Payments paid on operating activities	-103,427	-97,698
Paid interests and other financial expenses	-1,922	-2,277
Interests received and other financial incomes	0	67
Direct taxes paid	-244	-13
Net cash provided by operating activities	6,710	15,077
Cash flows from investments		
Investments in tangible assets	-2,761	-2,015
Sales of tangible assets	47	82
Loan repayments	0	76
Net cash provided by investing activities	-2,714	-1,858
Cash flows from financing activities		
Increase in loans	0	8,633
Decrease in Ioans	-3,910	-20,663
Payments of finance lease activities	-281	-206
Dividends paid	-236	0
Net cash provided by financing activities	-4,427	-12,236
Change in cash and cash equivalents at the end of the period	-431	983
Cash and cash equivalents at beginning of the period	2,268	1,280
Exchange rate differences  Change in cash and cash equivalents at the end of the period	-9 <b>1,827</b>	4 <b>2,268</b>

Reconcialition of cash flow statement is presented in note 2.11.

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### General information

Neo Industrial Pic 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 countires 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 1 March 2018. 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 2017. International financial standards refer to standards and the related interpretations that are laid down in the Finnish Accounting Act and regulations based on the Finnish Accounting Act and that have been approved in accordance with the EU Regulation (EC) No 1606/2002. The notes to the consolidated financial statements also comply with Finnish accounting and companies' laws that supplement IFRS regulations.

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

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

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.

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

#### Principles of consolidation

#### Subsidiaries

The consolidated financial statements include the parent company, Neo Industrial PIc, 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 2017.
- IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impacts of IFRS 9 on Neo industrial's consolidated financial statements have been assessed and the expect impacts are as follows: Group does not use hedge accounting. The expected impacts of the standard are the noticing the credit losses in future Financial Statements. Noticing potential credit losses change the values of the related Balance Seet items but the effect on result is not expected to be major. Neo Industrial apply the new standard first time at the opening Balance Sheet of January 1 2018.
- IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018): The new standard replaces current IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also extensive new disclosure requirements. The impacts of IFRS 15 on Neo Industrial's consolidated financial statements have been assessed as follows:

- Majority of the Group's turnover consists of sale of cables. The revenue of selling cables is recognized when the control of the goods is transferred to the customer according to the contract terms.
- Identifying the separate performance obligations is not expected to bring any changes to the revenue recognition. Quarantee's included to the contracts are so called ordinary quarantees what are not separate performance obligations.
- To determine the transaction price the terms of the contracts has been analysed from the point of discounts, yearly bonuses and other customer credits.
- To determine the timing of revenue recognition the delivery terms, rights of returning products and invoice and hold arrangements has been analysed. As a result of the analyses made the usage of delivery terms has been clarified with contracts and harmonized already in the present way of doing. Otherwise no major changes are expected for the timing of the revenue recognition.
- The expected effect is the partial revenue recognition timing change regarding by-products of the cables. Regarding cable sales there has not been identified any change to the revenue recognition timing.
- Neo Industrial apply the new standard first time at the opening Balance Sheet of January 1 2018
  having the update of revenue recognition timing at the opening Balance Sheet. During financial
  year 2018 Neo Industrial will present comparison calculations showing what would have been
  revenue recognition of the turnover based on earlier standard.
- Key concepts of IFRS 15 have been analyzed for different revenue streams and items with effect. The expected effect on opening balance is EUR 1.1 million. The amount will be specified during the first quarter 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 contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value about USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The impacts of IFRS 16 on Neo Industrial's consolidated financial statements have been assessed as follows:
  - The Group has several rental agreements where the length of the rental period is maximum 12 months and rental agreements where the value of the contract is maximum EUR 5,000. The Group will use the method provided by the standard and does not expect any change to the handling of those contracts. However, the contracts need to be recognized and classify.
  - the Group has some rental agreements that are over 12 months but are not handled as finance lease according to present standard.
  - The impacts of IFRS 16 on Neo Industrial's consolidated financial statements are growth of Balance sheet when rental agreements are handled as finance leases more than today. New standard will also affect on business decisions when comparing different contract models like whether some IT equipments or licenses are bought or rented in future.
- Amendments to IFRS 2 Clarification and Measurement of Share-based Payment Transactions \*
   (effective for financial years beginning on or after 1 January 2018). 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 amendments have no impact on Neo Industrial's consolidated financial statements.
- IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration\* (effective for financial years beginning on or after 1 January 2018). 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 interpretation has no impact on Neo Industrial's consolidated financial statements.
- 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 has no impact on Neo Industrial's consolidated financial statements.

- 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. The amendments have no impact on Neo Industrial's consolidated financial statements.
- 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 origint venture. The amendments have no impact on Neo Industrial's consolidated financial statements.
- Annual Improvements to IFRSs (2014-2016 cycle)\* (effective for financial years beginning on or after 1 January 2017). 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, IFRS 12 and IAS 28. The amendments have no impact on Neo Industrial's consolidated financial statements.
- 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. The amendments have no impact on Neo Industrial's consolidated financial statements.

Other new or amended standards and interpretations have no impact on Neo Industrial's consolidated financial statements.

- 1. Items related to the profit for the period
- 1.1 Operating segments

At this point Neo Industrial 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. Neo Industrial has no longterm projects, for which the percentage-of-completion method is used. Turnover includes the income of the actual operations measured at fair value and adjusted for discounts given. Turnover also includes foreign exchange rate gains and losses arising from trade receivables.

# 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.

31/12/2017		Other operations	
EUR 1,000	Cable	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
Unallocated items			0
Operating result after change in the value of open derivatives	5,591	-522	5,069
Unallocated items	5,591	-2,024	-2,024
Result for the period		_,	3,044
Assets			
Segment's assets	40,189	3,054	43,242
Unallocated items	40,103	3,004	0
Total assets	40,189	3,054	43,242
Liabilities	00.004	40.450	00.400
Segment's liabilities Unallocated items	20,324	12,159 0	32,483 0
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
31/12/2016		Other operations	
	Cable	and eliminations	Group
EUR 1,000 Turnover	101,039	and eliminations	101,040
	101,039	'	101,040
Operating result before change in the value of open derivatives	C 250	704	5.504
Change in the value of open derivatives	<b>6,358</b> 138	<b>-764</b> 169	<b>5,594</b> 307
Operating result after change in the value of open	100	100	007
derivatives	6,496	-595	5,901
Unallocated items		-2,585	-2,585
Result for the period			3,316
Assets			
Segment's assets Total assets	41,465	2,711	44,175
			44 175
	41,465	2,711	44,175
Liabilities	41,465	2,711	
			<b>44,175</b> 36,452 <b>36,452</b>
<b>Liabilities</b> Segment's liabilities	<b>41,465</b> 20,179	<b>2,711</b> 16,273	36,452
Liabilities Segment's liabilities Total liabilities	20,179 20,179	2,711 16,273 16,273	36,452 <b>36,452</b>

Cable segment's tumover by product group, EUR million	1-12/2017	1-12/2016
LV energy	25.0	22.6
Power cable	85.9	78.4
Total	110.9	101.0
Cable segment's tumover by sales area, EUR million	1-12/2017	1-12/2016
EU-countries	104.3	96.3
Non-EU-countries	6.6	4.7
Total	110.9	101.0

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

On 31 December 2017, non-current assets other than financial instruments and deferred taxes were EUR 20.4 million (19.5) and are located in Finland.

