NEO Industrial

NEO INDUSTRIAL GROUP

FINANCIAL STATEMENTS 2015

CONTENTS

BOARD OF DIRECTOR´S REPORT 1/1 – 31/12/2015

The Neo Industrial Group´s turnover in 2015 was EUR 84.6 million (80.1 million in 2014). The result for the full year was loss EUR -3.7 million (profit 1.8 million). The operating result was burdened by extraordinary costs, total EUR -1.1 million. The operating result contains extraordinary costs of cirka EUR -0.6 million due to management changes. The result is also burdened by costs due to recruiting new production personnel and training as well as larger than normal load fluctuations in factories, total EUR -0.5 million. In addition to that the transfer of pensions to the defined benefit plan in IFRS caused one time effect to the operating result of EUR -0.5 million. At the end of the review period, the balance sheet total stood at EUR 49.2 million (44.7 million).

CONSOLIDATED FINANCIAL STATUS AND PERFORMANCE INDICATORS (IFRS)

	2015	2014	2013
Turnover, EUR million	84.6	80.1	83.0
Operating profit, % of turnover	-2.4	-0.9	-1.2
Return on equity, %	-48.4	21.2	-14.6
Return on investment, %	-6.0	12.1	1.7
Equity ratio, %	11.8	21.1	15.8
Earnings per share, EUR	-0.62	0.30	-0.20

MAJOR EVENTS DURING THE FINANCIAL PERIOD
Reka Cables Ltd got substantial underground power cable order in January. The value of the order is EUR 6.0 million. The deliveries are made during 2015 and 2016. At the end of the year 2015 Reka Cables Ltd made several delivery agreements of underground power cables, total over EUR 35 million. The deliveries of these agreements will be made mainly during 2016 and 2017. The underground power cables are used when building grids that are not vulnerable to weather conditions.

Reka Cables Ltd invested EUR 1.5 million in cable manufacturing technology in Hyvinkää Factory. With the investment the productivity of cable manufacturing is enhanced and developing and manufacturing of new products is enabled. During the financial year the investments in cable segment totalled EUR 4.7 million.

Good financial situation of Cable industry enabled additional installment of EUR 1.5 million to the financing agreement signed in March 2014. The payment was made in January 2015.

Reka Cables Ltd started in October efficiency improvement program which aims to ensure competitiveness of the company in the long term. As a part of the efficiency improvement program Reka Cables Ltd started the co-determination negotiations, which resulted in dismissal of six persons and temporary laid offs regarding three persons.

Mr. Ralf Sohlström was appointed as Managing Director of Reka Cables ltd starting May 1 2015 and Managing Director of Neo Industrial Plc September 1 2015.

Mr. Jari Salo, former Managing Director of Neo Industrial Plc, continues the development of cable business as a board member of Reka Cables Ltd.

SEGMENTS
Neo Industrial's business segment is Cable Industry.

CABLE
The Cable segment´s turnover was EUR 84.6 million (80.1 million in 2014). The operating result was EUR -0.1 (0.7) million. The Cable segment's operating result was burdened by extraordinary costs total EUR -0.8 million.

In 2015 the sales volume in the cable market of Nordic countries, the main market area of Reka Cables Ltd, was slightly higher than the year before. However, there were regional differences. The sales volume to other markets increased.

The raw material prices of aluminium and copper have fluctuated during the year. At the end of the review period the prices of aluminium and copper were lower than on December 31 2014. The world market prices of plastics have also fluctuated during the year.

Investments fulfilled, EUR 4.7 million (0.4 million) were mainly related to improving productivity and enabling development and manufacturing of new products in future. Also maintenance investments were made. Investments include also long-term rental contract which is handled as financial lease.

Turnover for Nestor Cables Ltd, an associated company, was EUR 26.0 million (30.4 million). The operating result was positive but lower 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
Good financial situation of Cable industry enabled additional installment of EUR 1.5 million to the financing agreement signed in March 2014. The payment was made in January 2015.

The financing agreement of Cable industry made in 2014 will end at March 2016. The management believes that old financing agreement will be replaced by new financing agreement.

At the end of the review period, the balance sheet total stood at EUR 49.2 million (44.7 million).

MAJOR EVENTS AFTER THE REVIEW PERIOD
As a part of financial agreement signed by Reka Group the loans of cable segment will be rearranged. Financial agreement is targeted to be implemented during March.

SHARE PRICE AND TRADING VOLUME
In 2015, a total of 1,721,204 (454,417) of Neo Industrial´s B shares were traded on NASDAQ Helsinki for a total of EUR 4.1 million (0.3 million), representing 29.3 (7.7) percent of the total number of the shares. At the end of trading on 31 December 2015, the share price was EUR 1.61 (0.67), and the average share price for 2015 was EUR 2.39 (0.67). The lowest quotation in 2015 was EUR 0.62 (0.50), ant the highest quotation was EUR 3.71 (0.86). The company´s market capitalisation was valued at EUR 9.8 million (4.0) on 31 December 2015.

GROUP STRUCTURE AND SHAREHOLDERS
Neo Industrial Plc is the parent company of the Group, which includes the Neo Industrial wholly owned subsidiaries Novalis Plc and Alnus Ltd and its subsidiaries. The parent company is domiciled in Hyvinkää.

On December 2015, Neo industrial had 11,576 shareholders (11,575). The largest shareholder, Reka Ltd, held 50.8 percent (50.8) of the shares and 65.8 percent (65.8) of the votes. Neo Industrial Plc is therefore part of the Reka Group. Reka Ltd is domiciled in Juupajoki.

At the end of the year, the combined holding of the ten largest shareholders was 59.4 percent (60.3) of the shares and 71.7 percent (72.4) of the votes.

The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,972,696 (2,981,874) of Neo Industrial´s B shares on 31 December 2015.

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.

Due to the financial arrangements carried out since 2014 the financial situation has improved. The financial negotiations are continued and to assure funding and liquidity.

As a part of financial agreement signed by Reka Group the loans of cable segment will be rearranged. Financial agreement is targeted to be implemented during March.

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. Procedures are developed to equalize the effect of seasonal changes to the factory capacity usage.

RESEARCH AND DEVELOPMENT

The Neo Industrial Group invested a total of EUR 0.2 million in research and product development in 2015 (0.3 million in 2014). This total was related to the Cable segment and are recognised as costs in financial statement.

PERSONNEL

During the financial year, the Group employed an average of 241 people (241 in 2014 and 323 in 2013). At the end of 2015, the Group employed 240 (249 in 2014 and 241 in 2013) people, of whom 239 (246 in 2014 and 237 in 2013) worked in the Cable segment and 1 (3 in 2014 and 4 in 2013) in Group administration. The Group paid a total of EUR 10.5 million (10.6 million in 2014 and 11.0 million in 2013) in performance-based salaries and fees in 2015.

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 9 April 2015.

The AGM approved the Board´s proposal that no dividends be paid for 2014.

The AGM approved the 2014 financial statements and discharged the Board of Directors and CEO from liability for the year 2014.

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 2015 and the shares will be handed over in June 2016.

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 2016 – average share price in May 2015). 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 2016 and the shares will be handed over in June 2016.

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 five (5) and nominated the following persons be elected to the Board: Markku E. Rentto, chairman; Jukka Koskinen, deputy chairman and Marjo Matikainen-Kallström, Jorma Sirén and Raimo Valo 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 2016.

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 Raimo Valo and Marjo Matikainen-Kallström. In 2015, Neo Industrial´s audit committee reviewed business risks, balance sheet values, financing, liquidity and test calculation procedures as well as the effects of various financial arrangements and structural changes on reporting. In guidance to internal audit measures emphasis to ICT risks management and requirements of documentation 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. Reviewed by the audit committee, the statement has been issued as a separate report. The report is 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 2015, its total share capital was EUR 24,082,000, and the number of shares was 6,020,360. The total number of shares includes 30,525 B shares held by Neo Industrial. The holding presents 0.5 percent of the company´s share capital and 0.4 percent of the votes. The company held no A shares. Neo Industrial Plc´s shares (NEOIV) are listed on the main list of NASDAQ Helsinki.

Company shares	31/12/2015	31/12/2014	31/12/2013
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	30,525	91,727	91,727

ACQUISITION AND TRANSFER OF THE COMPANY´S OWN SHARES
On 31 December 2015, the company held a total of 30,525 own B shares. Neo Industrial did not use the authorization of acquisition of the company´s own shares. Neo Industrial has decided to use the authorization to transfer treasury B shares against or without payment. In 2015, Neo Industrial Plc has paid consultancy invoices and remunerations to Board of Directors by shares, total 61.202 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 -4,261,547.86 including the result of the review period EUR 4,302,609.79. The Board proposes to the Annual General Meeting that no dividends will be paid for 2015. No dividends were paid for 2014.

NEAR-TERM OUTLOOK
The construction has been picking up slightly in Nordic countries and in Western Europe. The management believes that grid constructors will boost ground cabling projects to ensure distribution reliability. The turnover of the cable segment is believed to slightly exceed the turnover in 2015. The operating result of the cable segment is believed to be clearly positive.

To ensure funding and liquidity, the negotiations on financing and payment terms, the measures for boosting inventory turnover and freeing up capital assets are continued.

ANNUAL GENERAL MEETING 2016
Neo Industrial Plc´s Annual General Meeting will be held in Helsinki on 31 March 2016 at 2.00 p.m.
A separate invitation will be published on 25 February 2016.

