NEO INDUSTRIAL GROUP

BALANCE SHEET 01/01–31/12/2012

NEO Industrial

CONTENTS

BOARD OF DIRECTORS' REPORT 1/1–31/12/2012

The Neo Industrial Group's Cable segment developed favourably from 2011. The segment's net sales grew by 3 percent to EUR 106.2 million (102.9 million in 2011). Its operating result improved considerably to EUR 2.1 million (-3.1 million). In spite of the difficult market situation, the Cable segment maintained its position in its main markets. The prices of the metals the segment uses as raw materials fluctuated less than they did in 2011. Working capital management presented challenges in preparing for the high season and choosing optimal timing for raw material deliveries to factories.

All in all, the year 2012 was very challenging for the Neo Industrial Group. Of the Neo Industrial Group's three segments (Cable, Viscose Fibres, Single Family Housing), the Cable segment is presented in continuing operations in 2012. The Single Family Housing segment and Viscose Fibres segment are presented in discontinued operations. In the financial period, Neo Industrial discontinued its Single Family Housing segment by recording its share in Finndomo as a write-off on its balance sheet. The Viscose Fibres segment was recorded in discontinued operations based on a demerger plan, which was in effect on the closing date of the financial period. The purpose of the demerger plan was to separate the Viscose Fibres segment from the Group and establish it as a public limited company.

Neo Industrial's creditors opposed the demerger. After 10 January 2013, the closing date of the financial period, Neo Industrial and the creditors decided to apply for postponement for the demerger process. The companies of the Viscose Fibres segment filed for bankruptcy on 6 March 2013.

The Neo Industrial Group's net sales in 2012 were EUR 106.2 million (102.8 million in 2011). Its result for the full year was EUR -6.3 million (-29.1 million). Avilon's reorganisation debt cuts had a positive effect of EUR 10.3 million on the result. The conversion of Reka Cables' leases for premises into open-ended contracts also improved the result. As a result of the conversion, EUR 9.7 million was eliminated from tangible assets and liabilities on the balance sheet. Its effect on the result was EUR 0.9 million before taxes and EUR 0.7 million after taxes. Neo Industrial recorded its EUR 6.4 million share in Finndomo as a write-off on its balance sheet, which had a negative effect on the result. As a result of a review of and negotiations on liabilities and guarantees related to Avilon's corporate reorganisation debts, an expense of EUR 0.8 million was recognised in "Financial items". The information presented in the financial statements on the Viscose Fibres segment is not based on the principle of continuity. In accordance with the IFRS standards, the assets and liabilities of the companies of the Viscose Fibres segment have been recorded as write-offs on the balance sheet. The Group's guarantee liabilities related to Avilon Fibres Ltd have been recorded as liabilities on the consolidated balance sheet through profit or loss. Combined, they had a negative effect of EUR 2.5 million on the consolidated income statement.

Neo Industrial's liquidity situation remained tight throughout the review period. At the end of the review period, the balance sheet total stood at EUR 62.9 million (97.9 million).

SEGMENTS

CABLE

The Cable segment's net sales in January–December 2012 were EUR 106.2 million (102.9 million), representing an increase of 3 percent. Demand in the Nordic countries remained at a good level in early 2012, but weakened clearly at the end of the year when compared to 2011. Sales volumes grew in the Nordic countries, but remained below the previous year's levels in Russia and the Baltic countries.

The Cable segment's operating result for the full year improved considerably to EUR 2.1 million (-3.1 million). Increased operational efficiency, stable metal prices and increased efforts in the Nordic countries were the key factors behind the improvement.

The prices of metals used as raw materials fluctuated less than they did in 2011, whereas the prices of plastics fluctuated very strongly at times. The Cable segment continued to make changes to its organisation and its operational processes in 2012. At the beginning of June, an operations steering team was established to optimise production. Investments in the Nordic markets were increased to achieve goals.

Working capital management presented challenges throughout the year. For this reason, the conditions were not optimal for increasing inventories for the high season. In the spring and early autumn, Reka Cables was not always able to ensure quick enough delivery times, which affected sales volumes. Towards the end of the year, the situation developed favourably, creating better conditions for ensuring sufficient deliveries.

In Finland, the capacity of the Keuruu production plant was in stable use until November. The capacity of the Hyvinkää production plant was in stable use until October, and the plant exceeded its annual goal for volumes. Considerable changes in capacity utilisation rates between peaks and slower seasons presented challenges at the Riihimäki plant, for which reason variable costs were higher than planned.

Due to seasonal changes and with the main markets slowing down in early 2012 and at the end of the year, shutdowns were carried out at production plants and layoffs were carried out across the entire organisation.

No significant new investments were made. Investments totalled EUR 1.3 million (0.6 million), mainly consisting of investments in maintenance and production efficiency.

Reka Cables continued to negotiate with the insurance company about the amount of insurance compensation that is due for the machinery breakdown at the Keuruu plant in 2011. The compensation is estimated at EUR 0.8 million and was recognised accordingly in 2011. On the closing date of the financial period, the insurance company estimated the compensation at EUR 0.3 million. Reka Cables' estimate of the compensation is based on the extent of the breakdown: it affected operations and deliveries at all of Reka Cables' three production plants.

In Russia, net sales from special cables met expectations. The operating result for the Cable segment's business operations in Russia was slightly negative. In July, the Cable segment decided to invest in increasing its production capacity of fire-retardant special cables. The project progressed as planned, and the goal is to launch production in the summer of 2013.

The net sales of Nestor Cables – a manufacturer of telecommunications and fibre-optic cable – were EUR 27.4 million in 2012 (29.7 million). Its result for the financial period was slightly negative. Adjustment measures were carried out due to the difficult market situation.

VISCOSE FIBRES

The Viscose Fibres segment's net sales in 2012 were EUR 2.1 million (18.4 million) and mainly consisted of sales of fire-retardant fibre to the United States from Avilon's inventory. As a result of the recognition of EUR 10.3 million in debt cuts in accordance with Avilon's corporate reorganisation programme, the segment recorded a positive operating result of EUR 5.1 million (-11.0 million). The Viscose Fibres segment is presented as a single item under "Result for the period from discontinued operations" on the income statement, together with the Single Family Housing segment

The District Court of Pirkanmaa accepted Avilon's proposal for a corporate reorganisation programme on 28 June 2012. As part of the proposed programme, creditors were offered an opportunity to convert their receivables into shares in Avilon Ltd. Avilon's debts decreased by a total of EUR 14.5 million, of which EUR 10.3 million were due to cuts in unsecured debts. Debts converted into shares totalled EUR 4.2 million, of which companies outside the Group represented EUR 2.3 million. After the debt cuts, Avilon's unsecured reorganisation debts totalled EUR 2.6 million. All in all, 80 percent of the company's unsecured debts were cut.