#### 1.2. Other operating income

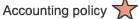




Income related to other than normal business is recognised as other operating income. Such items are, for example, proceeds from sales of items of property and equipment and intangible assets, rental income, subsidies received and government grants.

EUR 1,000	2017	2016
Subsidies received	92	95
Rental income	83	139
Other income	132	177
Total	307	411

#### 1.3. Personnel expenses





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	2017	2016
Salaries and fees	11,949	11,555
Pension expenses, defined contribution plans	1,993	1,882
Pension expenses, defined benefit plans	269	62
Other personnel expenses	626	717
Total	14,837	14,215

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

Average number of personnel in the financial period:

	2017	2016
Total	269	256
Cable segment	268	255

#### 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	2017	2016
Depreciation by commodity group		eî
Intangible non-current assets		
Customer realitionships	-115	-275
Product brands and trademarks	-11	0
Other intangible assets	<b>-1</b> 61	-142
Total	-286	-417
Tangible non-current assets		
Buildings	<i>-</i> 298	-198
Machinery and equipment	-1,573	-1,467
Other tangible assets	-11	-10
Total	-1,881	-1,675
Impairment by commodity group		
Buildings	-4	0
Total depreciation and impairment	-2,171	-2,091

#### 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	2017	2016
Rental expenses	-2,998	-3,050
Machinery and property maintenance costs	-1,949	-1,915
Sales and marketing expenses	-241	-590
Voluntary personal expenses	-497	-504
Other expenses	-2,855	-3,439
Total	-8,540	-9,497

The "Other expenses" includes fees paid to auditors as follows: EUR 64,000 (EUR 96,000) for KPMG Oy Ab for the audit of the accounts

EUR 8,000 (EUR 0) for KPMG Oy Ab for the certificates

EUR 1,000 (EUR 0) for KPMG Oy Ab for tax services

EUR 13,000 (EUR 20,000) for KPMG Oy Ab for other services

EUR 33,000 (EUR 24,000) for other companies for the audit of the accounts

#### 1.6. Research and development expenses

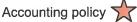




Research and development costs are recognised in the income statement as expenses, except for development costs that meet the capitalization criteria of IAS 38 Intangibel Assets.

The income statement includes EUR 0.3 million (0.4) in research and development costs recognised as expenses. Capitalised development costs are presented in note 2.2. Neo Industrial's research and development investments are allocated to Cable segment.

#### 1.7. Financial income and expenses





Costs of liabilities are recognised as expenses in income statement in the financial period during which they are incurred. In 2017, 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

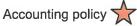


Derivative contracts are recognised at fair value when the Group becomes part of the contract. Accounting principles of derivative contracts are described more specifically in note 2.14.

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EUR 1,000	2017	2016
)	30 0002 43-90 00 pt 10 0001 10 0002 10 000 10 10 10 10 10 10 10 10 10 10 10	
Interest revenues	0	55
Exchange rate differences	10	6
Acquisition of convertible bond	176	0
Other financial income	3	104
Total	189	165
Financial expenses		
EUR 1,000	2017	2016
Interest expenses	-1 509	-1 646
Interest expenses on defined benefit pension liability	-47	-6
Expenses on metal derivates	-9	0
Exchange rate differences	-114	-77
Other financial expenses	-309	-299
Total	-1 986	-2 028

#### 1.8. Taxes





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	2017	2016
Taxes payable on profit	-175	-129
Taxes from previous financial periods	-19	0
Deferred tax on temporary differences	-166	<b>-</b> 479
Other direct taxes	0	-114
Total	-359	-722

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

EUR 1,000	2017	2016
Result before taxes	3,403	4,038
Taxes calculated at the domestic tax rate	681	808
Utilisation of previous unrecognised taxable losses	0	-375
Effect of tax-exempt income	-144	-15
Effect of non-deductible expenses	28	21
Effect of different tax rates applicable to		
foreign subsidiaries	2	-9
Effect of unrecognised deferred tax receivables		
related to taxable losses	183	183
Effect of other unrecognised deferred tax receivables	-420	0
Taxes from previous periods	19	0
Other items	10	111
Taxes on the income statement	359	722

The Group has EUR 1,663 (3,667) thousand of confirmed tax losses, of which no deferred tax receivable has been booked.

#### 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.

	2017	2016
Profit from the financial period attributable to the shareholders of the parent		
company, EUR 1,000	3,044	3,316
Weighted average numbers of shares		
during the period	5,946,089	6,003,890
Undiluted earnings per share	0.51	0.55
Weighted diluted average numbers of shares		
during the period (number)	5,946,089	6,003,890
Earnings per share adjusted for dilution	0.51	0.55
Earnings per share:		
Earnings per share attributable to the shareholders of the parent		
before and after dilution, EUR	0.51	0.55
Number of shares	5,946,089	6,003,890

#### 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

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 (O)



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.

		Machinery		Advance payments and	
EUR 1,000	Buildings	and equipment	Motor vehicles	acquisitions in progress	Total
2011 1,000	Dandings	equipment	Venioles	progress	Total
Acquistion costs 1/1/2017	3,832	29,502	270	0	33,604
Increase	400	1,577	0	83	2,060
Decrease	0	-38	0	0	-38
Acquistion costs 31/12/2017	4,232	31,041	270	83	35,626
Accumulated depreciation and					
impairment 1/1/2017	1,374	18,243	220	0	19,835
Depreciation	302	1,563	20	0	1,885
Accumulated depreciation and					
impairment 31/12/2017	1,675	19,807	240	0	21,720
Book value 1/1/2017	2,458	11,260	51	0	13,769
Book value 31/12/2017	2,557	11,234	31	83	13,906
				Advance	
		Machinery		payments and	
		and	Motor	acquisitions in	
EUR 1,000	Buildings	equipment	vehicles	progress	Total
Acquistion costs 1/1/2016	3,832	28,052	270	278	32,431
Increase	0	1,146	0	30	1,176
Decrease	0	-4	0	0	-4
	0	308	0	-308	0
Acquistion costs 31/12/2016	3,832	29,502	270	0	33,604
Accumulated depreciation and					
impairment 1/1/2016	1,176	16,788	200	0	18,161
Depreciation	198	1,457	20	0	1,675
Exchange rate differences	0	-2	0	0	-2
Accumulated depreciation and					
impairment 31/12/2016	1,374	18,243	220	0	19,835
Book value 1/1/2016	2,657	11,265	71	278	14,271
Book value 31/12/2016	2,458	11,260	51	0	13,769