Hyvinkää, 25 February 2016

Neo Industrial Plc
Board of Directors

CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000	Note	1/1-31/12/2015	1/1-31/12/2014
TURNOVER	4	**84,585**	**80,098**
Change in inventories of finished products and production in progress		348	-950
Production for own use		57	23
Other operating income	5	325	349
Materials and services		-60,991	-55,730
Personnel expenses	8	-14,283	-12,801
Depreciation and impairment	7	-1,888	-1,970
Other operating expenses	6	-10,148	-9,759
		-86,580	-80,838
Operating result		**-1,995**	**-740**
Financial income	10	29	4,793
Financial expenses	10	-2,008	-2,349
Result before taxes		**-3,973**	**1,703**
Taxes	11	282	83
Result for the period		**-3,691**	**1,787**
Profit or loss attributable to			
Shareholders of the parent		-3,691	1,787
Non-controlling interests		0	0
		-3,691	1,787
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	12	-0.62	0.30
Number of shares		5,989,835	5,928,633

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

Result	-3,691	1,787
Other comprehensive items that may subsequently reclassified to statement of income		
Translation differences related to foreign units	5	-41
Total	5	-41
Total comprehensive income	-3,686	1,746
Total comprehensive income attributable to		
Shareholders of the parent	-3,686	1,746
Non-controlling interests	0	0
	-3,686	1,746

CONSOLIDATED BALANCE SHEET (IFRS)

EUR 1,000	Note	31/12/2015	31/12/2014
ASSETS			
Non-current assets			
Goodwill	14	3,252	3,252
Other intangible assets	14	871	1,219
Tangible assets	13	14,271	11,210
Receivables		59	80
Deferred tax assets	16	1,506	1,272
Total non-current assets		**19,959**	**17,033**
Current assets			
Inventories	17	12,680	11,695
Sales receivables and other receivables	18	15,296	11,519
Cash and cash equivalents	19	1,280	4,484
Total current assets		**29,257**	**27,698**
Total Assets		**49,216**	**44,731**
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		-197	-591
Translation differences		-27	-47
Retained profit		-40,647	-36,634
Other unrestricted equity		21,328	21,328
Equity attributable to sharehoders of the parent		**5,827**	**9,426**
Non-controlling interets		0	0
Total shareholders´ equity	20	**5,827**	**9,426**
Non-current liabilities			
Deferred tax liabilities	16	97	150
Provisions	21	2,790	2,958
Financial liabilities	22	6,407	4,021
Other liabilities		494	29
Derivative contracts	24	88	0
Current liabilities			
Tax liabilities from the profit		17	20
Provisions	21	200	200
Financial liabilities	22	19,863	19,554
Derivative contracts	24	70	12
Accounts payable and other liabilities	23	13,362	8,359
Total liabilities		**43,389**	**35,305**
Shareholders´ equity and liabilities		**49,216**	**44,731**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS´ EQUITY (IFRS)

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Other unrestricted equity	Retained profit	Shareholder´s equity to the shareholders of the parent	Non-controlling interests	Total shareholders´ equity
Shareholders' equity 31/12/2013	24,082	66	1,221	-591	-6	21,328	-38,644	7,456	0	7,456
Comprehensive income										
Result for the period							1,787	1,787	0	1,787
Other comprehensive income										
Translation differences					-41		0	-41		-41
Total comprehensive income					-41		1,787	1,746	0	1,746
Transactions with the owners										
Other change							224	224		224
Total transactions with the owners							224	224	0	224
Shareholders' equity 31/12/2014	**24,082**	**66**	**1,221**	**-591**	**-47**	**21,328**	**-36,634**	**9,426**	**0**	**9,426**

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Other unrestricted equity	Retained profit	Shareholder´s equity to the shareholders of the parent	Non-controlling interests	Total shareholders´ equity
Shareholders' equity 31/12/2014	24,082	66	1,221	-591	-47	21,328	-36,634	9,426	0	9,426
Comprehensive income										
Result for the period							-3,691	-3,691	0	-3,691
Other comprehensive items										
Payments by own shares				394			-299	95	0	95
Translation differences					20		-22	-2		-2
Total comprehensive income				394	20		-4,012	-3,598	0	-3,598
Shareholders' equity 31/12/2015	**24,082**	**66**	**1,221**	**-197**	**-27**	**21,328**	**-40,647**	**5,827**	**0**	**5,827**

Changes in associated companies are described in more detail in note 15 (“Holdings in associates”).

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

EUR 1,000	**1/1-31/12/2015**	**1/1-31/12/2014**
Cash flows from operating activities		
Payments received from operating activities	81,247	80,234
Payments paid on operating activities	-81,084	-75,983
Paid interests and other financial expenses	-1,796	-2,360
Interests received and other financial incomes	9	47
Direct taxes paid	-9	-68
Net cash provided by operating activities	**-1,634**	**1,871**
Cash flows from investments		
Acquisition of subsidiaries and new business	0	-41
Investments in tangible assets	-1,725	-398
Sales of tangible assets	46	66
Loans granted	0	-1,000
Loan repayments	322	369
Net cash provided by investing activities	**-1,357**	**-1,004**
Cash flows from financing activities		
Increase in loans	2,412	17,659
Decrease in loans	-2,500	-15,192
Payments of finance lease activities	-119	-53
Net cash provided by financing activities	**-207**	**2,414**
Change in cash and cash equivalents at the end of the period	**-3,198**	**3,281**
Cash and cash equivalents at beginning of the period	4,484	1,224
Exchange rate differences	-3	-24
Cash and cash equivalents of corporate arrangements	-2	2
Change in cash and cash equivalents at the end of the period	**1,280**	**4,484**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Neo Industrial Plc is the parent company of the Group, which includes the Neo Industrial wholly owned subsidiaries Novalis Plc and Alnus Ltd with their subsidiaries.

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

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 25 February 2016. 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.

2. Accounting policies

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 2015. 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 2015 the following new and amended standards that have come into effect.

- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions(effective for financial years beginning on or after 1 July 2014): The amendmentsclarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits.The amendments are not assessed to have an impact on Neo Industrial's consolidated financial statements.
- Annual Improvements to IFRSs (2011-2013 cycle and 2010-2012 cycle) (effective for financial years beginning on or after 1 July 2014): 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 cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard but are not significant.
- IFRIC 21 Levies (effective for financial years beginning on or after 1 January 2014; in the EU to be applied at the latest, as from the commencement date of its first financial year starting on or after 17 June 2014): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognized when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation had no impact on Neo Industrial's consolidated financial statements.

Compiling the financial statements in accordance with the IFRS requires the Group's management to make certain assumptions and to use consideration in applying the accounting policies. This process and assumptions with the largest effect on the figures presented in the financial statements are explained under "Accounting principles requiring management discretion and key uncertainty factors related to estimates".

Valuation principles
The consolidated financial statements have been prepared based on original cost, except for the following items, which have been recognized 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 Plc, and its subsidiaries. Subsidiaries are companies in which the Group has a controlling interest. A controlling interest is created when The Group has a controlling interest when it is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

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

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

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

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

Foreign currency items

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

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

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

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

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

Tangible non-current assets

Tangible non-current assets are measured at original acquisition cost less depreciation and impairment. If a non-current asset consists of several parts with different economic lifetime, each part is treated as a separate asset. In these cases, the costs associated with renewing the asset are activated. Otherwise, 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 recognized 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

Non-current assets acquired through finance leases are depreciated over their estimated useful life or the lease term, if shorter.

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. Depreciation on a tangible non-current asset is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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.

Borrowing costs

Borrowing costs are recognized in the financial period during which they are incurred. In 2014, the Group had no borrowing costs (arising from asset purchases) that were activated.

Intangible non-current assets

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

No depreciation is recognized 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 recognized 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 recognized 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 recognized 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 recognized in the balance sheet and depreciated as expenses on a straight-line basis in the income statement over their useful lives. No depreciation is recognized 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 recognized in other operating income and expenses on the income statement.

Inventories

Inventories are recognized 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.

Lease agreements

The Group as a lessee
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.

Lease agreements in which the lessor bears the risks and rewards of ownership are recognized in other leases. Rents payable under other leases are recognized as expenses in the income statement in equal instalments during the lease period.

The Group primarily operates in leased premises. In Russia, the Group also owns premises. The Group makes fixed-term lease agreements, which are converted into permanent agreements at the end of the fixed period or which offer the Group the opportunity to continue the fixed-term agreement. The most common option is to continue the lease for five (5) years. These options have been taken into account in the accounting of finance leases.

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. Nestor Cables Ltd, an associated company in the Cable segment, is a unit to be tested separately if any balance sheet values are related to it. In the 2014 financial statements, no balance sheet values are related to Nestor Cables Ltd.

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 recognized when an asset's book value is higher than the recoverable amount. The impairment loss is recognized 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 recognized, the useful life of the asset being depreciated is reassessed. An impairment loss recognized 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 recognized on goodwill is not reversed.

Pension arrangements

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).

Provisions and contingent liabilities

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. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognized as a separate asset, but not before it is practically certain that compensation will be paid.

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 restructuring provision is made when the Group has prepared a detailed restructuring plan and announced it or begun to implement it. No provision is recognized for expenses related to Group operations continuing as normal.
A provision is made for loss-making contracts if the expenses required to fulfil the contractual obligations exceed the benefits from the contract.

A provision is made for environmental obligations based on current interpretations of environmental laws and regulations. A provision is made when it is likely that an obligation has been created and the amount of the obligation concerned can be estimated reliably.

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.