Throughout the year, the world market price for standard viscose remained too low in terms of relaunching production at the Valkeakoski plant. The market situation for fire-retardant fibre was difficult as well. Avilon focused on special fibres. In special products, the company began to develop antimicrobial fibre products. An investment in post-processing at the Valkeakoski plant made it possible for Avilon to start test and trial runs in antimicrobial post-processing. The first samples were submitted to customers for analysis at the end of the year.

During the review period, Avilon held emission rights, all of which it sold. The gains from the sales of emission rights totalled EUR 1.1 million (2.2 million).

In the third quarter, Avilon acquired the maintenance operations of its Valkeakoski plant from Maintpartner Ltd. The business transfer agreement concerned a total of 34 employees in maintenance and power plant operation. They were transferred to Avilon Ltd as existing employees on 1 September 2012. The transaction has no material effect on the figures for the financial period. Avilon Ltd changed its name to Avilon Fibres Ltd in December.

A fire in a peat silo at Avilon's production plant occurred in October. The assessment of the damage is still in progress. Avilon's deductible is EUR 0.1 million.

The first licensing agreement on the PPV technology was signed with the Chinese TangShan SanYou Xingda Chemical Fibre Company on 12 November 2012. The PPV technology is used for converting paper-grade pulp into raw material suitable for viscose production. The environmentally friendly carbamate technology was developed further.

Other operations

Finndomo Ltd filed for corporate reorganisation in early 2012. The reorganisation procedure was started on 2 March 2012. The District Court of Northern Savonia confirmed Finndomo Ltd's corporate reorganisation programme on 3 December 2012.

MAJOR EVENTS DURING THE FINANCIAL PERIOD

The associated company Finndomo Ltd filed for corporate reorganisation in February to ensure continued production of prefabricated homes in Finland.

In March, the Viscose Fibres segment and the Swedish company Cellmark Ab signed a letter of intent on the international marketing and sales of the PPV technology.

At the end of March, the Viscose Fibres segment decided to make an investment of EUR 0.2 million in antimicrobial post-processing at Avilon's production plant in Valkeakoski. The first deliveries to customers were made in late 2012.

In April, Finndomo sold its prefabricated home business in Sonkajärvi to Omatalo Ltd. In July, Stora Enso acquired the business operations of Finndomo's Hartola plant. Finndomo's shares were recorded as a write-off on the balance sheet in June, and the Single Family Housing segment was discontinued.

Avilon submitted its proposed corporate reorganisation programme to the District Court of Pirkanmaa in May. The programme was approved in June.

In August, Neo Industrial announced that its Board of Directors had confirmed a demerger plan to separate the Viscose Fibres segment from the Group and establish it as a new company. An extraordinary general meeting held in November approved the demerger plan. In addition, the meeting authorised the Board of Directors to decide that the demerger will not be enforced if the circumstances change and the Board sees that the demerger will not serve the interests of the company and its shareholders.

Jari Salo, M.Sc. (Tech.), began his work as Managing Director of Neo Industrial Plc on 8 October 2012. His predecessor, Markku E. Rentto, M.Sc. (Econ.), was selected as Chairman of the Board of Directors at the general meeting in November.

In November, the Viscose Fibres segment signed a PPV technology agreement with the Chinese TangShan SanYou Xingda Chemical Fibre Company, based on the letter of intent signed in July.

MAJOR EVENTS AFTER THE FINANCIAL PERIOD

In February, Reka Cables Ltd negotiated an additional financing package of EUR 2.0 million to alleviate the effects of seasonal changes. In conjunction with this, the company signed a financing agreement related to the Cable segment. The intention is to update the agreement in the spring of 2013.

On 6 March 2013, Neo Industrial announced that Avilon Fibres Ltd and Carbatec Ltd had filed for bankruptcy.

Based on the authorisation granted to the Board of Directors by the general meeting of November 2012, the Board decided on 13 March 2013 not to enforce the demerger due to changed circumstances.

FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in keeping with the International Financial Reporting Standards (IFRS). Consolidated net sales (IFRS) in 2012 were EUR 106.2 million (102.8 million in 2011). The consolidated income statement (IFRS) shows a loss of EUR -6.3 million (a loss of EUR 29.1 million).

CONSOLIDATED FINANCIAL STATUS AND PERFORMANCE INDICATORS (IFRS)

The key figures for 2012 are based on continuing operations. The comparison information has not been adjusted.

	2012	2011	2010
Net sales (EUR million)	106.2	121.2	83.4
Operating profit, % of net sales	0.7	-12.9	-13.2
Return on equity, %	-59.4	-125.5	-26.7
Return on investment, %	1.9	-32.1	-12.7
Equity ratio, %	13.8	12.7	31.7
Earnings per share, EUR	-1.25	-4.60	-1.76

SHARE PRICE AND TRADING VOLUME

In 2012, a total of 309,490 (410,027) of Neo Industrial's B shares were traded on NASDAQ OMX Helsinki for a total of EUR 0.7 million (2.4 million), representing 5.3 (6.9) percent of the total number of shares. At the end of trading on 31 December 2012, the share price was EUR 1.75 (2.50), and the average share price for 2012 was EUR 2.21 (5.87). The lowest quotation in 2012 was EUR 1.17 (2.00), and the highest quotation was EUR 3.36 (9.43). The company's market capitalisation was valued at EUR 10.4 million (15.3 million) on 31 December 2012.

GROUP STRUCTURE AND SHAREHOLDERS

Neo Industrial Plc is the parent company of the Group, which includes the Neo Industrial wholly owned subsidiaries Novalis Plc, Alnus Ltd and Advanced Cellulosic Fibre Company Ltd as well as Carbatec Ltd and its subsidiaries. The parent company is domiciled in Hyvinkää. Carbatec Ltd is Avilon Fibres Ltd's parent company.

On 31 December 2012, Neo Industrial had 12,198 shareholders (12,293). 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 60.6 percent (60.8) of the shares and 72.6 percent (72.7) of the votes.

The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,961,358 (2,965,162) of Neo Industrial's B shares on 31 December 2012.

RISKS AND UNCERTAINTY FACTORS

Neo Industrial's financial risks include currency, interest rate, commodity, liquidity, credit and investment market 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.

With regard to the Cable segment, the financial statements have been prepared in accordance with the principle of continuity. The continuity of operations requires that the Group be able to secure additional funding to replace maturing loans and renegotiate payment terms or liquidate capital from its operations in other ways during 2013.

Negotiations with financiers, suppliers and customers are in progress, and the company's management believes they will be successful. If, however, the Group does not succeed in securing financing, it is possible that it will not be able to liquidate assets to a sufficient extent or sufficiently fast and pay its debts in its ordinary business operations. This would jeopardise the continuity of the Group's operations in their current form.