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

EUR 1,000	2017	2016
Buildings		
Acquisition costs 1/1	3,946	3,946
	400	0
Acquisition costs 31/12	4,346	3,946
Accumulated depreciation 1/1	1,487	1,289
Decrease in accumulated depreciation	0	0
Depreciation for the period	302	198
Impairment		0
Accumulated depreciation 31/12	1,789	1,487
Book value 31/12	2,557	2,458

#### 2.2. Intangible non-current assets

# Accounting policy



#### Goodwill

Goodwill is recognised in the amount by which the total amount of the assigned consideration, noncontrolling 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 in tan gib le	Total
Acquisition costs 1/1/2017	3,252	0	6,475	9,727
	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

		Development	Other	
EUR 1,000	Goodwill	expenses	in tan gib le	Total
Acquisition costs 1/1/2016	3,252	0	5,871	9,123
Increase	0	0	604	604
Acquisition costs 31/12/2016	3,252	0	6,475	9,727
Accumulated depreciation and				
impairment 1/1/2016	0	0	5,000	5,000
Depreciation	0	0	417	417
Accumulated depreciation and				
impairment 31/12/2016	0	0	5,417	5,417
Book value 1/1/2016	3,252	0	871	4,123
Book value 31/12/2016	3,252	0	1,059	4,311

Other intangible non-current assets include the following items: customer relationships, product brands and trademarks, activated IT software, licences and rights to technological methods.

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 2017 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, %	2017
Terminal value growth 2022 -	0
WACC (Pre-Tax)	7.63
Assumptions used in the cash flow analysis %	2016

Assumptions used in the cash flow analysis, %	2016
Terminal value growth 2021 -	0
WACC (Pre-Tax)	7.42

	2017	2016
Sensitivity analysis	Value used, %	Value used, %
WACC (Pre-Tax)	7.63 – 26.71	7.42 – 25.97

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 26.71 %.

#### 2.3. Holdings in associates

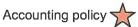
EUR 1,000	2017	2016
At the beginning of the period	1,280	0
Share of profit	131	0
Increases	0	1,280
At the end of the period	1,412	1,280

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 2017 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

EUR 1,000	2017	2016
Nestor Cables Ltd, Oulu, share 22.94 %		
Assets	20,704	19,088
Liabilities	18,099	22,336
of which subordinated loans	5,505	5,505
Turnover	29,359	25,025
Profit	347	4
Value on the consolidated balance sheet	0	0
Riihimäen Kaapelitehdas Ltd, Riihimäki, share 49.01 %		
Assets	12,773	12,537
Liabilities	9,960	9,959
of which subordinated loans	0	0
Turnover	1,237	981
Profit	250	75
Value on the consolidated balance sheet	1,412	1,280

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

#### 2.4. Deferred tax assets and liabilities



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 2017:

	Recorded	
1/1	in the income	31/12
2017	statement	2017
178	-105	73
681	-145	537
475	78	554
1,335	-171	1,164
-18	-2	-21
-23	23	0
-41	21	-21
	2017 178 681 475 1,335 -18	1/1 in the income statement  178 -105 681 -145 475 78 1,335 -171  -18 -2 -2 23

Changes in deferred taxes during 2016:

EUD 4 000	1/1	Recorded in the income	31/12
EUR 1,000	2016	statement	2016
Deferred tax receivables			
Provisions	174	4	178
Deferred tax receivables on losses	1,234	-552	681
Other items	98	377	475
Total	1,506	-171	1,335
Deferred tax liabilities			
Accumulated depreciation difference	-19	1	-18
Purchase price allocation in accordance with IFRS 3			
and recognition of costs resulting from the allocation	-78	55	-23
Total	-97	56	-42

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	2017	2016
Materials and supplies	4,439	4,053
Production in progress	4,572	5,072
Finished products	7,050	6,432
Total	16,061	15,557

In year 2017 there is recognised inventory impairment of EUR 0.8 (EUR 0.4) million.

#### 2.6. Current receivables

EUR 1,000	2017	2016
Sales receivables	1,774	3,693
Other receivables	1,924	1,575
Total	3,698	5,268

1,827

2,268

Age distribution of Sales receivables:

EUR 1,000	2017	2016
Undue	1,555	3,588
less than 30 days	214	110
less than 60 days	0	-4
less than 90 days	2	0
more than 90 days	2	0
Total	1,774	3,693
Current receivables distributed by currency;		
EUR 1,000	2017	2016
EUR	3,376	4,876
SEK	71	97
RUB	22	21
NOK	229	274
Total	3,698	5,268
2.7. Cash and cash equivalents		
EUR 1,000	2017	2016

#### 2.8. Shareholders' equity

Cash and bank

The parent company's share capital by	2017		2016	
	Number	Shareholders equity	Number	Shareholders equity
		EUR 1,000		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.

	2017		2016	
	Number	EUR 1,000	Number	EUR 1,000
Own shares 1/1	16,470	106	30,525	197
Increase	106,443	0	0	0
Fee payments	-48,642	-106	-14,055	-91
Own shares 31/12	74.271	0	16.470	106

#### 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.

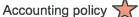
#### Translation differences

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 0.08 per share will be paid for 2017. Dividend of EUR 0.04 was paid for 2016.

#### 2.9. Provisions





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.

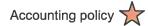
The granted guarantee is based on discounted balance sheet value of the instalments of Avilon Fibres Ltd's industrial premises for the price remaining unpaid, for which the Group has granted a guarantee. The granted guarantee was noticed in the balance sheet of financial statement 2012 due the bankruptcy 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	Provision of unpaid purchase price	Total
Provisions 1/1/2017	879	1 933	2 812
Withdrawal	-513	-200	-713
Decrease		-61	-61
Re-classification		585	585
Proviosions 31/12/2017	365	2 257	2 622

	Product warranty	Provision of unpaid	
	provisions	purchase price	Total
Provisions 1/1/2016	879	2 133	3 012
Decrease		-200	-200
provisions 31/12/2016	879	1 933	2 812

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).

#### 2.10. Financial liabilities



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	2017	2016
Long-term financial liabilities valued at allocated acquisition cost		
Finance lease agreements	3,346	3,227
Other loans	4,334	7,125
Total	7,679	10,352
Short-term financial liabilities valued at allocated acquisition cost		
Other loans	1,849	3,241
Finance lease agreements	251	206
Total	2,100	3,447

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 2017 was 4.4 percent (5.2).

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

EUR 1,000	2017	2016
Less than 6 months	251	206
6-12 months	1,849	3,241
More than 12 months	7,679	10,352
Total	9,779	13,799

All loans are denominated in euro.