Taxes

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. The taxes are adjusted by taxes

potentially related to previous periods, with the exception of taxes recognized in equity for which the corresponding income or expense has been recognized directly in equity.
Deferred tax assets and liabilities are calculated on temporary differences between the book value and taxable value. However, deferred tax liabilities are not recognized when the transaction concerns an asset or liability initially recognized in the accounts and does not concern business combinations and when the recognition of such an asset or liability does not affect the accounting result or the taxable income at the time of the transaction. No deferred taxes are recognized on goodwill that is non-deductible in taxation or on subsidiaries' non-distributable profit funds to the extent that the difference is not likely to be released in the foreseeable future.

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 recognized to the extent that it is likely that taxable income will be created in the future, against which the temporary difference can be utilised.

Revenue recognition

Products sold and services produced
Income from product sales is recognized when significant risks and benefits of ownership and the actual control over the products have been transferred to the buyer. This is usually done in conjunction with product delivery in accordance with contract terms. Income from services produced is recognized in the financial year when the service is performed.

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

Financial assets and liabilities

The Group's financial assets are classified into the following groups: derivative contracts, financial assets available for sale, loans and other receivables and other financial assets. The classification is based on the purpose of acquiring the financial assets, and they are classified in conjunction with the initial acquisition.

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 recognized at fair value are valued based on market quotations. Realised and unrealised gains and losses from changes in fair value are recognized in the income statement in the financial year in which they occur. If no specific market quote is available, valuation is based on confirmation from the counterparty, which has been tested using common valuation methods and available market quotations.

Financial assets are derecognized when the Group has lost its contract-based entitlement to cash flows or when it has transferred a significant part of risks and rewards outside the Group.

Based on their nature, financial instruments are divided into current and non-current assets and liabilities.

Available-for-sale financial assets are assets that have been specifically assigned to this group or that have not been classified in any other group. Available-for-sale financial assets are recognized at fair value, and changes in value are recognized directly in equity if their fair value can be measured reliably. If the fair value cannot be measured reliably, available-for-sale investments are recognized at acquisition cost. Available-for-sale financial assets may consist of shares and interest-bearing investments.

Loans and other receivables are recognized at the outstanding value of the receivable. Sales receivables are presented in gross amounts, and the financial liabilities under sales receivables are recognized in financial liabilities. If sales receivables have been sold in part or in full in accordance with IFRS, so that the credit loss risk related to the receivables sold has been transferred, the sold part of sales receivables is recognized as a write-off on the balance sheet. The Group recognizes an impairment loss on sales receivables if there is objective evidence that the receivable cannot be recovered in full. If the amount of impairment loss is reduced later, the recognized loss is reversed through profit or loss.

Cash and cash equivalents
Cash and cash equivalents include cash, bank deposits that can be withdrawn on demand and other short-term investments.

Financial liabilities
Financial liabilities are valued at allocated acquisition cost or at fair value excluding liabilities arising from finance leases under IAS 17. Liabilities arising from finance leases are recognized initially at the fair value of the asset leased or the present value of minimum lease payments, depending on which one is lower. Financial liabilities also include a long-term purchase price liability related to industrial premises, in which the instalments are tied to an index. Transaction costs are included in the initial book value of financial liabilities. Financial liabilities are included in current and non-current liabilities.

Derivative contracts
Derivatives are recognized at fair value on the date when the Group becomes party to a derivative contract. Derivatives are recognized either as current or non-current receivables or liabilities on the balance sheet. Gains and losses arising from fair value measurement are recognized in accordance with the derivative's use as follows:

- Derivatives that hedge net sales are included in net sales.
- 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.

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. 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.

Using own shares as means of payment for rewards

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 publish stock releases when making payment with own shares.

Accounting principles requiring management discretion and key uncertainty factors related to estimates

When preparing financial statements, estimates and assumptions concerning the future must be made, and these may differ from the actual outcome. Furthermore, discretion must be used when applying accounting principles.

Management discretion related to the choice and application of accounting principles
The Group's management uses discretion when making decisions concerning the choice and application of accounting principles. This applies particularly to cases where the existing IFRS standards have alternative recognition, measurement or presentation methods.

The management has used its discretion in assessing which lease agreements are handled in accordance with IAS 17 as financial leases recognized as assets on the balance sheet and which ones are recognized as ordinary rent expenses. As its guideline, the management has used the definition that lease agreements in which the lessor bears the risks and rewards of ownership are recognized in other leases. For this reason, short-term and fairly short-term leases of facilities have been treated as other leases, as have individual leases of machinery and equipment obtained from outside the Group and all IT equipment leases. Long-term leases of facilities and leases of production equipment have been recognized as capital leases.

The management has used its discretion when assessing financial contracts that involve derivatives.

Uncertainty factors related to estimates
Estimates and assessments made when preparing the financial statements are based on the management's best opinion on the closing date. The estimates are based on previous experiences and assumptions that concern expected trends in the Group's financial operating environment as far as sales and cost levels are concerned and that are considered most likely on the closing date. The Group regularly monitors the materialisation of estimates and assumptions and changes in the factors behind them together with the business units by using several sources of information, both internal and external. Any changes in the estimates and assumptions are recorded in the accounts for the financial period in which they are revised and in all consequent financial periods.

Measurement of fair value of goods acquired in business combinations
In June 2007, the Neo Industrial Group acquired the Reka Cables Group. The seller was Reka Ltd, which is the parent company of Neo Industrial Plc. Although it was a business amalgamation of corporations under the same controlling interest, the management felt that the acquisition cost method under IFRS 3 needed to be applied. For this reason, the fair value of all assets acquired was measured in accordance with the provisions of IFRS 3. The Group has used an external advisor in estimating the fair values of tangible and intangible assets. The acquisition cost calculation for OAO Expokabel, acquired in August 2008 by purchasing a majority of the shares, was also performed in accordance with IFRS 3, as was the acquisition cost calculation for Finndomo in April 2010. Balance sheet items related to Finndomo were recorded as write-offs in the 2012 financial statements OAO Expokabel was sold in May 2013.

The management believes that the estimates and assumptions used are sufficiently accurate to form a basis for measuring fair value. In addition, the Group reviews potential signs of impairment concerning both tangible and intangible assets at least once a year, on the closing date of the financial year.

Impairment testing
The Group carries out impairment tests annually – or more often, if necessary – on goodwill, unfinished intangible assets and intangible assets with an unlimited useful life. The Group also assesses signs of impairment in accordance with what is presented above in the accounting principles. The recoverable amount from units generating cash flows has been determined based on calculations of value in use. These calculations require the use of estimates.

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

Neo Industrial has not yet adopted the following new or 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 2015.

- Amendment to IAS 1 *Presentation of Financial Statements*: Disclosure Initiative (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation had no significant impact on Neo Industrial's consolidated financial statements.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for financial years beginning on or after 1 January 2016):The amendments clarify IAS 16 and IAS 38 that revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments will have no impact on Neo Industrial's consolidated financial statements.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture- Bearer Plants (effective for financial years beginning on or after 1 January 2016): These amendments require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment and included in the scope of IAS 16, instead of IAS 41. These amendments will have no impact on Neo Industrial's consolidated financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures*: *Investment Entities*: *Applying the Consolidation Exception** (the amendments can be applied immediately; mandatory for financial years beginning on or after 1 January 2016):The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements when accounting for investment entities. The amendments also provide relief in

particular circumstances, which will reduce the costs of applying the Standards. The amendments will not have an impact on Neo Industrial's consolidated financial statements.

- Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (effective for financial years beginning on or after 1 January 2016): The amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendments are not assessed to have an impact on Neo Industrial's consolidated financial statements.
- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements (effective for financial years beginning on or after 1 January 2016):The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will not have an impact on Neo Industrial's consolidated financial statements.
- New IFRS 14 Regulatory Deferral Accounts* (effective for financial years beginning on or after 1 January 2016): IFRS 14 is first specific IFRS guidance on accounting for the effects of rate regulation. It is an interim standard. IFRS 14 allows first-time adopters of IFRS, whose activities are subject to rate-regulation, to continue using previous GAAP ("grandfathering") while the IASB completes its comprehensive project in this area. IFRS 14 is an optional standard. The new standard will not have an impact on Neo Industrial's consolidated financial statements.
- Annual Improvements to IFRSs (2012-2014 cycle) (effective for financial years beginning on or after 1 January 2016): 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 cover in four standards. Their impacts vary standard by standard but are not significant.
- New IFRS 15 *Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2018): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.* Under IFRS 15 an entity shall recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15.
- New IFRS 9 *Financial Instruments** (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 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 Group is assessing the impact of IFRS 9.

3. Segment information

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

2015

EUR 1,000	Cable	Other operations and eliminations	Group
Turnover	**84,585**	**0**	**84,585**
Operating result before change in the value of open	**-82**	**-1,867**	**-1,949**
Change in the value of open derivatives	-5	-41	-46
Operating result after change in the value of open derivatives	**-86**	**-1,908**	**-1,995**
Unallocated items		-1,696	-1,696
Result for the period			**-3,691**
Assets			
Segment's assets	46,337	2,879	49,216
Total assets	**46,337**	**2,879**	**49,216**
Liabilities			
Segment's liabilities	32,943	10,445	43,388
Total liabilities	**32,943**	**10,445**	**43,388**
Assets - liabilities	**13,393**	**-7,566**	**5,827**
Investments	**4,698**	**29**	**4,727**
Depreciations	**1,740**	**148**	**1,888**

2014

EUR 1,000	Cable	Other operations and eliminations	Group
Turnover	**80,092**	**5**	**80,098**
Operating result before change in the value of open derivatives	**718**	**-1,294**	**-577**
Change in the value of open derivatives	22	-185	-164
Operating result after change in the value of open derivatives	**739**	**-1,479**	**-740**
Unallocated items		2,527	2,527
Result for the period			**1,787**
Assets			
Segment's assets	40,381	3,899	44,731
Total assets	**40,381**	**3,899**	**44,731**
Liabilities			
Segment's liabilities	25,330	9,974	35,305
Total liabilities	**25,330**	**9,974**	**35,305**
Assets - liabilities	**15,501**	**-6,075**	**9,426**
Investments	**375**	**37**	**412**
Depreciations	**1,693**	**275**	**1,968**

Cable segment´s turnover by product group, EUR million	**1-12/2015**	**1-12/2014**
LV energy	19.2	37.6
Power cable	65.4	42.5
Total	**84.6**	**80.1**

Cable segment´s turnover by sales area, EUR million	**1-12/2015**	**1-12/2014**
EU-countries	81.5	76.3
Non-EU-countries	3.1	3.8
Total	**84.6**	**80.1**

Taken all market areas into the consideration the largest customer Group´s share of the Group´s turnover is 23.9 % and the share of the second largest is 14.2 %. Other separate customer´s share of the Group´s turnover is under 10 %.