In the Viscose Fibres segment, low market prices did not allow for the financing and profitable relaunch of viscose production. The corporate reorganisation programme was discontinued after the closing date of the financial period, and Avilon Fibres Ltd and Carbatec Ltd filed for bankruptcy. For these reasons, it was no longer reasonable to assume continuity of operations. The information presented in the financial statements on the Viscose Fibres segment is not based on the principle of continuity. In accordance with the IFRS standards, the assets and liabilities of the companies of the Viscose Fibres segment have been recorded as write-offs on the balance sheet. The Group's guarantee liabilities related to Avilon Fibres Ltd have been recorded as liabilities on the consolidated balance sheet through profit or loss.

In the Cable segment, the most significant risks are related to market development, working capital management and fluctuations in the prices of raw materials and currencies. During considerable seasonal changes, suppliers' terms of payment have a material effect on the company's ability to ensure competitive delivery times through sufficient inventories.

Neo Industrial believes in the growth and development of the Russian cable market. The company has made significant investments in making use of business opportunities in Russia. The investments entail the risk that growth in Russia will not meet expectations.

RESEARCH AND DEVELOPMENT

The Neo Industrial Group invested a total of EUR 0.8 million in research and product development in 2012 (5.2 million in 2011). Of this total, EUR 0.4 million was related to the Cable segment (0.5 million) and EUR 0.4 million (4.7 million) to the Viscose Fibres segment. The investment in the Cable segment is recognised as costs. Of the investment in the Viscose Fibres segment, EUR 0.4 million (1.0 million) is recognised as costs and EUR 0.0 million (3.8 million) was capitalised on the balance sheet.

PERSONNEL

During the financial year, the Group employed an average of 609 people (605 in 2011). In continuing operations, the total number of employees was 473 (473) on average. At the end of 2012, the Group employed 643 (612) people, of whom 477 (467) worked in the Cable segment, 151 (131) in the Viscose Fibres segment and 15 (14) in Group administration. In 2012, the Group paid a total of EUR 14.0 million (12.9 million) in performance-based salaries and fees in its continuing operations.

ENVIRONMENT

Neo Industrial is an industrial group, and environmental concerns are important in all of its operations. Reka Cables cares for the environment and continually improves the environmental efficiency of its operations. Its environmental management system has ISO 14001 certification.

Avilon began operation with the plant's earlier environmental permits. The company has applied for new environmental permits under its own name in accordance with standard permit renewal practices. In addition, Avilon is preparing to transfer the ISO 14001 and ISO 9001 certifications issued to Kuitu Finland to Avilon.

GENERAL MEETINGS

Annual General Meeting

Neo Industrial's Annual General Meeting (AGM) was held in Helsinki on 29 March 2012.

The AGM approved the 2011 financial statements and discharged the Board of Directors and CEO from liability for the year 2011. The AGM approved the Board's proposal that no dividends be paid for 2011.

The AGM confirmed the remuneration and cost compensation principles for Board members and auditors.

As proposed, the AGM confirmed the number of Neo Industrial's Board members at four (4), appointing the following people to the Board: Matti Lainema (Chair), Ilpo Helander (Deputy Chair), Taisto Riski and Raimo Valo. No deputy members were appointed.

The AGM approved the proposal that Authorised Public Accountants KPMG Ltd, with Authorised Public Accountant Lasse Holopainen as responsible auditor, be elected as the auditor of the company until the end of the 2013 AGM.

As proposed by the Board of Directors, the AGM decided that the Board be authorised to decide on the acquisition of the company's own shares. The Board was also authorised to decide on the acquisition of the company's B shares through contractual trade from shareholders other than the largest one if the contractual trade includes at least 15,000 B shares and the purchase price corresponds to the market price at the time of the acquisition. The authorisations are valid until the next AGM.

As proposed by the Board of Directors, the AGM decided that the Board be authorised to decide on an issue of new B shares and a transfer of treasury B shares either against or without payment. The Board may also decide on a share issue to the company itself without payment. In addition, the Board was authorised to issue special rights in accordance with Section 1 of Chapter 10 of the Finnish Limited Liability Companies Act that enable holders to receive new B shares or treasury B shares against payment. The authorisations are valid for a maximum of five years from the time of the AGM's decision.

Extraordinary General Meeting

An extraordinary general meeting was held in Helsinki on 8 November 2012.

As proposed by the Board, the extraordinary general meeting decided that Neo Industrial Plc would be demerged and, in the demerger, part of its assets and liabilities would be transferred to a new public limited company, Avilon Plc, without liquidation proceedings and that Neo Industrial Plc's shareholders would receive Avilon Plc's A and B shares as demerger compensation in proportion to their holding in accordance with the demerger plan.

In addition, the Board of Directors was authorised to decide that the demerger will not be enforced if the circumstances change and the Board sees that the demerger will not serve the interests of the company and its shareholders.

As proposed, the extraordinary general meeting decided to increase the number of Board members to five. It appointed Markku E. Rentto as a new member and Chairman of the Board and Matti Lainema as Deputy Chairman.

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 Taisto Riski and Raimo Valo.

In 2012, 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. The results of earlier risk assessments were considered in guiding internal auditing measures.

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 2012, its total share capital was EUR 24,082,000, and the number of shares was 6,020,360. The total number of shares includes 91,727 B shares held by Neo Industrial. The holding represents 1.5 percent of the company's share capital and 1.1 percent of the votes. The company held no A shares. Neo Industrial Plc's B shares (NEO1V) are listed on the main list of NASDAQ OMX Helsinki.

Company shares	31/12/2012	31/12/2011	31/12/2010
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	91,727	91,727	92,727

ACQUISITION AND TRANSFER OF THE COMPANY'S OWN SHARES

In 2012, Neo Industrial did not exercise the authorisation issued by the Annual General Meeting on 29 March 2012 to transfer treasury B shares against or without payment. On 31 December 2012, the company held a total of 91,727 B 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 2,866,136.01 on 31 December 2012. The Board proposes to the Annual General Meeting that no dividends be paid for 2012. No dividends were paid for 2011.

NEAR-TERM OUTLOOK

The global economy is currently causing significant uncertainty, which may affect Neo Industrial's business operations.

However, ground cabling operations are expected to increase in Finland in the spring and early summer. Investments made in previous years as well as changes made to processes create conditions for profitable operations as well as for maintaining volumes at their previous levels in the main markets. The company expects to record a positive result in 2013.

Avilon Fibres Ltd and Carbatec Ltd filed for bankruptcy on 6 March 2013 and are no longer part of the Neo Industrial Group on the publication date of the financial statements. However, to the best of its ability, the Group will support solutions that enable viscose business operations to continue in Valkeakoski and facilitate the commercialisation of the PPV technology.

Throughout the year, the company will pay special attention to liquidity and funding for growth. Neo Industrial will carry out negotiations on financing and payment terms as well as boost inventory turnover and free up capital assets.

ANNUAL GENERAL MEETING 2013

Neo Industrial Plc's Annual General Meeting will be held in Helsinki on 4 April 2013 at 1 p.m. A separate invitation was published on 12 March 2013.