#### Maturing of finance lease agreements

EUR 1,000	2017	2016
Einanea lagga agraementa, tatal amount of minimum lagga naumanta		
Finance lease agreements - total amount of minimum lease payments		
Within 1 year	455	402
1-5 years	1,820	1,606
After 5 years	2,845	3,032
Total	5,120	5,040
Unaccumulated financial expenses	-1,521	-1,607
Present value of finance agreements	3,598	3,433
Finance lease agreements - present value if minimum lease payments		
Within 1 year	251	206
1-5 years	1,167	959
After 5 years	2,181	2,268
Total	3,598	3,433

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 year 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

Total

			Non-effected	changes to d	cash flow	
			Finance	11.0000	Exchange	
			lease	Other	rate	
EUR 1,000	1/1/2017	Cash flow	changes	changes	changes	31/12/2017
Long-term liabilities	7 125	-2 409		-382		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	-4 191	445	-274	0	9 779
2.12. Accounts payable and other liabilities						
EUR 1,000					2017	2016
Current financial liabilities valued at allocated						
acquisitions cost:						
Accounts payable				8	3,229	8,669
Personnel expenses allocated by period				2	2,693	2,632
Accruals and deferred income					3,438	3,790
Other liabilities				2	2,843	2,138

17,203

17,229

Accruals and deferred income consist of following items:

EUR 1,000	2017	2016
Internal accruals	77	47
Accruals of interest and other financial items	121	209
Tax liabilities	2,375	388
Accrued discounts	784	1,038
Other accruals	80	2,108
Total	3,438	3,790

Non-interest-bearing current liabilities distributed by currency:

EUR 1,000	2017	2016
EUR	16,425	16,553
USD	627	567
RUB	17	4
DKK	20	22
NOK	49	48
SEK	63	36
Other currency	1	0
Total	17,203	17,229

#### 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.

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

	•	•	
	Present value	Present value	
	of defined	of assets	Total
	benefit		i Otai
EUR 1,000	obligations	related	
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

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

Tri/12016   S 421   S 932   488	EUR 1,000	Present value of defined benefit obligations	Present value of assets related	Total
Defined benefit pension cost recognised in Income statement   Cost based on period's work performance   500   0   500     Interest expense or income   161   -154   506     Items due to remeasurements   Profit for assets related to arrangement (except items including in Interest expense or income)   0   1 016   1 016     Gain (-) / loss (+) arising from changes in financial assumptions   740   0   740     Experiential gain (-) / loss (+) arising from changes in financial assumptions   740   0   740     Experiential gain (-) / loss (+)   655   0   655     Experiential gain (-) / loss (+)   655   1 016   1 821     Payments made by employer to arrangement   0   -439   -439     Paid benefits   45   45   0     31/12/2016   7 841   -5 464   2 377      Significant assumptions behind insurance mathematical calculations   2017   2016     Discount rate   2.41 %   2.20 %     Inflation   1.85 %   1.80 %     Increase of pensions   1.00 %   1.10 %      Sensitivity analysis, EUR 1,000   Effect on pension liability   2017   2016     Discount rate   0.5 %-increase   -964   -913     0.5 %-decrease   1,137   1,082     Pension increase   1,137   1,082     Pension increase   1,137   1,082     Pension increase   235   227     Tyear increase   235   227     Tyear decrease   235   237     Tyear decrease   235   237     Tyear decrease			-5 932	488
Cost based on period's work performance         500         0         500           Interest expense or income         161         -154         6           Items due to remeasurements         661         -154         50           Profit for assets related to arrangement (except items including in Interest expense or income)         0         1 016         1 016           Gain (-) / loss (+) arising from changes in financial assumptions         740         0         740           Experiential gain (-) / loss (+)         805         1 016         1 821           Payments made by employer to arrangement         0         -439         -439           Paid benefits         45         45         0           31/12/2016         7 841         -5 464         2 377           Significant assumptions behind insurance mathematical calculation         2.41 %         2.20 %           Inflation         1.85 %         1.80 %           Increase of pensions         1.00 %         1.10 %           Discount rate         0.5 %-increase         -964         -913           Discount rate         0.5 %-increase         1,137         1,082           Pension increase         -964         -913         0.5 %-increase         -964         -913			0 002	400
Interest expense or income         161         -154         6           Items due to remeasurements         661         -154         506           Profit for assets related to arrangement (except items including in Interest expense or income)         0         1 016         1 016           Gain (-) / loss (+) arising from changes in financial assumptions         740         0         740           Experiential gain (-) / loss (+)         65         0         65           Payments made by employer to arrangement         0         -439         -439           Paid benefits         45         45         0           31/12/2016         7 841         -5 464         2 377           Significant assumptions behind insurance mathematical calculations         2017         2016           Discount rate         2.41 %         2.20 %           Inflation         1.85 %         1.80 %           Increase of pensions         1.00 %         1.10 %           Discount rate         0.5 %-increase         -964         -913           0.5 %-decrease         1,137         1,082           Pension increase         -964         -913           0.5 %-decrease         -449         -641           Life expectancy         1 year increase			0	500
Rems due to remeasurements   Frofit for assets related to arrangement (except items including in Interest expense or income)   0   1 016   1 016   3 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	·		_	
Temp due to remeasurements				
Name	Items du e to remeasurements			
Cain (-) / loss (+) arising from changes in financial assumptions	Profit for assets related to arrangement (except items inc	luding in		
Experiential gain (-) / loss (+)   65   0   65   65   1016   1821			1 016	
Payments made by employer to arrangement   0   -439   -439   Paid benefits   45   45   0   0   31/12/2016   7841   -5464   2 377   2016   7841   -5464   2 377   2016   7841	,, , , , , , , , , , , , , , , , , , , ,		_	
Payments made by employer to arrangement         0         -439         -439           Paid benefits         45         45         0           31/12/2016         7 841         -5 464         2 377           Significant assumptions behind insurance mathematical calculations         2017         2016           Discount rate         2.41 %         2.20 %           Inflation         1.85 %         1.80 %           Increase of pensions         1.00 %         1.10 %           Sensitivity analysis, EUR 1,000           Effect on pension liability         2017         2016           Discount rate         0.5 %-increase         -964         -913           0.5 %-decrease         1,137         1,082           Pension increase         473         942           0.5 %-decrease         -449         -841           Life expectancy         1 year increase         235         227           1 year decrease         -229         -220           Duration based on weighted average of liability is 25.9 years           Assets related to defined benefit plan are divided to categories as follows           %         2017         2016           Equity instruments         5.8 %	Experiential gain (-) / loss (+)			
Paid benefits         -45         45         0           31/12/2016         7 841         -5 464         2 377           Significant assumptions behind insurance mathematical calculations         2017         2016           Discount rate         2.41 %         2.20 %           Inflation         1.85 %         1.80 %           Increase of pensions         1.00 %         1.10 %           Sensitivity analysis, EUR 1,000           Effect on pension liability         2017         2016           Discount rate         0.5 %-increase         -964         -913           0.5 %-decrease         1,137         1,082           Pension increase         473         942           0.5 %-decrease         473         942           0.5 %-decrease         473         942           0.5 %-decrease         473         942           1 year increase         235         227           1 year decrease         -249         -220           Duration based on weighted average of liability is 25.9 years         2017         2016           Equity instruments         16.3 %         12.8 %           Debt instruments         5.8 %         1.8 %           <		805	1 016	1 821
Paid benefits         -45         45         0           31/12/2016         7 841         -5 464         2 377           Significant assumptions behind insurance mathematical calculations         2017         2016           Discount rate         2.41 %         2.20 %           Inflation         1.85 %         1.80 %           Increase of pensions         1.00 %         1.10 %           Sensitivity analysis, EUR 1,000           Effect on pension liability         2017         2016           Discount rate         0.5 %-increase         -964         -913           0.5 %-decrease         1,137         1,082           Pension increase         473         942           0.5 %-decrease         473         942           0.5 %-decrease         473         942           0.5 %-decrease         473         942           1 year increase         235         227           1 year decrease         -249         -220           Duration based on weighted average of liability is 25.9 years         2017         2016           Equity instruments         16.3 %         12.8 %           Debt instruments         5.8 %         1.8 %           <	Payments made by employer to arrangement	0	"A3Q	" <i>1</i> 30
Significant assumptions behind insurance mathematical calculations   2017   2016		_		_
Significant assumptions behind insurance mathematical calculations         2017         2016           Discount rate         2.41 %         2.20 %           Inflation         1.85 %         1.80 %           Increase of pensions         1.00 %         1.10 %           Sensitivity analysis, EUR 1,000           Effect on pension liability         2017         2016           Discount rate         0.5 %-increase         -964         -913           Dension increase         0.5 %-increase         473         942           0.5 %-decrease         -449         -841           Life expectancy         1 year increase         235         227           1 year decrease         235         227           1 year decrease         -229         -220           Duration based on weighted average of liability is 25.9 years         2017         2016           Equity instruments         2017         2016           Equity instruments         5.8 %         1.8 %           Debt instruments         5.8 %         1.8 %           Investment funds         66.8 %         72.5 %           Properties         11.1 %         12.8 %				
Discount rate   2.41 % 2.20 %				
Inflation 1.85 % 1.80 % Increase of pensions 1.00 % 1.10 % 1.10 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 % 1.00 % 1.10 % 1.00 % 1.10 % 1.00 %	-	al calculations		The second street and the second street
Sensitivity analysis, EUR 1,000   Effect on pension liability   2017   2016				
Sensitivity analysis, EUR 1,000   Effect on pension liability   2017   2016	Inflation			
Discount rate   2017   2016	Increase of pensions		1.00 %	1.10 %
Discount rate				
D.5 %-increase		Effect on pension liability	2017	2016
Pension increase   1,137   1,082	Discount rate	0 50/ 1	00.4	04.0
Pension increase         0.5 %-increase         473         942           0.5 %-decrease         -449         -841           Life expectancy         1 year increase         235         227           1 year decrease         -229         -220           Duration based on weighted average of liability is 25.9 years         2017         2016           Equity instruments         16.3 %         12.8 %           Debt instruments         5.8 %         1.8 %           Investment funds         66.8 %         72.5 %           Properties         11.1 %         12.8 %				
0.5 %-increase   473   942	Pension increase	0.5 %-decrease	1,,137	1,002
Duration based on weighted average of liability is 25.9 years    Assets related to defined benefit plan are divided to categories as follows   2017   2016	1 GISION INCICASE	0.5 %-increase	473	942
1 year increase 1 year decrease       235 227 1 year decrease       229 -220         Duration based on weighted average of liability is 25.9 years         Assets related to defined benefit plan are divided to categories as follows       2017 2016         Equity instruments       16.3 % 12.8 %         Debt instruments       5.8 % 1.8 %         Investment funds       66.8 % 72.5 %         Properties       11.1 % 12.8 %				-841
1 year decrease   -229   -220	Life expectancy			
Duration based on weighted average of liability is 25.9 years         Assets related to defined benefit plan are divided to categories as follows       2017       2016         Equity instruments       16.3 %       12.8 %         Debt instruments       5.8 %       1.8 %         Investment funds       66.8 %       72.5 %         Properties       11.1 %       12.8 %		1 year increase	235	227
Assets related to defined benefit plan are divided to categories as follows         %       2017       2016         Equity instruments       16.3 %       12.8 %         Debt instruments       5.8 %       1.8 %         Investment funds       66.8 %       72.5 %         Properties       11.1 %       12.8 %		1 year decrease	-229	-220
%         2017         2016           Equity instruments         16.3 %         12.8 %           Debt instruments         5.8 %         1.8 %           Investment funds         66.8 %         72.5 %           Properties         11.1 %         12.8 %	Duration based on weighted average of liability is 25.9 y	ears		
%         2017         2016           Equity instruments         16.3 %         12.8 %           Debt instruments         5.8 %         1.8 %           Investment funds         66.8 %         72.5 %           Properties         11.1 %         12.8 %	Assets related to defined benefit plan are divided to catego	ries as follows		
Debt instruments       5.8 %       1.8 %         Investment funds       66.8 %       72.5 %         Properties       11.1 %       12.8 %			2017	2016
Investment funds         66.8 %         72.5 %           Properties         11.1 %         12.8 %				
<u>Properties</u> 11.1 % 12.8 %				
	Properties	·		