On 31 December 2015, non-current assets other than financial instruments and deferred taxes were EUR 18.5 million (15.8). The assets are located in Finland EUR 18.5 million (15.8)

4. Turnover

EUR 1,000	2015	2014
Turnover from industrial business operations	84,585	80,098
Turnover, total	84,585	80,098

5. Other operating income

EUR 1,000	2015	2014
Subsidies received	94	74
Rental income	141	104
Other income	89	171
Total	325	349

6. Other operating expenses

EUR 1,000	2015	2014
Rental expenses	-2,928	-2,810
Machinery and property maintenance costs	-2,989	-2,794
Sales and marketing expenses	-712	-600
Other expenses	-3,519	-3,556
Total	-10,148	-9,759

The item “Other expenses” includes EUR 69,000 in fees paid to auditors for the audit of the accounts (EUR 57,000) and EUR 26,000 in fees for other consulting services (EUR 58,000).

7. Depreciation and impairment

EUR 1,000	2015	2014
Depreciation by commodity group		
Intangible non-current assets		
Customer realitionships	-275	-275
Product brands and trademarks	0	-44
Other intangible assets	-195	-268
Total	-470	-587
Tangible non-current assets		
Buildings	-176	-86
Machinery and equipment	-1,186	-1,114
Other tangible assets	-10	-8
Total	-1,371	-1,208
Impairment by commodity group		
Buildings	-47	-174
Total depreciation and impairment	-1,888	-1,970

The impairment recognised on buildings in total EUR 0.7 million of which EUR 0.0 million in year 2015 is based on the difference between the estimated income and expenses related to a long-term lease agreement.

8. Personnel expenses

EUR 1,000	2015	2014
Salaries and fees	11,248	10,574
Pension expenses, defined contribution plans	2,412	1,703
Other personnel expenses	623	524
Total	14,283	12,801

In addition to that the transfer of pensions to the defined benefit plan in IFRS caused one time effect to the operating result of EUR -0.5 million.

Management benefits are presented in note 30 ("Related-party transactions").

Average number of personnel in the financial period:

	2015	2014
Total	241	241
Cable segment	240	238

9. Research and development expenses

The income statement includes EUR 0.2 million (0.3) in research and development costs recognised as expenses.

10. Financial income and expenses

Financial income

EUR 1,000	2015	2014
Interest revenues	12	37
Exchange rate differences	16	79
Acquisition of convertible bond	0	4,675
Other financial income	2	2
Total	29	4,793

Financial expenses

EUR 1,000	2015	2014
Interest expenses	-925	-1,207
Interest expenses on finance leases	-200	-110
Expenses on metal derivates	-92	131
Exchange rate differences	-154	-201
Other financial expenses	-636	-963
Total	-2,008	-2,349
Total exchange rate differences	-139	-122

11. Taxes

EUR 1,000	2015	2014
Taxes payable on profit	-5	-8
Taxes from previous financial periods	0	-37
Deferred tax on profit	287	128
Total	282	83

Reconciliation of the tax expense in the income statement and taxes calculated at the domestic tax rate (20.0%)

EUR 1,000	2015	2014
Result before taxes	-3,973	1,703
Taxes calculated at the domestic tax rate	-795	341
Effect of tax-exempt income	1,020	-39
Effect of non-deductible expenses	7	21
Effect of different tax rates applicable to foreign subsidiaries	1	-1
Effect of unrecognised deferred tax receivables related to taxable losses	-549	598
Effect of other unrecognised deferred tax receivables	0	-998
Taxes from previous periods	0	-37
Other items	34	32
Taxes on the income statement	-282	-83

With the exception of IFRS conversions, the deferred tax assets of the foreign companies are not included in the financial statements on the closing date.

12. Earnings per share

	2015	2014
Profit from the financial period attributable to the shareholders of the parent company, EUR 1,000	-3,691	1,787
Weighted average numbers of shares during the period	5,989,835	5,928,633
Undiluted earnings per share	-0.62	0.30
Weighted diluted average numbers of shares during the period (number)	5,989,835	5,928,633
Earnings per share adjusted for dilution	-0.62	0.30

Earnings per share:

Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	-0.62	0.30
Number of shares	5,989,835	5,928,633

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.

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.

13. Tangible non-current assets

EUR 1,000	Buildings	Machinery and equipment	Motor vehicles	Advance payments and acquisitions in progress	Total
Acquistion costs 1/1/2015	2,032	25,554	270	100	27,956
Increase	1,800	2,528	0	278	4,605
Decrease	0	-26	0	-100	-126
Exchange rate differences	0	-4	0	0	-4
Acquistion costs 31/12/2015	3,832	28,052	270	278	32,431
Accumulated depreciation and impairment 1/1/2015	953	15,615	180	0	16,746
Depreciation	176	1,175	20	0	1,371
Impairment	47	0	0	0	47
Exchange rate differences	0	-2	0	0	-2
Accumulated depreciation and impairment 31/12/2015	1,176	16,788	200	0	18,161
Book value 1/1/2015	1,080	9,940	90	100	11,210
Book value 31/12/2015	2,656	11,264	70	278	14,271

EUR 1,000	Buildings	Machinery and equipment	Motor vehicles	Advence payments and acquisitions in progress	Total
Acquistion costs 1/1/2014	2,032	25,271	270	76	27,649
Increase	0	330	0	100	430
Decrease	0	-41	0	-76	-117
Exchange rate differences	0	-6	0	0	-6
Acquistion costs 31/12/2014	2,032	25,554	270	100	27,956
Accumulated depreciation and impairment 1/1/2014	692	14,516	160	0	15,368
Depreciation	87	1,101	20	0	1,208
Impairment	174	0	0		174
Exchange rate differences	0	-2	0	0	-2
Accumulated depreciation and impairment 31/12/2014	953	15,615	180	0	16,746
Book value 1/1/2014	1,340	10,755	110	76	12,281
Book value 31/12/2014	1,079	9,939	90	100	11,210

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

EUR 1,000	2015	2014
Buildings		
Acquisition costs 1/1	2,146	2,146
	1,800	0
Acquisition costs 31/12	3,946	2,146
Accumulated depreciation 1/1	1,066	806
Decrease in accumulated depreciation	0	0
Depreciation for the period	176	86
Impairment	47	174
Accumulated depreciation 31/12	1,289	1,066
Book value 31/12	2,657	1,079

14. Intangible non-current assets

EUR 1,000	Goodwill	Other intangible	Total
Acquisition costs 1/1/2015	3,252	5,749	9,001
	0	122	122
Acquisition costs 31/12/2015	3,252	5,871	9,123
Accumulated depreciation and impairment 1/1/2015	0	4,530	4,530
Depreciation	0	470	470
Accumulated depreciation and impairment 31/12/2015	0	5,000	5,000
Book value 1/1/2015	3,252	1,219	4,471
Book value 31/12/2015	3,252	871	4,123
Acquisition costs 1/1/2014	3,252	5,749	9,001
Acquisition costs 31/12/2014	3,252	5,749	9,001
Accumulated depreciation and impairment 1/1/2014	0	3,943	3,943
Depreciation	0	587	587
Accumulated depreciation and impairment 31/12/2014	0	4,530	4,530
Book value 1/1/2014	3,252	1,806	5,058
Book value 31/12/2014	3,252	1,219	4,471

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

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 calculations are based on forecasts approved by the management for a period of four years. Cash flows after the forecast period have been predicted using a growth assumption of 0 percent. The projected cash flows are discounted at the present date. In the Cable segment, the discount rate before taxes was 7.30 percent (7.81 percent).

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 changes made to operating models – those already visible in 2015 – have been taken into account in the predictions. With regard to growth, the predictions are moderate. As a part of testing process, the first sensitivity test of the calculation is carried out by making two alternative calculations. After that the main calculations sensitivity is tested by the effects of changes in discount rate levels. Based on the sensitivity calculations, the present value of future cash flows is larger than the investments, even if discount rate was 45 percent higher.

According to the results of the impairment tests, the company has no need to recognise impairments. The recoverable amount determined in impairment testing exceeds the book value of the units tested.

15. Holdings in associates

EUR 1,000	2015	2014
At the beginning of the period	0	0
Impairment	0	0
At the end of the period	0	0

On the closing date of the financial period, Neo Industrial's associated company was Nestor Cables Ltd. The value of the shares of Nestor Cables Ltd is zero in the 2015 financial statements.