Helsinki, 14 March 2013
Neo Industrial Plc
Board of Directors

CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000	Note	1/1–31/12/2012	1/1–31/12/2011
Net sales	**4**	**106,234**	**102,832**
Change in inventories of finished products and production in progress		2,822	-2,369
Production for own use		32	38
Other operating income	5	308	1,460
Materials and services		-77,024	-76,385
Personnel expenses	8	-16,748	-15,149
Depreciation and impairment	7	-3,872	-5,132
Other operating expenses	6	-10,955	-10,079
		-105,437	-107,615
Operating profit		**796**	**-4,783**
Financial income	10	223	728
Financial expenses	10	-7,231	-3,698
Profit before taxes		**-6,211**	**-7,753**
Taxes	11	238	1,444
Result for the period from continuing operations		**-5,973**	**-6,309**
Discontinued operations			
Result for the period from discontinued operations	30	-298	-22,795
Result for the period		**-6,272**	**-29,104**
Profit or loss attributable to			
Shareholders of the parent		-7,423	-27,288
Minority interests		1,151	-1,816
		-6,272	**-29,104**
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR Continuing operations		-1.00	-1.03
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR Discontinued operations		-0.25	-3.57
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	12	-1.25	-4.60
Number of shares		5,928,633	5,928,633

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

Result		**-6,272**	**-29,104**
Other comprehensive items			
Translation differences related to foreign units		209	-473
Total		209	-473
Total comprehensive income		**-6,062**	**-29,577**
Total comprehensive income attributable to			
Shareholders of the parent		-7,213	-27,761
Minority interests		1,151	-1,816
		-6,062	-29,577

CONSOLIDATED BALANCE SHEET (IFRS)

EUR 1,000	Note	31/12/2012	31/12/2011
ASSETS			
Non-current assets			
Goodwill	14	3,484	3,477
Other intangible assets	14	6,697	10,618
Tangible assets	13	18,861	39,690
Holdings in associates	15	0	6,369
Receivables		164	122
Derivative contracts	24	9	0
Deferred tax assets	16	2,309	2,610
Total non-current assets		**31,523**	**62,884**
Current assets			
Inventories	17	15,543	17,008
Sales receivables and other receivables	18	15,326	16,189
Tax receivables			
from the profit		34	15
Derivative contracts	24	19	10
Cash and cash equivalents	19	504	1,793
Total current assets		**31,426**	**35,016**
Total assets		**62,949**	**97,900**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		24,082	24,082
Premium fund		66	66
Reserve fund		1,221	1,221
Own shares		-591	-591
Translation differences		-1,503	-1,713
Retained profit		-35,784	-38,417
Other unrestricted equity		21,328	28,903
Equity attributable to shareholders of the parent		**8,820**	**13,552**
Minority interests		-142	-1,100
Total shareholders' equity	**20**	**8,677**	**12,452**
Non-current liabilities			
Deferred tax liabilities	16	3,320	3,607
Provisions	21	4,474	756
Financial liabilities	22	9,209	28,905
Other liabilities		6	1,426
Derivative contracts	24	1,346	913
Current liabilities			
Tax liabilities from the profit		21	33
Provisions	21	50	100
Financial liabilities	22	23,479	22,365
Derivative contracts	24	0	139
Accounts payable and other liabilities	23	12,367	27,204
Total liabilities		**54,272**	**85,448**
Shareholders' equity and liabilities		**62,949**	**97,900**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS´ EQUITY (IFRS)

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Other unrestricted equity	Translation differences	Total	Minority interes	Total shareholders´ equity
Shareholders' equity 31/12/2010	24,082	66	1,221	-599	-1,240	21,327	-11,491	33,366	574	33,939
Translation differences					-473			-473		-473
Result for the period							-27,288	-27,288	-1,816	-29,104
Acquisition of own shares				8				8		8
Change										
in minority interest							362	362	142	505
Share of changes in associates						7,575		7,575		7,575
Shareholders' equity 31/12/2011	**24,082**	**66**	**1,221**	**-591**	**-1,712**	**28,903**	**-38,416**	**13,552**	**-1,100**	**12,452**

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Other unrestricted equity	Translation differences	Total	Minority interes	Total shareholders´ equity
Shareholders' equity 31/12/2011	24,082	66	1,221	-591	-1,712	28,903	-38,417	13,552	-1,100	12,452
Translation differences					209		8	216		216
Result for the period							-7,423	-7,423	1,151	-6,271
Acquisition of own shares								-		-
Change										
in minority interest							2,473	2,473	-193	2,280
Share of changes in associates						-7,575	7,575			-
Shareholders' equity 31/12/2012	**24,082**	**66**	**1,221**	**-591**	**-1,503**	**21,328**	**-35,784**	**8,819**	**-142**	**8,677**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR 1,000	1/1–31/12/2012	1/1–31/12/2011
Cash flows from operating activities		
Payments received from operating activities	110,441	127,339
Payments paid on operating activities	-109,177	-130,728
Paid interests and other financial expenses	-2,937	-2,648
Interests received and other financial income	446	740
Direct taxes paid	-93	-35
Net cash provided by operating activities	**-1,319**	**-5,332**
Cash flows from investments		
Subsidiaries and new business acquisition	-	-2
Acquisition of associated companies	-	-2,982
Investments in tangible fixed assets	-2,095	-1,442
Sale of tangible fixed assets	264	82
Investments in intangible fixed assets	-3	-3,785
Withdrawals from other financial funds	-	2,889
Loans granted	-	-493
Loan repayments	193	2,019
Net cash provided by investing activities	**-1,640**	**-3,714**
Cash flows from financing activities		
Sale of own shares	-	8
Increase in loans	3,078	16,149
Decrease in loans	-1,200	-7,013
Payments of finance lease activities	-199	-1,031
Net cash provided by financing activities	**1,679**	**8,114**
Change in cash and cash equivalents	**-1,281**	**-932**
Cash and cash equivalents at the beginning of the period	1,793	2,734
Exchange rate differences	14	-9
Elimination of cash and cash equivalents related to discontinued operations	-22	-
Cash and cash equivalents at the end of the period	**504**	**1,793**

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, Advanced Cellulosic Fibre Company Ltd and Alnus Ltd as well as Carbatec Ltd and its subsidiaries. Carbatec Ltd and its subsidiaries were part of the Group until 6 March 2013.

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 Aleksanterinkatu 48 A, 00100 Helsinki. Neo Industrial Plc's B shares are listed on NASDAQ OMX 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 Niinistönkatu 8–12, 05800 Hyvinkää.

Neo Industrial Plc's Board of Directors approved these financial statements for publication at its meeting of 14 March 2013. 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 2012. 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.

The Group has adopted the following amended standard: Amendments to IFRS 7 Financial Instruments: Disclosures (effective for financial periods beginning on 1 July 2011 or later). The amendments serve to provide further information on risks related to transfers of financial instruments and their effect on the financial position of an entity, particularly with regard to the securitisation of financial assets. The amendment has had an effect on the notes to the 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".