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 34 million and pension liabilities are approximately EUR 27 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 2018 total EUR 2.6 (2017: 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.

#### 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. On the closing date of the financial period, the Group had no open currency hedges.

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 -4.5 million (-4.4). Had the dollar been 10 percent weaker, its effect would have been EUR 4.5 million (4.4).

#### 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 (5.2). 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 (0.2) 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 (-0.2 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 0.2 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 -0.2 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.

As a part of financing agreement signed by the Reka Group, the loans of the Cable segment were rearranged. According to the financing solution implemented in March 2016, the Cable segment loans were rearranged as long-term financing plans.

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			. , ,	,	,	7,000
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
EUR 1,000	Balance sheet value	Cash flow	Less than	1 - 2 vears	2 - 5 vears	More than 5 years
EUR 1,000 31/12/2016	Balance sheet value	Cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
i			1 year	2000	10.00	
31/12/2016	sheet value	flow	1 year 3,241	years	years	5 years
31/12/2016 Other loans	sheet value	flow 10,366	3,241 402	<b>years</b> 2,614	years 3,000	5 years 1,511
31/12/2016 Other loans Finance lease agreements	10,366 3,433	10,366 5,040	3,241 402 10,807	years 2,614 803	3,000 1,205	5 years 1,511 2,630

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 22.1 % and the share of the second largest was 10.9 %. 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. Gains and losses arising from fair value measurement are recognised in accordance with the derivative's use as follows:

- 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 2017	Current net values 2016	Nominal values 2017	Nominal values 2016
Raw material options						
Metal derivatives	247	0	247	263	4,873	5,061
Total derivatives	247	0	247	263	4,873	5,061

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

## 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. The Group does not apply hedge accounting. All income and expenses from derivatives are recognised through the income statement.