Nestor Cables is domiciled in Oulu. Its assets in the financial statements are EUR 16.9 million (17.2), and its liabilities are EUR 20.1 million (20.5 million). Subordinated loans constitute EUR 5.5 million (5.5) of the liabilities. The company's turnover in 2015 was EUR 26.0 million (30.4), and its operating result was EUR 0.0 million (0.1). The company launched production in 2008. Neo Industrial's share of the company is 22.94 percent. The unrecognised share of Nestor Cables' result in 2015 is EUR 0.0 (EUR 0.0) million and that of its cumulative loss is EUR 0.9 (EUR 0.9) million, because the company's value on the consolidated balance sheet is EUR 0 and the Group does not carry any liabilities regarding Nestor Cables Ltd.

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

16. Deferred tax assets and liabilities

Deferred tax assets from losses are recognised based on future profit expectations. With the exception of IFRS conversions, the deferred tax assets of the foreign companies are not included in the financial statements on the closing date.

Changes in deferred taxes during 2015:

EUR 1,000	1/1 2015	Recorded in the income statement	Exchange rate differences	31/12 2015
Deferred tax receivables				
Provisions	168	6	0	174
Deferred tax receivables on losses	1,104	130	0	1,234
Other items	0	98	0	98
Total	1,272	234	0	1,506
Deferred tax liabilities				
Accumulated depreciation difference	-17	-2	0	-19
Purchase price allocation in accordance with IFRS 3 and recognition of costs resulting from the allocation	-133	55	0	-78
Total	-150	53	0	-97

Confirmed losses of the Group companies expire in 2019 or later. Deferred tax receivables on losses were not recognised for the Group's foreign companies.
In the Cable segment, deferred tax receivables on losses have been recognised for Reka Cables Ltd and its parent company and partly for Group's parent company. These are recognised as a single entity and evaluated based on Reka Cables' actual results and on long-term predictions that have updated on the basis on the actual results and for which sensitivity analyses have been carried out. Deferred tax receivables have not been recognised with regard to the tax loss of the Group's parent company in 2015. The change of tax rate has been updated through profit and loss.

Changes in deferred taxes during 2014:

EUR 1,000	1/1 2014	Recorded in the income statement	Exchange rate differences	31/12 2014
Deferred tax receivables				
Provisions	160	8	0	168
Deferred tax receivables on losses	2,208	-1,104	0	1,104
Total	2,368	-1,096	0	1,272
Deferred tax liabilities				
Accumulated depreciation difference	-1,177	1,160	0	-17
Purchase price allocation in accordance with IFRS 3 and recognition of costs resulting from the allocation	-196	63	0	-133
Total	-1,374	1,223	0	-150

17. Inventories

EUR 1,000	2015	2014
Materials and supplies	3,756	3,118
Production in progress	3,454	3,255
Finished products	5,470	5,322
Total	12,680	11,695

In year 2015 there is recognised inventory impairment of EUR 0.3 million. In year 2014 there has not been any inventory impairment.

18. Current receivables

Current receivables were distributed as follows:

EUR 1,000	2015	2014
Sales receivables	4,804	1,983
Factoring receivables	9,535	8,318
Other receivables	957	1,218
Total	15,296	11,519

Age distribution of Sales receivables 31/12/2015
EUR 1,000

Total	undue	less than 7 days	less than 14 days	less than 30 days	less than 60 days	more than 60 days
14,339	13,449	490	221	198	-42	23

Age distribution of Sales receivables 31/12/2014
EUR 1,000

Total	undue	less than 7 days	less than 14 days	less than 30 days	less than 60 days	more than 60 days
10,301	9,716	298	72	169	4	42

The Cable segment has a partial factoring arrangement related to sales receivables. The entire amount of sales receivables was recognised, because the criteria for derecognition were not met. The credit facility used is recognised in current interest-bearing liabilities.

The factoring credit was secured by sales receivables. The factoring credit stood at a total of EUR 8.5 million (7.1) and is included in current financial liabilities.

Current receivables distributed by currency:

EUR 1,000	**2015**	**2014**
EUR	13,685	11,098
SEK	302	182
DKK	1,076	127
RUB	33	28
NOK	200	84
Total	15,296	11,519

19. Cash and cash equivalents

EUR 1,000	**2015**	**2014**
Cash and bank	1,280	4,484

20. Shareholders' equity

The parent company´s share capital by share series	**2015**		**2014**	
	Number	Shareholders equity EUR 1,000	Number	Shareholders equity EUR 1,000
Series A (20 votes/share)	139,600	558	139,600	558
Series B (1 vote/share)	5,880,760	23,524	5,880,760	23,524
	6,020,360	24,082	6,020,360	24,082

Neo Industrial Plc has two series of shares. The maximum number of A shares is 0.2 million (0.2 million in 2014), and the maximum number of B shares is 9.6 million (9.6 million). All issued shares are paid up in full.

Own shares

	Number	EUR 1,000
Own shares 31/12/2014	91,727	591
Fee payments	-61,202	-394
Own shares 31/12/2015	30,525	197

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 no dividends will be paid for 2015. No dividends were paid for 2014.

21. Provisions

EUR million	Product warranty provisions	Provision of unpaid purchase price	Total
1/1/2015	0.90	2.30	3.20
Decrease	0.00	-0.20	-0.20
31/12/2015	0.90	2.10	3.00

EUR million	Product warranty provisions	Provision of unpaid purchase price	Total
1/1/2014	0.80	2.50	3.30
Increase	0.10	0.00	0.10
Decrease	0.00	-0.20	-0.20
31/12/2014	0.90	2.30	3.20

EUR million	2015	2014
Long-term provisions	2.80	3.00
Short-term provisions	0.20	0.20
Total	3.00	3.20

The provisions EUR 3.0 million on the consolidated balance sheet consist of product warranty provisions (EUR 0.9 million) and the discounted balance sheet value (EUR 2.1 million) 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 balance sheet with the bankruptcy of Avilon Fibres Ltd. The guarantee is paid annually by amounts of EUR 0.2 million until year 2035.

In the closing of the books for 2014 the provisions EUR 3.2 million on the consolidated balance sheet consisted of product warranty provisions (EUR 0.9 million and discounted balance sheet value (EUR 2.3 million) of the instalments of Avilon Fibres Ltd's industrial premises for the price remaining unpaid, for which the Group has granted a guarantee.

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 ten years, unless otherwise agreed with the customer.

22. Financial liabilities

EUR 1,000	2015	2014
Long-term financial liabilities valued at allocated acquisition cost		
Finance lease agreements	3,433	1,894
Other loans	2,974	2,128
Total	6,407	4,021
Short-term financial liabilities valued at allocated acquisition cost		
Bank loans	8,633	11,133
Factoring credit	8,546	7,134
Other loans	2,489	1,233
Finance lease agreements	194	53
Total	19,863	19,554

The Group's bank and financing loans have floating interest rates. Finance leases have fixed interest rates. In addition to a fixed interest rate, an effective interest rate applies to the loan the proceeds of which are partly tied to the company's share performance. The Group's average interest rate on 31 December 2015 was 5.0 percent (4.8).

The financing agreement of the Cable segment signed in 2014 includes financial covenants. In addition, the use and distribution of the funds requires consent from the financier. At 31 December 2015 terms of one financial covenant was not fulfilled. The financial covenants are viewed quarterly according to the financial agreement. The financing agreement made in 2014 will end, according to the contract, at March 2016. The management believes that old financing agreement will be replaced by new financing agreement and that the covenant not fulfilled, does not cause premature maturing of loans.

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

EUR 1,000	2015	2014
Less than 6 months	8,741	7,187
6-12 months	11,122	12,366
More than 12 months	6,407	4,021
Total	26,270	23,575

All loans are denominated in euro.

Maturing of finance lease agreements

EUR 1,000	2015	2014
Finance lease agreements - total amount of minimum lease payments		
Within 1 year	402	160
1-5 years	1,606	640
After 5 years	3,434	2,507
Total	5,441	3,307
Unaccumulated financial expenses	-1,814	-1,360
Present value of finance agreements	3,628	1,947
Finance lease agreements - present value if minimum lease payments		
Within 1 year	194	53
1-5 years	904	242
After 5 years	2,529	1,651
Total	3,628	1,947

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.

In summer 2015 Reka Ltd sold one of its premises outside the Group. Due to that Reka Cables Ltd renewed the rental agreement of that premises and signed 10 year rental agreement with the new lessor.
The new rental contract is handled as financial lease.

23. Accounts payable and other liabilities

EUR 1,000	2015	2014
Current financial liabilities valued at allocated acquisitions cost		
Accounts payable	6,751	3,076
Personnel expenses allocated by period	2,419	2,092
Accruals and deferred income	2,742	1,872
Other liabilities	1,521	1,320
Total	13,433	8,359

Non-interest-bearing current liabilities distributed by currency:

EUR 1,000	2015	2014
EUR	13,325	8,361
USD	6	-22
DKK	17	0
NOK	25	0
SEK	59	2
Other currency	1	18
Total	13,433	8,359

24. Pension Liabilities

Neo Industrial´s pension insurances were transferred to the defined benefit plan December 31, 2015. Due the transfer the pension responsibilities has been handled according to defined benefit plan (IAS 19) by using the total pension responsibilities information as more detailed information is not yet available. Applied enclosures regarding pension liabilities according to IAS 19 are shown below

Pension costs according to defined benefit plan in Consolidated Income Statement and Consolidated statement of comprehensive Income

1 000 euroa	2015
Pension costs according to defined benefit plan	
Accured during financial year	0
Net interest expense	0
Earlier accrued, recognised due transfer to the defined benefit plan	488
Together	**488**
Due reclassification	**0**

Change of net defined benefit liabilities during Financial year	Present value of defined benefit obligations	Present value of assets related	Net defined benefit liabilities
EUR 1,000			
1.1.2015	**0**	**0**	**0**
Earlier accrued, recognised due transfer to the defined benefit plan	6,421	-5,932	488
31.12.2015	**0**	**0**	**0**

Significant assumptions behind insurance mathematical calculations	**2015**
Discount rate	2.50 %
Inflation	1.63 %
Increase of pensions	1.00 %

25. 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), the Swedish krona (SEK) and the Russian rouble (RUB). 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 and pulp it purchased are determined based on the dollar. The combined effect of metal and pulp prices and the USD/EUR ratio is essential to the Group. If the dollar had been 10 percent stronger against the euro on the closing date of the financial period, its effect on the operating result before taxes would have been EUR -3.7 million (0.0). Had the dollar been 10 percent weaker, its effect would have been EUR 3.7 million (0.0).