Adherence to the principle of continuity
Of the Neo Industrial Group's three segments (Cable, Viscose Fibres, Single Family Housing), the Cable segment is presented in continuing operations in 2012. The Single Family Housing segment and Viscose Fibres segment are presented in discontinued operations. In the financial period, Neo Industrial discontinued its Single Family Housing segment by recording its share in Finndomo as a write-off on its balance sheet. The Viscose Fibres segment, under the corporate reorganisation programme, was recorded in discontinued operations based on a demerger plan, which was in effect on the closing date of the financial period. The purpose of the demerger plan was to separate the Viscose Fibres segment from the Group and establish it as a public limited company.

Neo Industrial's creditors opposed the demerger. After 10 January 2013, the closing date of the financial period, Neo Industrial and the creditors decided to apply for postponement for the demerger hearing. The companies of the Viscose Fibres segment filed for bankruptcy on 6 March 2013.

With regard to the Cable segment, the financial statements have been prepared in accordance with the principle of continuity. The continuity of operations requires that the Group be able to secure additional funding to replace maturing loans and renegotiate payment terms or liquidate capital from its operations in other ways during 2013.

Negotiations with financiers, suppliers and customers are in progress, and the company's management believes they will be successful. If, however, the Group does not succeed in securing financing, it is possible that it will not be able to liquidate assets to a sufficient extent or sufficiently fast and pay its debts in its ordinary business operations. This would jeopardise the continuity of the Group's operations in their current form.

In the Viscose Fibres segment, low market prices did not allow for the financing and profitable relaunch of viscose production. The corporate reorganisation programme was discontinued after the closing date of the financial period, and Avilon Fibres Ltd and Carbatec Ltd filed for bankruptcy. For these reasons, it was no longer reasonable to assume continuity of operations. The information presented in the financial statements on the Viscose Fibres segment is not based on the principle of continuity. In accordance with the IFRS standards, the assets and liabilities of the companies of the Viscose Fibres segment have been recorded as write-offs on the balance sheet. The Group's guarantee liabilities related to Avilon Fibres Ltd have been recorded as liabilities on the consolidated balance sheet through profit or loss.

Valuation principles
The consolidated financial statements have been prepared based on original cost, except for the following items, which have been recognised at fair value: derivative contracts, cash and cash equivalents and other financial assets.

All changes in value in derivatives are recognised 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. From 2012, 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.

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 holds more than half of the votes or otherwise has the right to decide on the principles of a company's economy and business. Potential voting power is taken into account when assessing the criteria for a controlling interest if the instruments of potential voting power can be implemented at the time of assessment.

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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in equity. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries are recognised in equity. When a subsidiary is sold, the accumulated translation differences are recognised 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 useful lives, 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 recognised through profit and loss at the time of completion.

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

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

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 recognised in the financial period during which they are incurred. In 2012, the Group had no borrowing costs (arising from asset purchases) that were activated.

Intangible non-current assets

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

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

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

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

The estimated useful lives are as follows:

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

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

Emission rights

In 2011, the Group adopted new accounting principles for the emission rights of Avilon Fibres Ltd's Valkeakoski plant. Emission rights received are recognised as intangible assets and deferred income. Emission rights are valued at current fair value or other probable value. If the market value of the emission rights drops significantly below the book value and the decline is considered to be permanent, the impairment loss is recognised under rights that the Group does not intend to use internally. Deferred revenue is recognised in other operating income during the period for which the corresponding rights are granted. Expenses corresponding to actual emissions are recognised in the income statement under other operating expenses and appear in the balance sheet reserves. Emission rights that will not be used during the review period are recognised through profit or loss at the time that they are deemed to be surplus. Emission rights and the related provisions are derecognised when they are sold or submitted to cover obligations. Any gains or losses are recognised in the income statement.

Inventories

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

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 recognised 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 recognised in other leases. Rents payable under other leases are recognised 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 2012 financial statements, no balance sheet values are related to Nestor Cables Ltd.

Other tangible and intangible balance sheet values are evaluated by item. A third-party evaluation has been used with regard to Carbatec Ltd's intangible assets. Avilon Fibres Ltd's balance sheet values in the 2012 financial statements are those used in the corporate reorganisation proceedings.

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

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

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

Pension arrangements

The Group's statutory pension insurance for staff has been set up with pension insurance companies. Pension expenses are recognised as costs in the financial year during which they are accumulated. The Group has no defined benefit pension plans.

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 recognised 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 recognised 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 recognised in equity for which the corresponding income or expense has been recognised 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 recognised when the transaction concerns an asset or liability initially recognised 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 recognised 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 recognised if it is probable, based on an evaluation, that the deferred tax assets can be utilised before the expiry of unused tax losses or unused tax-related credits. Deferred tax assets are recognised to the extent that it is likely that taxable income will be created in the future, against which the temporary difference can be utilised.

Revenue recognition

Products sold and services produced
Income from product sales is recognised 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 recognised in the financial year when the service is performed.

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

Discontinued operations
A part of the Group is presented in discontinued operations if the part has been divested or classified as available for sale and is a significant separate business unit and part of a single, coordinated plan related to divesting a separate key business area.

The Single Family Housing segment and Viscose Fibres segment have been classified as discontinued operations in the financial statements. In the consolidated statement of comprehensive income, discontinued operations are presented in the line item "Discontinued operations". With regard to the Single Family Housing segment, the investment in the associated company has been recorded as a write-off on the balance sheet, as it has no expected income. The classification of the Viscose Fibres segment as a discontinued operation is based on the decision to separate the viscose business from the Group's business operations. On the closing date of the financial statements, this separation was believed to be carried out in accordance with the corporate reorganisation programme and demerger plan valid at the time. The demerger plan was not carried out as planned, as the companies of the Viscose Fibres segment filed for bankruptcy after the closing date of the financial period. Neo Industrial's management has used its discretion and determined that the presentation of the Viscose Fibres segment as a discontinued operation is based on an evaluation made of the situation on the closing date of the financial period and is the most accurate presentation of the Group's operating result and financial situation even when events after the closing date are taken into account. Due to bankruptcy, the assets and liabilities of the Viscose Fibres segment have been recognised as write-offs on the consolidated balance sheet on 31 December 2012.

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 recognised at fair value are valued based on market quotations. Realised and unrealised gains and losses from changes in fair value are recognised 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 derecognised 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 recognised at fair value, and changes in value are recognised directly in equity if their fair value can be measured reliably. If the fair value cannot be measured reliably, available-for-sale investments are recognised at acquisition cost. Available-for-sale financial assets may consist of shares and interest-bearing investments.

Loans and other receivables are recognised at the outstanding value of the receivable. Sales receivables are presented in gross amounts, and the financial liabilities under sales receivables are recognised 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 recognised as a write-off on the balance sheet. The Group recognises 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 recognised 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 recognised 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 recognised at fair value on the date when the Group becomes party to a derivative contract. Derivatives are recognised either as current or non-current receivables or liabilities on the balance sheet. Gains and losses arising from fair value measurement are recognised in accordance with the derivative's use as follows:

- Derivatives that hedge 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 recognised under financial items. Operating result is also known as operating profit or operating loss, depending on the context.