## 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	2017	2016
Within 1 year	1,884	1,260
1-5 years	915	107
Total	2,799	1,367

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 2017 includes EUR 2.5 million (2.1) in expenses based on other leases. 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	31/12/2017	31/12/2016
Debts secured against business mortgages, securities or guarantees		
Loans from others	3,474	6,383
Book value of pledged securities	26,165	26,165
Granted guarantees	3,474	6,383
Guarantees and payment commitments	253	423
Lease liabilities	390	297

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

#### Investment commitments

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

## 3.3. Group structure

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

			Group's equity share	Group's share of votes
Company name	Home country	y Domicile	(%)	(%)
Parent company: Neo Industrial Oyj	Finland	Hyvink ää		
Alnus Oy	Finland	Helsinki	100.00	100.00
Metsämarkka 1 Oy	Finland	Hyvink ää	100.00	100.00
Metsämarkka 101 Oy	Finland	Hyvink ää	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

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

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

#### Transactions with Reka Pension Fund

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

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

## Transactions with associated companies

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

Neo Industrial acquired a share of the Riihimäen Kaapelitehdas Ltd in the end of December 2016.. Riihimäen Kaapelitehdas Ltd is a 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	2017	2016
Salaries and other short-term		
fringe benefits	448	471
Pension benefits, defined contribution plans	54	43
Total	502	515

The Group's Board of Directors and management group 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 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 2017 and the shares will be handed over in June 2018.
- 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 Pic's class B share share (average share price in May 2018 average share price in May 2017). Should the annual return exceed 50 percent, the bonus shall be paid in accordance with 50 percent.
- 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 2018 and the shares will be handed over in June 2018.

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:

	Of which paid		
EUR 1,000	2017	by shares	2016
Salaries and fees:			
Ralf Sohlström, Managing Director	299		240
Sari Tulander, Member of the Board (CFO)	24		16
Board of Directors:			
Markku E.Rentto	29	5	60
Raimo Valo	3	3	36
Jukka Koskinen	58	3	77
Marjo Matikainen-Kallström	20	3	36
Jorma Sirén	0	0	5
Ari Järvelä	16		0
Total	447	13	471

The amounts above include statutory pension insurances as follows: Ralf Sohlström EUR 54 thousand (43).

EUR 1,000	1-12/2017	1-12/2016
Other purchases	74	49
Other debts at the end of the period	4	5

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 56 (48) 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

There have been no major events after the end of the financial period.

#### 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 clarifies 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.

## Key figures from the income statement and balance sheet

EUR 1,000	2017	2016	2015
Turnover	110,879	101,040	84,585
Result before taxes and discontinued operations	3,403	4,038	-3,973
% of turnover	3.07 %	4.00 %	-4.70 %
Result for the period	3,044	3,316	-3,691
Alternative Performance Measures:			
Operating profit	5,069	5,901	-1,995
Operating profit, %	4.57 %	5.84 %	-2.36 %
Return on investment (ROI)	25.42 %	22,62 %	-6.04 %
IAS 19 corrected Return on equity (ROE)	28.00 %	41.86 %	-47.19 %
IAS 19 corrected Equity ratio, %	30.42 %	22.03 %	12.66 %
IAS 19 corrected Gearing	61.22 %	119.80 %	401.92 %
Investments in tangible assets	2,060	1,780	2,051
Other Performance Measures:			
Average number of personnel	269	256	241

Share-related key figures (A and B shares)	2017	2016	2015
Equity per share, EUR	1.79	1.28	0.98
Earnings per share (EPS), EUR	0.51	0.55	-0.62
Dividend/share, EUR	0.00	0.00	0.00
Dividend/earnings, %	0.00 %	0.00 %	0.00 %
Effective dividend yield, %	0.00 %	0.00 %	0.00 %
Price/earnings (P/E)	9.8	8.8	-2.6
Share performance, EUR			
-average share price	7.32	3.89	2.39
-lowest price	4.57	1.52	0.62
-highest price	11.20	5.27	3.71
-price at the end of the period	5.01	4.85	1.61
Market capitalisation, EUR 1,000	30,112	28,985	9,753
Trading, number of shares	3,602,521	2,042,292	1,721,204
%	61.26	34.70	29.30
Adjusted weighted average number of shares			
during the period	6,020,360	6,020,360	6,020,360
A shares	139,600	139,600	139,600
B shares	5,880,760	5,880,760	5,880,760
Adjusted number of shares at the end of the period	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

Calculation of Rey Illianolar II	IGI	54.015	
Eamings 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 Eamings/share	× 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 IAS 19 effect on non-interest-bearing liabilities IAS 19 effect on Shareholders' equity IAS 19 effect on Balance sheet total	<b>2017</b> 2,769 2,231 538	<b>2016</b> 2,377 -1,901 475	<b>2015</b> 488 -391 98
Shareholders' equity in Financial statements IAS 19 eliminations Shareholders' equity in IAS 19 adjusted Performance Measures	10,759	7,724	5,827
	2,231	1,901	391
	12,990	9,625	6,218
Balance sheet total in Financial Statements IAS 19 eliminations Balance sheet total in IAS 19 adjusted Performance Measures	43,242	44,175	49,216
	-538	-475	-98
	42,704	43,700	49,118

## INCOME STATEMENT OF THE PARENT COMPANY (FAS)

	Notes	1/1-31/12/2017	1/1-31/12/2016
TURNOVER	1	317,800.00	111,150.65
Other operating income	2	68,027.74	496,137.01
Materials and services		-1,146.73	-3,501.31
Personnel expenses	3	-143,619.92	-233,030.24
	_		•
Depreciation and impairment	4	-14,176.12	-14,118.79
Other operating expenses	5	-570,213.34	-756,861.77
OPERATING RESULT		-343,328.37	-400,224.45
Financial income and expenses	6	572,232.34	527,842.79
RESULT BEFORE TAXES AND APPROPRIATIO	NS	228,903.97	127,618.34
Appropriations	7	797,805.14	5,314,104.11
Taxes	8	-186,231.34	-642,566.14
RESULT FOR THE PERIOD		840,477.77	4,799,156.31

## BALANCE SHEET OF THE PARENT COMPANY (FAS)

	Notes	31/12/2017	31/12/2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	155,012.00	57,512.00
Tangible assets	10	109,932.79	97,450.81
Other investments	11	1,450,956.63	1,450,956.63
		1,715,901.42	1,605,919.44
CURRENT ASSETS			
Non-current receivables	12	20,128,000.00	19,312,000.00
Current receivables	13	13,205,953.89	16,044,787.82
Cash and cash equivalents		120,292.24	1,370,162.11
	10.100	33,454,246.13	36,726,949.93
ASSETS		35,170,147.55	38,332,869.37
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
Own shares		0.00	-106,127.94
Retained profit		192,572.06	-25,454,458.38
Other unrestricted equity		435,611.31	21,326,806.46
Result for the period		840,477.77	4,799,156.31
		26,837,755.72	25,934,471.03
ACCUMULATED APPROPRIATIONS	15	15,495.03	13,300.17
OBLIGATORY PROVISIONS	16	4,478,440.07	4,874,329.61
NON-CURRENT LIABILITIES	17	1,135,665.73	1,133,740.73
CURRENT LIABILITIES	18	2,702,791.00	6,377,027.83
LIABILITIES		35,170,147.55	38,332,869.37