Interest rate risk
The Group's interest rate risks arise from borrowing.
The reference rates for external loans are the 1-week Euribor and 3-month Euribor. Finance leases have fixed interest rates, as does the loan the proceeds of which are partly tied to the company's share performance. On the closing date of the financial year, the Group's average financing rate for external loans was 5.0 percent (4.8). If the average interest rate had been 1 percentage point higher, it would have affected the Group's result before taxes by EUR -0.2 million (-0.2 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 0.1 million (0.0) 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 -0.4 million (0.0 million). If the market value of copper had been 10 percent higher on the closing date of the financial period, its effect on the operating result before taxes would have been EUR 0.0 million (0.0) in terms of commodity derivatives. Had the market value of copper been 10 percent lower, its effect on the operating result before taxes would have been EUR 0.0 million (0.0).

Liquidity risk
Neo Industrial continues to pay extra attention to ensure the sufficient funding and ensuring liquidity situation. The financial negotiations are continued and to assure liquidity, company intensifies the working capital management and negotiates adjustments to payment terms and agreements.

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. To guarantee liquidity, external loan funding includes accounts with credit facilities and funding for sales receivables. This makes it easier to respond to seasonal fluctuations in the different segments.

In the Cable segment, unused credit facilities totalled EUR 11.5 million on 31 December 2015 (12.9). Factoring credit facilities represented EUR 9.5 million of this total (10.9).

EUR 1,000	Balance sheet value	Cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31/12/2015						
Bank loans	8,633	8,633	8,633	0	0	0
Other loans	5,463	5,463	2,489	1,846	0	1,128
Finance lease agreements	3,628	5,443	402	402	1,205	3,434
Factoring credit	8,546	8,546	8,546	0	0	0
Accounts payable and other liabilities	8,766	8,280	8,272	8	0	0
Total	35,036	36,365	28,342	2,256	1,205	4,562
Derivatives						
Commodity derivatives	144	144	70	74	0	0

EUR 1,000	Balance sheet value	Cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31/12/2014						
Bank loans	11,133	11,133	2,500	8,633	0	0
Other loans	3,361	3,361	1,233	1,000	0	1,128
Loan the proceeds of which are partly tied to	5,361	8,897	450	450	6,488	0
Finance lease agreements	1,947	3,307	160	160	480	2,507
Revolving bank credit	5,601	5,601	5,601			
Factoring credit	7,134	7,134	7,134	0	0	0
Accounts payable and other liabilities	4,424	4,403	4,395	8	0	0
Total	28,000	29,339	15,422	9,801	480	3,635
Derivatives						
Commodity derivatives	12	12	12	0	0	0

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

In December 2014 Neo Industrial Group carried out arrangement where it bought back convertible bonds that entitle cash compensation based on the Company's class B share price.

The financing agreement of the Cable segment signed in 2014 includes financial covenants. In addition, the use and distribution of the funds requires consent from the financier. At 31 December 2015 terms of one financial covenant was not fulfilled. The financial covenants are viewed quarterly according to the financial agreement. The management believes that according to agreement, there will be made new financial agreement replacing the financial agreement which ends in March 2016 and that the covenant that was not fulfilled, does not cause premature maturing of loans.

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 is 23.9 % and the share of the second largest is 14.2 %. Other separate customer´s share of the Group´s turnover is 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.

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

EUR 1,000	Positive current values	Negative current values	Current net values 31/12/2015	Current net values 31/12/2014	Nominal values 31/12/2015	Nominal values 31/12/2014
Raw material options						
Metal derivatives	15	-159	-144	-12	3,099	395
Total derivatives	15	-159	-144	-12	3,099	395

Raw-material derivatives and currency derivatives have been valued using third-party market value reports (hierarchy level 2). Financial derivatives represent hierarchy level 3. The loan the proceeds of which are partly tied to the company's share performance is valued at the end of each quarter using the Black-Scholes model. It is recognized at fair value in the balance sheet. In December 2014 Neo Industrial Group carried out arrangement where it bought back convertible bonds that entitle cash compensation based on the Company's class B share price.

26. 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.

27. Fair values of financial assets and liabilities

Derivatives are presented in note 25. Other cash and cash equivalents as well as receivables and liabilities are recognized in accordance with the amount open in the financial statements, excluding any credit losses. The Group does not apply hedge accounting. All income and expenses from derivatives are recognized through the income statement.

28. Other leases

The Group as a lessee

Minimum lease payments based on non-cancellable other leases:

EUR 1,000	2015	2014
Within 1 year	2,038	1,578
1-5 years	462	0
Total	2,500	1,578

The Group has leased many of its production and office facilities. Some leases for premises are recognized as finance lease agreements. Other leases for premises have an average term of three to six years and they usually involve an option to continue the lease after the original termination date. The agreements usually include a term that ties the rent to an index.

The Group has leased most of its IT equipment and software, vehicles and forklifts. The average duration of these leases is three years, and they do not meet the criteria for financial leases.

The income statement for 2015 includes EUR 1.2 million (1.0) in expenses based on other leases.

29. Contingent liabilities and commitments

EUR 1,000	31.12.2015	31.12.2014
Debts secured against business mortgages, securities or guarantees		
Loans from financial institutions	8,633	11,133
Granted business mortgages	35,000	35,000
Book value of pledged securities	38,794	38,794
Guarantees and payment commitments	585	538
Lease liabilities	275	111

Investment commitments
On December 2015 investment commitments for tangible fixed assets amounted to EUR 0.6 million (1.2).

30. Related-party events

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

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

Handling of pensions in Reka Group changed and the transfer of pensions to the defined benefit plan in IFRS caused one time effect to the operating result of EUR -0.5 million.

The Neo Industrial Group's internal parent companies, subsidiaries and associated companies are listed below:

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

Related-party transactions

Transactions with the Reka Group

EUR 1,000	1-12/2015	1-12/2014
Rental expenses	-1,638	-1,721
Other purchases	-558	-429
Other income	16	25
Interest revenues	4	6
Loan receivables	76	43
Sales receivables and other receivables at end of the period	444	462
Other debts at the end of the period	165	58

Discounted rent and sale price receivables, EUR 0.2 million (0.2), are included in other receivables. The items are part of the finance investment activities of the Group.

In the spring of 2012, it was determined that the availability of premises for the Cable segment can be ensured, regardless of the tenure of the lease, if the lessor is a company of the Reka Group. The leases for premises were adjusted on the initiative of Reka Cables. As a result, the recognition of leases in accordance with IFRS changed, and finance leases were eliminated from the balance sheet. Finance lease agreements eliminated from the balance sheet totalled EUR 9.7 million. If the premises in question are transferred to a third party, Reka Cables must negotiate lease terms that ensure continued operations. In June Reka Ltd sold one of its premises outside the Group. Due to that Reka Cables Ltd renewed the rental agreement of that premises and signed 10 year rental agreement with the new lessor.

Transactions with associated companies
Sales to associated companies in 2015 totalled EUR 8 thousand (43), and purchases totalled EUR 16 thousand (14). There were no open receivables nor liabilities at the end of the financial year not at the end of previous year.

Transactions with other related parties

EUR 1,000	1-12/2015	1-12/2014
Other purchases	25	14
Other debts at the end of the period	7	14

Other related parties consist of companies that are connected to the company through an owner that has significant controlling power or that belong to related-party companies through management or board members. The Group CFO is not employed by the company at the end of the year and therefore her rewards are handled as other purchases with other related parties, in total EUR 22 thousand.

Management fringe benefits

EUR 1,000	2015	2014
Salaries and other short-term fringe benefits	823	335
Pension benefits, defined contribution plans	106	42
Total	928	377

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 2015:

- 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 2015 and the shares will be handed over in June 2016.
- 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 2016 – average share price in May 2015). 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 2016 and the shares will be handed over in June 2016.

The Management does not have any bonus system.

Salaries and other fringe benefits by person:

EUR 1,000	2015	Of which paid by shares	2014
Salaries and fees:			
Jari Salo, Managing Director	111		161
Jari Salo, Managing Director, compensation for end of employment	249		0
Ralf Sohlström, Managing Director	194		0
Sari Tulander, CFO	42		81
Members of the board:			
Markku E.Rentto	68	20	29
Matti Lainema	29	10	16
Taisto Riski	29	10	16
Raimo Valo	40	10	16
Jukka Koskinen	40	10	16
Marjo Matikainen-Kallström	11	0	0
Jorma Sirén	11	0	0
Total	823	60	335

The amounts above include statutory pension insurances as follows: Jari Salo EUR 64 thousand (28), Ralf Sohlström EUR 34 thousand (0) and Sari Tulander EUR 7 thousand (14).