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 recognised as assets on the balance sheet and which ones are recognised 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 recognised 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 recognised 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. The acquisition cost calculation for OAO Expokabel has been converted into euros using the exchange rate on the acquisition date.

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.

Application of new and revised IFRS standards

The Group has not yet adopted the following new or revised standards published by IASB. The Group will adopt these standards and interpretations on the date when they take effect. If this date is not the first day of the financial period, the Group will adopt them at the beginning of the following financial period.
* The amendment has not yet been approved to be adopted in the EU.

- Amendments to IAS 1 Presentation of Financial Statements (effective for financial periods beginning on 1 July 2012 or later): the most significant change is the requirement to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendment has a minor effect on the presentation of items within other comprehensive income.
- The following standards and interpretations that will take effect in 2013 are not estimated to have a material effect on the Group's financial statements:
- IFRS 13 Fair Value Measurement
- *Improvements to IFRS* (Annual Improvements to IFRS 2009–2011, May 2012)*
- Amendments to IFRS 7 Financial Instruments: Disclosures
- Amendments to IAS 19 *Employee Benefits*

- The effects of the following standards that will take effect in 2014 or 2015 will be evaluated in more detail in future financial periods. Standards and interpretations not listed here are estimated to have no effect on the Group's financial statements.
- IFRS 10 *Consolidated Financial Statements* and its amendments (effective for financial periods beginning on 1 January 2014 or later in the European Union): in accordance with existing principles, IFRS 10 defines control as a key factor in deciding whether investees should be consolidated. In addition, the standard offers further guidance to be applied in circumstances where the assessment of control may be difficult.
- IFRS 11 *Joint Arrangements* and its amendments (effective for financial periods beginning on 1 January 2014 or later in the European Union): in the recognition of joint arrangements, IFRS 11 stresses the importance of the resulting rights and obligations rather than the judicial form. There are two types of joint arrangements: joint operations and joint ventures. In future, joint ventures must be reported in accordance with the equity method. Relative consolidation is no longer allowed.
- IFRS 12 *Disclosure of Interests in Other Entities* and its amendments (effective for financial periods beginning on 1 January 2014 or later in the European Union): IFRS 12 is a compilation of requirements for disclosures in the financial statements. These are related to different types of interests in other entities, including associated companies, joint arrangements and structured units and other, unconsolidated entities. The new standard extends the scope of the notes the Group presents related to its interests in other entities.
- IFRS 9 *Financial Instruments** and its amendments (effective for financial periods beginning on 1 January 2015 or later): this project will be carried out in three stages and is intended to replace IAS *39 Financial Instruments:* Recognition and Measurement. The amendments of the first stage (published in November 2009) concern the classification and valuation of financial assets. Financial assets are divided into two main categories based on valuation method: those valued at amortised acquisition cost and those valued at fair value. The classification depends on the company's business model and the contractual characteristics of cash flows. The amendments published in October 2010 pertain to the classification and valuation of financial liabilities, and the regulations for these were mainly transferred as such from IAS 39 to the new standard. The parts of IFRS 9 still in progress are related to the impairment of financial assets and to general hedge accounting. Because the project is still in progress, it is not possible to evaluate the effects of the standard on the Group's consolidated financial statements.

3. Segment information

In accordance with IFRS 8, segment-specific reporting is based on the management's internal reporting. Net sales by product group and sales area are presented as complementary information. From 2012, 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.

2012 EUR 1,000	**Cable**	**Eliminations, discontinued operations and other operations**	**Group**
Net sales	**106,213**	**21**	**106,234**
Operating profit before change in the value of open derivatives	**2,122**	**-1,463**	**659**
Change in the value of open derivatives	-32	170	138
Operating profit after change in the value of open derivatives	**2,090**	**-1,293**	**796**
Share of discontinued operations, Single Family Housing		-6,369	-6,369
Share of discontinued operations, Viscose Fibres		6,071	6,071
Unallocated items		-6,770	-6,770
Result for the period			**-6,272**
Assets			
Segment's assets	58,643		58,643
Unallocated assets		4,306	4,306
Total assets	**58,643**	**4,306**	**62,949**
Liabilities			
Segment's liabilities	30,597		30,597
Unallocated liabilities		23,675	23,675
Total liabilities	**30,597**	**23,675**	**54,272**
Assets less liabilities	**28,046**	**-19,369**	**8,677**
Investments	**1,317**	**209**	**1,526**
Depreciation	**3,546**	**1,389**	**4,935**

2011 EUR 1,000	**Cable**	**Viscose Fibres**	**Single Family Housing**	**Other operations and eliminations**	**Group**
Net sales	**102,871**	**18,354**		**-39**	**121,186**
Operating profit before change in the value of open derivatives	**-2,976**	**-10,975**		**-976**	**-14,927**
Change in the value of open derivatives	-93			-589	-682
Operating profit after change in the value of open derivatives	**-3,069**	**-10,975**		**-1,565**	**-15,609**
Share of the results of associates			-8,857		-8,857
Unallocated items				-4,638	-4,638
Result for the period					**-29,104**
Assets					
Segment's assets	67,272	19,139	6,369		92,780
Unallocated assets				5,121	5,121
Total assets	**67,272**	**19,139**	**6,369**	**5,121**	**97,900**
Liabilities					
Segment's liabilities	40,604	28,942			69,546
Unallocated liabilities				15,902	15,902
Total liabilities	**40,604**	**28,942**		**15,902**	**85,448**
Assets less liabilities	**26,667**	**-9,803**	**6,369**	**-10,781**	**12,452**
Investments	**581**	**4,468**			**5,049**
Depreciation	**4,819**	**1,091**	**-**	**313**	**6,223**

Cable segment's net sales by product group, EUR million	1–12/2012	1–12/2011
LV energy	38.8	35.2
Power cable	67.4	67.7
Total	106.2	102.9

Cable segment's net sales by sales area, EUR million	1–12/2012	1–12/2011
EU countries	89.3	89.2
Non-EU countries	16.9	13.7
Total	106.2	102.9

The Cable segment's two largest customers are the Onninen Group and Sonepar Group, each of which represents more than 10 percent of the segment's net sales.

On 31 December 2012, non-current assets other than financial instruments and deferred taxes were EUR 41.2 million (60.3 million). The assets are located in Finland – EUR 29.8 million (49.1 million) – and Russia – EUR 11.4 million (11.2 million).

4. Net sales

EUR 1,000	2012	2011
Net sales from industrial business operations	106,234	102,832
Net sales, total	106,234	102,832

5. Other operating income

EUR 1,000	2012	2011
Subsidies received	100	1
Rental income	96	89
Other income	112	1,370
Total	308	1,460

Other income and expenses were recognised as a single line item in the financial statements on 31 December 2011. Since then, the company has further specified its practices and adjusted the comparison information accordingly.