## PARENT COMPANY CASH FLOW STATEMENT (FAS)

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Cash flow from operating activities:		
Payments received from operating activities	1,128	371
Payments paid on operating activities	-2,060	-1,133
Paid interests and other financial expenses	-374	-284
Interests received and other financial income	90	278
Direct taxes paid	-223	0
Cash flow from operating activities	-1,438	-768
Cash flow from investments:		
Investments in tangible and intangible		
fixed assets	-124	-29
Loans granted	-2,520	-39
Loan repayments	0	2,044
Cash flow from investments	-2,644	1,977
Cassh flow from financing activities:		
Increase in loans	0	1,164
Decrease in Ioans	-2,299	-1,233
Maksetut osingot ja muu voitonjako	-236	0
Group contributions received/paid	5,367	225
Cash flow from financing activities	2,832	1 56
Change in cash and cash equivalents	-1,250	1,365
Cash and cash equivalents at the beginning of the period	1,370	5
Cash and cash equivalents at the end of the period	121	1,370

## 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

EUR 1,000	2017	2016
Turnover from consulting and management services	317,800.00	111,150.65
	317,800.00	111,150.65
2. Other operating income		
EUR 1,000	2017	2016
Rental income from Group companies	960.00	1,760.00
Rental income from other companies	66,890.01	113,824.94
Other income	177.73	380,552.07
	68,027.74	496,137.01
3. Personnel expenses		
EUR 1,000	2017	2016
Salaries and fees	135,459.18	223,651.87
Pension expenses	7,349.33	7,586.24
Other personnel expenses	811.41	1,792.13
	143,619.92	233,030.24
of which	0.00	0.00
Management's salaries and fees Board of Directors' fees	0.00 86,950.02	0.00 173,070.00
Board of Directors fees	86,950.02	173,070.00
	·	•
4. Depreciation and impairment		
EUR 1,000	2017	2016
Depreciation on machinery and equipment	3,510.85	4,342.13
Depreciation on other tangible assets	10,665.27	9,776.66
	14,176.12	14,118.79
Total depreciation and impairment	14,176.12	14,118.79
5. Other operating income		
EUR 1,000	2017	2016
Rents	180,418.04	178,342.73
Voluntary personnel expenses	1,192.96	524.53
Audit of the accounts	35,265.00	28,470.29
Consultant services	257,500.43	353,029.78
Sales and marketing	1,982.73	1,190.00
Machinery and property maintenance costs	98,421.23	73,443.97
Change in obligatory provisions	-195,889.54	0.00
Other expenses	191,322.49 570,213.34	121,860.47 756,861.77
	570,213.34	750,001.77
Fees paid to the auditors		
The amounts are included in other operating expenses	2017	2016
Annual audit of the accounts	21,200.00	21,624.79
Tax services	850,00	0.00
Other services	13,215.00	6,845.50
	35,265.00	28,470.29

## 6. Financial income and expenses

Financial income (EUR 1,000)	2017	2016
Dividend yield from others	55.20	58.88
Interest and financial income from Group companies	842,992.03	874,202.20
Interest and financial income from other companies	23.39	189.32
	843,070.62	874,450.40
Financial expenses		
Interest and financial expenses to Group companies	-44,250.56	-57,677.37
Interest and financial expenses to other comapanies	-226,587.72	-288,930.24
	-270,838.28	-346,607.61
Total financial income and expenses	572,232.34	527,842.79
7. Appropriations		
EUR 1,000	2017	2016
Change in cumulative accelerated depreciation	-2,194.86	-895.89
Group contributions received	00.000,008	5,315,000.00
Total appropriations	797,805.14	5,314,104.11
8. Taxes on the income statement		
EUR 1,000	2017	2016
Income taxes	167,693.13	102,387.08
Change in deferred tax	0.00	540,179.06
Other taxes	18,538.21	0.00
Taxes total	186,231.34	642,566.14

100.00 %

49.01%

1,000

961

## NOTES TO THE BALANCE SHEET

## 9. Intangible assets

Intangible assets (EUR 1,000)			2017	2016
Acquisition costs 1/1			57,512.00	29,012.00
Increase		American - Control Control (1994) - Control (1994)	97,500.00	28,500.00
Acquisition costs 31/12			155,012.00	57,512.00
Book value 31/12			155,012.00	57,512.00
10. Tangible assets				
Machinery and equipment (EUR 1,0	00)		2017	2016
Acquisition costs 1/1			150,271.02	150,271.02
Increase			26,658.10	0.00
Acquisition costs 31/12			176,929.12	150,271.02
Accumulated depreciation 1/1			-52,820.21	-38,701.42
Depreciation according to plan			-14,176.12	-14,118.79
Accumulated depreciation 31/12			-66,996.33	-52,820.21
Book value 31/12			109,932.79	97,450.81
11. Other investments				
Holdings in Group companies:				
EUR 1,000			2017	2016
Acquisition costs 1/1			1,450,956.63	6,901,518.48
Increase			0.00	1,280,165.15
Decrease			0.00	-6,730,727.00
Acquisition costs 31/12			1,450,956.63	1,450,956.63
Holdings in Group companies	<b>Business ID</b>	Share capital	Number of	Proportion of
		EUR 1,000	shares	Shares, %

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

0762281-4

2746558-8

## 12. Non-current receivables

Riihimäen Kaapelitehdas Oy, Rii

Alnus Oy, Helsinki

EUR 1,000	2017	2016
Subordinated loan receivables from Group companies	13,600,000.00	13,600,000.00
Non-current interest receivables from Group companies	6,528,000.00	5,712,000.00
Total	20.128.000.00	19.312.000.00

168

2,403

## 13. Current receivables

EUR 1,000			2017	2016
Sales receivables			949.70	1,272.34
Sales receivables from Group compa	anies		376,771.20	11,110.60
Current loan receivables from Group	companies		5,579,371.72	3,059,654.76
Interest receivables from Group com			416,370.63	479,543.60
Other receivables, Neo Indutrial Grou	•		703,425.21	5,270,000.00
Accrued income from Group compar	nies		6,003,579.50	7,105,135.00
Other receivables			6,840.00	1,125.00
Accrued income			118,645.93	116,946.52
Total			13,205,953.89	16,044,787.82
Material items of accrued income				
EUR 1,000			2017	8.7.1905
Accrued income from Group compar	nies		6,003,579.50	7,105,135.00
Other accrued income			118,645.93	116,946.52
Total			6,122,225.43	7,222,081.52
14. Shareholders equity				
EUR 1,000			2017	2016
Share capital 1/1			550 400 00	550 400 00
Series A			558,400.00	558,400.00
Series B			23,523,040.00 24,081,440.00	23,523,040.00 24,081,440.00
Share capital 31/12			24,061,440.00	24,001,440.00
Premium fund 1/1			66,400.00	66,400.00
Premium fund 31/12		-	66,400.00	66,400.00
			4 004 05 4 50	1 001 051 50
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			-106,127.94	-196,653.22
Payments by own shares			106,127.94	90,525.28
Own shares 31/12	1		0.00	-106,127.94
Retained profit 1/1			-20,655,302.07	-25,391,701.10
Transfer from unrestricted equity			20,655,302.07	0.00
Transfer to own shares			192,572.06	-62,757.28
Retained profit 31/12			192,572.06	-25,454,458.38
Other unrestricted equity 1/1			21,326,806.46	21,326,806.46
Transfer to retained profit			-20,655,302.07	0.00
Return from unrestricted equity			-235,893.08	0.00
Other unrestricted equity 31/12			435,611.31	21,326,806.46
Result for the period			840,477.77	4,799,156.31
Unrestricted equity 31/12			1,468,661.14	565,376.45
Shareholders equity 31/12			26,837,755.72	25,934,471.03
The parent company's share seri	ital by	2017		2016
The parent company's share cap share series		Shareholders*	Number	Shareholders
311dic 361163		EUR 1,000	Number	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
Jelies D (1 votersitate)	6,020,360	24,081	6,020,360	24,081
	0,020,000	2-7,001	0,020,000	2-7,001