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

31. Major events after the end of the financial period
As a part of financial agreement signed by Reka Group the loans of cable segment will be rearranged. Financial agreement is targeted to be implemented during March

KEY FINANCIAL INDICATORS

Key figures from the income statement and balance sheet

EUR 1,000	2015	2014	2013
Turnover	84,585	80,098	83,032
Operating profit	-1,995	-740	-1,006
Operating profit, %	-2.4 %	-0.9 %	-1.2 %
Result before taxes and discontinued operations	-3,973	1,703	-1,748
% of turnover	-4.7 %	2.1 %	-2.1 %
Result for the period	-3,691	1,787	-1,181
Return on equity (ROE)	-48.40 %	21.17 %	-14.63 %
Return on investment (ROI)	-6.04 %	12.10 %	1.73 %
Equity ratio, %	11.84 %	21.07 %	15.79 %
Gearing	428.88 %	202.54 %	339.29 %
Investments in tangible assets	2,051	412	1,690
Average number of personnel	241	241	338

Share-related key figures (A and B shares)	**2015**	**2014**	**2013**
Equity per share, EUR	0.98	1.59	1.26
Earnings per share (EPS), EUR	-0.62	0.30	-0.20
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)	-2.6	2.2	-4.1
Share performance, EUR			
-average share price	2.39	0.67	0.91
-lowest price	0.62	0.5	0.5
-highest price	3.71	0.86	1.9
-price at the end of the period	1.61	0.67	0.8
Market capitalisation, EUR 1,000	9,753	3,972	4,758
Trading, number of shares	1,721,204	454,417	644,870
%	29.30	7.70	11.00
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

Return on equity (ROE), %

$$= \frac{\text{Result for the period}}{\text{Shareholders' equity (average)}} \times 100$$

Return on investment (ROI), %

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

Equity ratio, %

$$= \frac{\text{Shareholders' equity + non-controlling interest}}{\text{Balance sheet total – advances received}} \times 100$$

Gearing, %

$$= \frac{\text{Interest-bearing liabilities – cash and cash equivalents, liquid financial and investment securities}}{\text{Shareholders' equity + non-controlling interest}} \times 100$$

Earnings per share (EPS), EUR

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

Equity per share, EUR

$$= \frac{\text{Shareholders' equity – non-controlling interest}}{\text{Number of shares adjusted for share issues at the end of the period}}$$

Dividend/share, EUR

$$= \frac{\text{Dividend for the period}}{\text{Number of shares adjusted for share issues at the end of the period}}$$

Dividend/earnings, %

$$= \frac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$$

Effective dividend yield, %

$$= \frac{\text{Dividend/share}}{\text{Share price adjusted for share issues at the end of the period}} \times 100$$

Price/earnings (P/E)

$$= \frac{\text{Share price adjusted for share issues at the end of the period}}{\text{Earnings/share}}$$

Market capitalisation

= (Number of B shares – own B shares) x share price at the end of the period + number of A shares x average share price

INCOME STATEMENT OF THE PARENT COMPANY (FAS)

	Notes	1/1-31/12/2015	1/1-31/12/2014
TURNOVER	1	1,200.00	13,391.00
Other operating income	2	119,222.91	90,237.46
Materials and services		-2,975.97	-5,760.81
Personnel expenses	3	-680,000.36	-477,507.96
Depreciation and impairment	4	-14,475.77	-10,037.38
Other operating expenses	5	-862,256.01	-1,006,032.02
OPERATING RESULT		-1,439,285.20	-1,395,709.71
Financial income and expenses	6	200,996.78	26,626.40
RESULT BEFORE EXTRAORDINARY ITEMS		-1,238,288.42	-1,369,083.31
Extraordinary items	7	5,543,183.14	168,000.00
		0.00	0.00
RESULT BEFORE TAXES AND APPROPRIATIONS		4,304,894.72	-1,201,083.31
Appropriations		-2,284.93	-9,051.34
Taxes	8	0.00	-36,773.58
RESULT FOR THE PERIOD		4,302,609.79	-1,246,908.23

BALANCE SHEET OF THE PARENT COMPANY (FAS)

	Notes	31/12/2015	31/12/2014
ASSETS			
NON-CURRENT ASSETS			
Aineettomat oikeudet	9	29,012.00	0.00
Tangible assets	10	111,569.60	126,045.37
Other investments	11	6,901,518.48	6,942,536.01
		7,042,100.08	7,068,581.38
CURRENT ASSETS			
Non-current receivables	12	19,036,179.06	18,220,179.06
Current receivables	13	6,245,969.44	7,116,855.66
Cash and cash equivalents		4,878.98	582,453.06
		25,287,027.48	25,919,487.78
ASSETS		32,329,127.56	32,988,069.16
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		-196,653.22	-590,794.10
Retained profit		-29,694,310.89	-28,148,261.78
Other unrestricted equity		21,326,806.46	21,326,806.46
Result for the period		4,302,609.79	-1,246,908.23
		21,107,546.72	16,709,936.93
ACCUMULATED APPROPRIATIONS	15	12,404.28	10,119.35
OBLIGATORY PROVISIONS	16	5,142,122.29	5,294,924.01
NON-CURRENT LIABILITIES	17	2,133,330.73	8,126,293.01
CURRENT LIABILITIES	18	3,933,723.54	2,846,795.86
LIABILITIES		32,329,127.56	32,988,069.16

PARENT COMPANY CASH FLOW STATEMENT (FAS)

EUR 1,000	1/1-31/12/2015	1/1-31/12/2014
Cash flow from operating activities:		
Payments received from operating activities	120	108
Payments paid on operating activities	-2,025	-1,121
Paid interests and other financial expenses	-124	-566
Interests received and other financial income	0	29
Direct taxes paid	-20	-37
Cash flow from operating activities	**-2,049**	**-1,586**
Cash flow from investments:		
Investments in tangible and intangible fixed assets	-29	-35
Acquired shares in subsidiaries	0	-41
Loans granted	0	-1,014
Loan repayments	0	194
Cash flow from investments	**-29**	**-896**
Cassh flow from financing activities:		
Increase in loans	1,332	3,107
Decrease in loans	0	-207
Group contributions received/paid	168	150
Cash flow from financing activities	**1,500**	**3,050**
Change in cash and cash equivalents	**-578**	**568**
Cash and cash equivalents at the beginning of the period	583	15
Cash and cash equivalents at the end of the period	**5**	**583**

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 Group's statutory pension insurance for staff has been set up with pension insurance companies. Pension expenses are recognized as costs in the financial year during which they are accumulated.

Comparability of the profit

31.12.2015 Neo Industrial's subsidiary Russian Regional Real Estate merged to its parent company Neo Industrial Plc. The merger profit was EUR 5.1 million.

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	2015	2014
Turnover from consulting and management services	1,200.00	13,391.00
	1,200.00	13,391.00

2. Other operating income

EUR 1,000	2015	2014
Rental income from Group companies	2,320.00	3,580.00
Rental income from other companies	116,362.78	80,472.54
Other income	540.13	6,184.92
	119,222.91	90,237.46

3. Personnel expenses

EUR 1,000	2015	2014
Salaries and fees	641,291.31	409,970.17
Pension expenses	31,875.84	56,886.30
Other personnel expenses	6,833.21	10,651.49
	680,000.36	477,507.96
of which		
Management´s salaries and fees	403,197.89	228,348.17
Board of Directors´ fees	227,100.00	93,050.00
	630,297.89	321,398.17

4. Depreciation and impairment

EUR 1,000	2015	2014
Depreciation on machinery and equipment	4,699.13	2,358.55
Depreciation on other tangible assets	9,776.64	7,678.83
	14,475.77	10,037.38
Total depreciation and impairment	14,475.77	10,037.38

5. Other operating income

EUR 1,000	2015	2014
Rents	172,934.13	173,845.88
Voluntary personnel expenses	2,285.61	4,148.36
Audit of the accounts	45,107.46	60,145.07
Consultant services	263,894.71	266,877.28
Sales and marketing	2,463.20	9,476.80
Machinery and property maintenance costs	121,277.93	113,573.07
Other expenses	254,292.97	377,965.56
	862,256.01	1,006,032.02

Fees paid to the auditors

The amounts are included in other operating expenses	2015	2014
Annual audit of the accounts	23,029.57	22,792.66
Other services	22,077.89	37,352.41
	45,107.46	60,145.07

6. Financial income and expenses

Financial income (EUR 1,000)	2015	6.7.1905
Osinkotuotot muilta	44.16	0.00
Interest and financial income from Group companies	994,774.64	911,080.02
Interest and financial income from other companies	22.91	42.12
	994,841.71	911,122.14
Financial expenses		
Interest and financial expenses to Group companies	-495,434.92	-35,317.22
Interest and financial expenses to other comapanies	-298,410.01	-849,178.52
	-793,844.93	-884,495.74
Total financial income and expenses	200,996.78	26,626.40

7. Extraordinary items/income (+), expense (-)

EUR 1,000	**2015**	**2014**
Group contributions received	444,000.00	168,000.00
Subsidiary merger	5,099,183.14	0.00
Total extraordinary items	5,543,183.14	168,000.00

8. Taxes on the income statement

EUR 1,000	**2015**	**2014**
Other taxes	0.00	-36,773.58
Taxes total	0.00	-36,773.58

NOTES TO THE BALANCE SHEET

9. Intangible assets

Intangible assets (EUR 1,000)	2015	2014
Acquisition costs 1/1	0.00	0.00
Increase	29,012.00	0.00
Acquisition costs 31/12	29,012.00	0.00
Book value 31/12	29,012.00	0.00