6. Other operating expenses

EUR 1,000	2012	2011
Rental expenses	-2,625	-1,657
Machinery and property maintenance costs	-3,026	-3,485
Sales and marketing expenses	-828	-321
Other expenses	-4,476	-4,616
Total	-10,955	-10,079

Other income and expenses were recognised as a single line item in the financial statements on 31 December 2011. Since then, the company has further specified its practices and adjusted the comparison information accordingly.

The item "Other expenses" includes EUR 218,000 in fees paid to auditors for the audit of the accounts (EUR 245,000) and EUR 207,000 in fees for other consulting services (EUR 97,000).

7. Depreciation and impairment

EUR 1,000	2012	2011
Depreciation by commodity group		
Intangible non-current assets		
Customer relationships	-275	-275
Product brands and trademarks	-106	-106
Other intangible assets	-278	-280
Total	-658	-661
Tangible non-current assets		
Buildings	-867	-1,397
Machinery and equipment	-2,347	-2,877
Total	-3,214	-4,274
Impairment by commodity group		
Buildings	-	-197
Total depreciation and impairment	-3 872	-5 132

The impairment recognised on buildings (EUR 0.2 million) is based on the difference between the estimated income and expenses related to a long-term lease agreement.

8. Personnel expenses

EUR 1,000	2012	2011
Salaries and fees	14,027	12,853
Pension expenses, defined contribution plans	1,839	1,621
Other personnel expenses	882	675
Total	16,748	15,149

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

Average number of personnel in continuing operations in the financial period:

	2012	2011
Total	473	473
Cable segment	458	463

9. Research and development expenses

The income statement includes EUR 0.8 million in research and development costs recognised as expenses (EUR 1.5 million in 2011). Of these, 0.4 million were related to discontinued operations in 2012.

10. Financial income and expenses

Financial income

EUR 1,000	2012	2011
Interest revenues	48	140
Income from metal derivatives	16	357
Income from financial derivatives	-	69
Exchange rate differences	157	153
Other financial income	1	9
Total	223	728

Financial expenses

EUR 1,000	2012	2011
Interest expenses	-846	-931
Interest expenses on finance leases	-115	-858
Expenses on metal derivatives	-	-686
Expenses on financial derivatives	-430	-
Exchange rate differences	-512	-413
Guarantee liabilities recognised on the balance sheet related to Avilon Ltd's bankruptcy	-3,034	-
Other financial expenses	-2,294	-810
Total	-7,231	-3,698

11. Taxes

EUR 1,000	2012	2011
Taxes payable on profit	-48	-41
Taxes from previous financial periods	-13	-
Deferred tax on profit	299	1,485
Total	238	1,444

Reconciliation of the tax expense in the income statement and taxes calculated at the domestic tax rate (24.5%)

EUR 1,000	2012	2011
Result from continuing operations before taxes	-6,211	-7,753
Taxes calculated at the domestic tax rate	-1,522	-2,016
Effect of tax-exempt income	-1	-100
Effect of non-deductible expenses	962	342
Effect of different tax rates applicable to foreign subsidiaries	-7	222
Effect of unrecognised deferred tax receivables related to tax losses	314	343
Taxes from previous periods	13	-31
Other items	3	-204
Taxes on the income statement	-238	-1,444

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

12. Earnings per share

	2012	2011
Profit from the financial period attributable to shareholders of the parent company, EUR 1,000	-7,423	-27,288
Weighted average number of shares during the period	5,928,633	5,928,633
Undiluted earnings per share	-1,25	-4,60
Weighted diluted average number of shares during the period (number)	5,928,633	5,928,633
Earnings per share adjusted for dilution	-1.25	-4.60

Earnings per share from continuing and discontinued operations

Earnings per share attributable to the shareholders of the parent before and after dilution, EUR continuing operations	-1.00	-1.03
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR Discontinued operations	-0.25	-3.57
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	-1.25	-4.60
Number of shares	5,928,633	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	Land and water areas	Buildings	Machinery and equipment	Motor vehicles	Advance payments and acquisitions in progress	Total
Acquisition costs 1/1/2012	1,483	24,790	32,145	270	-	58,688
Transfer, discontinued operations	-191	-3,618	-6,420	-	-	-10,229
Increase	-	142	1,432	-	260	1,834
Decrease	-	-14,114	-36	-	-	-14,150
Exchange rate differences	46	194	143	-	-	383
Acquisition costs 31/12/2012	1,338	7,394	27,264	270	260	36,526
Accumulated depreciation and						
impairment 1/1/2012	-	6,454	12,425	120	-	18,999
Transfer, discontinued operations	-	-672	-246	-		-918
Depreciation	-	867	2,327	20		3,213
Impairment	-	-	-	-		-
Decrease	-	-4,181	435			-3,746
Exchange rate differences	-	70	49			119
Accumulated depreciation and						
impairment 31/12/2012	-	2,537	14,989	140		17,667
Book value 1/1/2012	1,483	18,337	19,720	150	-	39,690
Book value 31/12/2012	1,338	4,857	12,275	130	260	18,861

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Motor vehicles	Advance payments and acquisitions in progress	Total
Acquisition costs 1/1/2011	1,322	24,122	27,415	270	4,277	57,406
Increase	161	727	616	-	-	1,504
Decrease	-	-	4,221	-	-4,277	-56
Exchange rate differences	-	-59	-107	-	-	-166
Acquisition costs 31/12/2011	1,483	24,790	32,145	270	-	58,688
Accumulated depreciation and						
impairment 1/1/2011	-	4,170	9,417	100	-	13,687
Depreciation	-	1,993	3,093	20		5,106
Impairment	-	197	-	-		197
Decrease	-	63	-63			-
Exchange rate differences	-	30	-22			8
Accumulated depreciation and						
impairment 31/12/2011	-	6,454	12,425	120		18,999
Book value 1/1/2011	1,322	19,952	17,998	170	4,277	43,719
Book value 31/12/2011	1,483	18,337	19,720	150	-	39,690

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

EUR 1,000	2012	2011
Buildings		
Acquisition costs 1/1	14,560	14,560
Decrease	-12,414	-
Acquisition costs 31/12	2,146	14,560
Accumulated depreciation 1/1	2,782	1,667
Decrease in accumulated depreciation	-2,470	-
Depreciation for the period	86	917
Impairment		197
Accumulated depreciation 31/12	397	2,782
Book value 31/12	1,749	11,778