4,200,000.00

4,874,329.61

3,249,862.93

## 15. Accumulated appropriations

EUR 1,000	2017	2016	Change
Difference between depreciation accoring to plan	(3)		
and depreciation in accordance with the Finnish	15,495.03	13,300.17	2,194.86
16. Obligatory provisions			
EUR 1,000		2017	2016
Rental loss provision		678,440.07	674,329.61

3,800,000.00

4,478,440.07

3,085,072.58

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 2017 is EUR 3.8 million, which is paid annually by amounts of EUR 0.2 million until year 2035.

Payment guarantee for the purchase price of premises (Avilon Fibres Ltd)

#### 17. Non-current liabilities

Total

Total obligatory provisions

EUR 1,000	2017	2016
Other liabilities	1,135,665.73	1,133,740.73
Total	1,135,665.73	1,133,740.73
18. Current liabilities		
EUR 1,000	2017	2016
Accounts payable	77,118.38	70,958.45
Accruals and deferred income	420,036.53	1,746,773.14
Muut lyhytaikaiset velat	5,386.00	0.00
Other liabilities to Group companies	1,200,250.09	2,559,296.24
Other liabilities	1,000,000.00	2,000,000.00
Total	2,702,791.00	6,377,027.83
Material items of accrued liabilities		
EUR 1,000	2017	2016
Personnel expenses allocated by period	40,275.02	102,387.08
Unpaid purchase price of shares	0.00	1,260,005.07
Tax liability	177,882.91	0.00
Other accrued liabilities	201,878.60	384,380.99
Total	420,036.53	1,746,773.14
19. Contingent liabilities		
Financial lease and other lease liabilities		
EUR 1,000	2017	2016
Maturing within 1 year	174,626.75	174,099.80
Maturing in 1 to 5 years	698,507.00	696,399.20
Maturing after 5 years	2,211,938.83	2,379,363.93

## 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 in electric format Sales invoices in electric format Purchase invoices 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 2017 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 Pavroll
- 99 Note vouchers

## 21. Board's proposal to the Annual General meeting

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

## Signatures of the Financial Statement and Board of Directors' report

Hyvinkää, 1 March 2018

Markku E. Rentto Chairman Jukka Koskinen

Marjo Matikainen-Kallström

Ari Järvelä

Ralf Sohlström Managing Director

## **AUDITOR'S NOTE**

We have issued the auditor's report today.

Helsinki, \_\_\_March 2018

KPMG OYAB Authorized Public Audit Firm

Lasse Holopainen APA



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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 31 December, 2017. 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

## (Note 1.1. Operating segments to the consolidated financial statements)

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

(Note 2.10. Financial liabilities, 2.14. Financial risk management and 3.4. Related-party transactions to the consolidated financial statements)

- In recent years the liquidity position of the Group has been occasionally challenging and the Group has executed several arrangements relating to its financing structure.
- Especially the financing arrangements carried out in 2016 have had a significant impact on Group's operations. As part of a financing agreement signed by Reka Group, the loans of Cable segment were rearranged at the beginning of the year 2016.
- We discussed regularly the ongoing and planned financing arrangements with the Group management.
- Our audit procedures included assessment of 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.

## 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 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 Financial Statements**

Our objectives are to obtain reasonable assurance on 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 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 29 March 2012, and our appointment represents a total period of uninterrupted engagement of 6 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 1 March 2018

**KPMG OY AB** 

LASSE HOLOPAINEN
Authorised Public Accountant, KHT

## SHAREHOLDERS 31.12.2017 Neo Industrial Plc's ten largest shareholders on December 31 2017

	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
Kuisla Reima		95,000	95,000	1.58	1.10
Neo Industrial Oyj		74,271	74,271	1.23	0.86
Skandinaviska Enskilda Banken Ab		57,091	57,091	0.95	0.66
Sinkko Erkki		38,000	38,000	0.63	0.44
Value Group Oy		34,340	34,340	0.57	0.40
Lainema Matti		32,000	32,000	0.53	0.37
Therman Markus		30,151	30,151	0.50	0.35
Vehviläinen Teemu		29,800	29,800	0.49	0.34
Nordea Bank Ab		26,393	26,393	0.44	0.30
Other shareholders	200	2,547,327	2,547,527	42.32	29.41
Total	139,600	5,880,760	6,020,360	100.00	100.00

## Ownership by type of shareholder

Type of shareholder	Share-	Share-	Shares	Proportion	Proportion
•	holders	holders	total	of equity	of votes
	no.	%		%	%
Companies	222	1.90	3,313,949	55.05	68.79
Financial institutions and insurance companies	11	0.09	83,240	1.38	1.98
Public organisations	64	0.55	46,490	0.77	0.54
Non-profit organisations	197	1.69	121,181	2.01	1.40
Households	11,155	95.69	2,349,909	39.03	27.10
Outside Finland	9	0.08	5,380	0.09	0.20
No minee registered	6	0.00	100,211	1.67	1.16
Not in the book-entry securities system			0	0.00	0.00
Total	11,664	100.00	6,020,360	100.00	100.00

## Ownership by the amount held

Shares held	Share- holders	Share- holders	Shares total	Proportion of equity	Proportion of votes
	no.	%		%	%
1 - 50	5,217	44.75	148,555	2.47	1.72
51 - 100	2,908	24.94	252,881	4.20	2.93
101 - 1 000	3,130	26.85	1,022,334	16.98	11.81
1 001 - 10 0 00	379	3.25	919,976	15.28	10.61
10 001 -	24	0.21	3,676,614	61.07	72.93
Not in the book-entry securities system			0	0.00	0.00
Total	11,658	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 (2,978,752) of Neo Industrial's B shares on 31 December 2017. Neo Industrial held 74,271 (16,470) of its own shares on 31 December 2017.

## Shares and share capital

Neo Industrial Plc's share capital was EUR 24,081,440 (24,081,440) on 31 December 2017. 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 74,271 (16,470) B shares owned by Neo Industrial. The company's Articles of Association do not include any redemption clauses. There are no shareholder agreements.