10. Tangible assets

Machinery and equipment (EUR 1,000)	2015	2014
Acquisition costs 1/1	150,271.02	115,722.87
Increase	0.00	34,548.15
Acquisition costs 31/12	150,271.02	150,271.02
Accumulated depreciation 1/1	-24,225.65	-14,188.27
Depreciation according to plan	-14,475.77	-10,037.38
Accumulated depreciation 31/12	-38,701.42	-24,225.65
Book value 31/12	111,569.60	126,045.37

11. Other investments

EUR 1,000	2015	2014
Acquisition costs 1/1	6,942,536.01	6,901,518.48
Increase	0.00	41,017.53
Decrease	-41,017.53	0.00
Acquisition costs 31/12	6,901,518.48	6,942,536.01

Holdings in Group companies	Business ID	Share capital EUR 1,000	Number of shares	Proportion of Shares, %
Alnus Oy, Helsinki	0762281-4	168	1,000	100,0
Novalis Oyj, Helsinki	1642820-4	2000	2,000,000	100.0

31.12.2015 Neo Industrial's subsidiary Russian Regional Real Estate merged to its parent company Neo Industrial Plc .

12. Non-current receivables

EUR 1,000	2015	2014
Subordinated loan receivables from Group companies	13,600,000.00	13,600,000.00
Non-current interest receivables from Group companies	4,896,000.00	4,080,000.00
Deferred tax receivable	540,179.06	540,179.06
Total	19,036,179.06	18,220,179.06

13. Current receivables

EUR 1,000	2015	2014
Sales receivables	4,748.12	8,296.28
Sales receivables from Group companies	132,606.67	113,880.16
Current loan receivables from Group companies	5,064,891.70	6,032,277.95
Interest receivables from Group companies	699,125.89	608,670.81
Other receivables, Neo Indutrial Group	180,000.00	168,000.00
Accrued income from Group companies	14,172.05	31,506.05
Other receivables	24,691.14	26,854.22
Accrued income	125,733.87	127,370.19
Total	6,245,969.44	7,116,855.66

Material items of accrued income

EUR 1,000	2015	6.7.1905
Accrued income from Group companies	14,172.05	31,506.05
Other accrued income	125,733.87	127,370.19
Total	139,905.92	158,876.24

14. Shareholders´equity

EUR 1,000	2015	2014
Share capital 1/1		
Series A	558,400.00	558,400.00
Series B	23,523,040.00	23,523,040.00
Share capital 31/12	24,081,440.00	24,081,440.00
Premium fund 1/1	66,400.00	66,400.00
Premium fund 31/12	66,400.00	66,400.00
Reerve 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	-590,794.10	-590,794.10
Omien osakkeiden myynti	394,140.88	0.00
Own shares 31/12	-196,653.22	-590,794.10
Retained profit 1/1	-29,395,170.01	-28,372,519.87
Return of unsettled dividends	0.00	224,258.09
Siirto omien osakkeiden rahastoon	-299,140.88	0.00
Retained profit 31/12	-29,694,310.89	-28,148,261.78
Other unrestricted equity 1/1	21,326,806.46	21,326,806.46
Other unrestricted equity 31/12	21,326,806.46	21,326,806.46
Result for the period	4,302,609.79	-1,246,908.23
Unrestricted equity 31/12	-4,261,547.86	-8,659,157.65
Shareholders´equity 31/12	21,107,546.72	16,709,936.93

The parent company´s share capital by share series	Number	**2015** Shareholders´ equity EUR 1,000	Number	**2014** Shareholders´ equity EUR 1,000
Series A (20votes/share)	139,600	558	139,600	558
Series B (1 vote/share)	5,880,760	23,524	5,880,760	24,082
	6,020,360	24,082	6,020,360	24,640

15. Accumulated appropriations

EUR 1,000	**2015**	**2014**	Change
Difference between depreciation accoring to plan and depreciation in accordance with the Finnish Business Tax Act (EVL)	10,119.35	1,068.01	9,051.34

16. Obligatory provisions

EUR 1,000	**2015**	**2014**
Rental loss provision	742,122.29	694,924.01
Payment guarantee for the purchase price of premises (Avilon Fibres Ltd)	4,400,000.00	4,600,000.00
Total obligatory provisions	5,142,122.29	5,294,924.01

17. Non-current liabilities

EUR 1,000	**2015**	**2014**
Loan the proceeds of which are partly tied to the company´s share perform	0.00	5,557,314.04
Derivative liabilities	0.00	433,232.74
Other liabilities	2,133,330.73	2,135,746.23
Total	2,133,330.73	8,126,293.01

18. Current liabilities

EUR 1,000	**2015**	**2014**
Accounts payable	68,972.56	623,610.89
Accruals and deferred income	362,476.88	69,937.91
Other liabilities to Group companies	1,269,260.40	909,815.72
Other liabilities	2,233,013.70	1,243,431.34
Total	3,933,723.54	2,846,795.86

Material items of accrued liabilities

EUR 1,000	**2015**	**2014**
Personnel expenses allocated by period	65,045.12	51,281.80
Other accrued liabilities	297,431.76	18,656.11
Total	362,476.88	69,937.91

19. Contingent liabilities

EUR 1,000	**2015**	**2014**
Guarantees granted on behalf of the Group or its subsidiaries	4,633,310.00	5,133,310.00
Granted business mortgages	170,791.48	170,791.48
Total	4,804,101.48	5,304,101.48

Financial lease and other lease liabilities

EUR 1,000	**2015**	**2014**
Maturing within 1 year	173,572.80	172,614.72
Maturing in 1 to 5 years	694,291.20	690,458.88
Maturing after 5 years	2,545,734.40	2,689,912.72
Total	3,413,598.40	3,552,986.32

20. Derivative contracts

EUR 1,000	2015	2014
Fair values		
Financial derivative		
Option contracts	0.00	-433,232.74

The loan the proceeds of which are partly tied to the company's share performance is valued at the end of each quarter using the Black-Scholes model. The option is recognized at fair value in the balance sheet. If the price of the company's share is higher than EUR 2.78 on the loan repayment date, the lender will receive an additional payment.

21. Additional information for shareholders

The company had recognized its guarantee liabilities related to Avilon Fibres Ltd through profit or loss on the balance sheet in 2012 financial statements. The total amount was EUR 5.3 million. The remaining quarantee liability provision at the balance sheet is EUR 4.6 million on 31 December 2014. The possible time and amount of the realisation of the guarantee liabilities will be found out later.

22. Board´s proposal to the Annual General meeting

The parent company's unrestricted equity stood at EUR -8,659,157.65 on 31 December 2014, of which the result of the year is EUR -1,246,908.23. The Board proposes to the Annual General Meeting that no dividends will be paid for 2014.

Signatures of the Financial Statement and Board of Directors´ report

Helsinki, 25 February 2016

Markku E. Rentto
Chairman

Jukka Koskinen

Matti Lainema

Taisto Riski

Raimo Valo

Jari Salo
Managing Director

AUDITOR'S NOTE

We have issued the auditor's report today.

Helsinki, 25 February 2016

KPMG OYAB
Authorized Public Audit Firm

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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

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Neo Industrial Plc for the year ended December 31, 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the consolidated financial statements

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

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 9 March 2016

KPMG OY AB

LASSE HOLOPAINEN
Authorized Public Accountant

SHAREHOLDERS ON 31 DECEMBER 2015

Neo Industrial Plc´s ten largest shareholders on Decmber 31 2015

	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
Onninen-Sijoitus Oy		250,000	250,000	4.15	2.88
CAG Management Oy		105,305	105,305	1.75	1.21
Sinkko Erkki		31,480	31,480	0.52	0.36
Neo Industrial Oyj		30,525	30,525	0.51	0.35
Lainema Matti		27,000	27,000	0.45	0.31
Matikainen Riku		21,100	21,100	0.35	0.24
Syrjä Jukka		18,094	18,094	0.30	0.21
Value Group Oy		18,000	18,000	0.30	0.21
Koskinen Jukka		17,230	17,230	0.29	0.20
Other shareholders	200	2,445,639	2,445,839	40.62	28.26
Total	139,600	5,880,760	6,020,360	100.00	100.00

Ownership by type of shareholder

Type of shareholder	Share-holders no.	Share-holders %	Shares total	Proportion of equity %	Proportion of votes %
Companies	228	1.97	3,365,371	55.90	69.38
Financial institutions and insurance companies	25	0.25	293,775	4.88	3.35
Public organisations	66	0.57	44,950	0.75	0.52
Non-profit organisations	233	2.01	136,136	2.26	1.60
Households	11,012	95.13	2,059,734	34.21	23.76
Outside Finland	6	0.07	1,740	0.03	0.04
Nominee registered	6	0.00	9,757	0.16	0.11
Not in the book-entry securities system			108,897	1.81	1.26
Total	11,576	100.00	6,020,360	100.00	100.00

Ownership by the amount held

Shares held	Share-holders no.	Share-holders %	Shares total	Proportion of equity %	Proportion of votes %
1 - 50	5,221	45.11	151,385	2.52	1.75
51 - 100	2,988	25.81	261,195	4.34	3.03
101 - 1 000	3,017	26.07	969,816	16.10	11.19
1 001 - 10 000	328	2.83	811,928	13.49	9.36
10 001 -	21	0.18	3,717,139	61.74	73.41
Not in the book-entry securities system			108,897	1.81	1.26
Total	11,575	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 2,981,874 (2,978,643) of Neo Industrial's B shares on 31 December 2014. Neo Industrial held 91,727 (92,727) of its own shares on 31 December 2014.

Shares and share capital

Neo Industrial Plc's share capital was EUR 24,081,440 (24,081,440) on 31 December 2014. 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 91,727 (91,727) B shares owned by Neo Industrial. The company's Articles of Association do not include any redemption clauses. There are no shareholder agreements.