14. Intangible non-current assets

EUR 1,000	Goodwill	Other intangible	Total
Acquisition costs 1/1/2012	3,477	13,480	16,957
Transfer, discontinued operations	-	-4,002	-4,002
Increase	-	1,512	1,512
Decrease	-	-1,155	-1,155
Exchange rate differences	7	145	152
Acquisition costs 31/12/2012	3,484	9,980	13,464
Accumulated depreciation and impairment 1/1/2012	-	2,862	2,862
Transfer, discontinued operations	-	-239	-239
Depreciation	-	658	658
Exchange rate differences	-	2	2
Accumulated depreciation and impairment 31/12/2012	-	3,283	3,283
Book value 1/1/2012	3,477	10,618	14,095
Book value 31/12/2012	3,484	6,697	10,181
Acquisition costs 1/1/2011	3,624	9,775	13,399
Increase	-	5,990	5,990
Decrease	-	-2,284	-2,284
Transfers between items	-142	142	-
Exchange rate differences	-5	-144	-149
Acquisition costs 31/12/2011	3,477	13,480	16,957
Accumulated depreciation and impairment 1/1/2011	-	2,010	2,010
Depreciation	-	899	899
Exchange rate differences	-	-47	-47
Accumulated depreciation and impairment 31/12/2011	-	2,862	2,862
Book value 1/1/2011	3,624	7,765	11,389
Book value 31/12/2011	3,477	10,618	14,095

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

On the closing date of the financial period in the Cable segment, under other intangible assets, the book value of intangible assets with indefinite useful lives was EUR 4.3 million (4.3 million). The amount consists of electricity, gas, water and waste water connections in Russia.

The goodwill recognised in the financial statements arose from the acquisition of shares in Reka Cables Ltd and OAO Expokabel, 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 after taxes was 6.62 percent (8.12 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 euros, 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 2012 – have been taken into account in the predictions. With regard to growth, the predictions are moderate. Sensitivity calculations have been used to simulate the effects of market prices and the prices of key raw materials on the result and working capital items. The effects of changes in discount rate levels have also been examined using sensitivity calculations. Based on the sensitivity calculations, the present value of future cash flows is larger than the investments, even if profit margins were to decrease by several percentage points or discount rates were to nearly double over the years covered by the prediction.

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.

In the Viscose Fibres segment, Avilon Fibres Ltd's and Carbatec Ltd's assets have been revalued to zero on the consolidated balance sheet.

15. Holdings in associates

EUR 1,000	**2012**	**2011**
At the beginning of the period	6,369	4,668
Share of the result for the period	-	-6,357
Impairment	-6,369	-2,500
Increase	-	10,558
At the end of the period	-	6,369

On the closing date of the financial period, Neo Industrial's associated companies were Nestor Cables Ltd and Finndomo Ltd.

The value of the shares of both companies is zero in the 2012 financial statements.
In 2011, Finndomo Ltd's creditors waived their loan receivables of EUR 25 million in exchange for warrants issued by Finndomo. Based on the warrants, Finndomo converted the debt of EUR 25 million to be included in its reserve for invested non-restricted equity. The Neo Industrial Group recognised this in accordance with its 30.3 percent share in Finndomo, amounting to EUR 7.6 million. In conjunction with this arrangement, Finndomo's owners made an additional investment, of which Neo Industrial's share was EUR 3.0 million. These constituted the increase in 2011. The impairment of Finndomo's shares was recognised in 2011 (EUR 2.5 million) and 2012 (EUR 6.4 million), when the amount of EUR 7.6 million recognised in the non-restricted equity reserve was transferred to retained profit.

Nestor Cables is domiciled in Oulu. Its assets in the financial statements are EUR 18.2 million (20.1 million in 2011), and its liabilities are EUR 21.7 million (23.2 million). Subordinated loans constitute EUR 5.5 million (5.0 million) of the liabilities. The company's net sales in 2012 were EUR 27.4 million (29.6 million in 2011), and its operating result was EUR -0.5 million (-2.3 million). The company launched production in 2008. Neo Industrial's share of the company is 22.94 percent. The share has changed as a result of a share issue, in which Neo Industrial did not participate. The unrecognised share of Nestor Cables' loss in 2012 is EUR 0.1 and that of its cumulative loss is EUR 1.0 million, because the company's value on the consolidated balance sheet is EUR 0.

Finndomo Ltd is the parent company of the Finndomo Group. The company is domiciled in Sonkajärvi. Finndomo filed for corporate reorganisation in 2012. The reorganisation process was started on 2 March 2012, and the reorganisation programme was confirmed on 3 December 2012. The programme is based on what is known as "liquidation reorganisation", in which all of the company's assets are liquidated and the accumulated amount is disbursed to the creditors of the company.

The above figures (net sales, 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 Russian companies are not included in the financial statements on the closing date. Avilon Fibres Ltd's deferred tax receivables from 2010 were revalued to zero through the income statement in 2011 (EUR 1.8 million). Deferred tax receivables related to some smaller companies were not recognised in the financial period.

Changes in deferred taxes during 2012:

EUR 1,000	1/1/2012	Recorded in the income statement	Exchange rate differences	Transfer, discontinued operations	31/12/2012
Deferred tax receivables					
Provisions	236	-41		-	195
Deferred tax recevaibles on losses	2,213	11	-	-252	1,972
Other items	161	-19	-	-	142
Total	2,610	-49	-	-252	2,309
Deferred tax liabilities					
Accumulated depreciation difference	-1,460	23	-	-	-1,437
Purchase price allocation in accordance with IFRS 3 and recognition of costs resulting from the allocation	-2,086	208	-	-	-1,878
Other items	8	-	-13	-	-5
Total	-3,538	231	-13	-	-3,320

Confirmed losses of the Group companies expire in 2019 or later. Deferred tax receivables on losses were not recognised for the Group's Russian companies.
In the Cable segment, deferred tax receivables on losses have been recognised for Reka Cables Ltd and its parent company. These are recognised as a single entity and evaluated based on Reka Cables' actual results for 2012 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 been recognised with regard to the tax loss of the Group's parent company. This is based on expected income from Group companies.

Changes in deferred taxes during 2011:

EUR 1,000	1/1/2011	Recorded in the income statement	Exchange rate differences	Transfer, discontinued operations	31/12/2011
Deferred tax receivables					
Provisions	326	-90		-	236
Deferred tax recevaibles on losses	377	1,836			2,213
Elimination of deferred tax liabilities from previous periods	1,775	-1,775			-
Other items	562	-412	11	-	161
Total	3,040	-441	11	-	2,610
Deferred tax liabilities					
Accumulated depreciation difference	-1,541	12	-	-	-1,529
Purchase price allocation in accordance with IFRS 3 and recognition of costs resulting from the allocation	-2,517	431	-	-	-2,086
Other items	11	-41	38	-	8
Total	-4,047	402	38	-	-3,607

17. Inventories

EUR 1,000	2012	2011
Materials and supplies	4,318	6,661
Production in progress	3,912	4,126
Finished products	7,313	6,221
Total	15,543	17,008

In 2012, the Cable segment recognised a total of EUR 0.0 million (0.7 million) in inventory impairment. The impairment was based on defective commercial product quality, slow inventory turnover and valuation in excess of net realised value.

18. Current receivables

Current receivables were distributed as follows:

EUR 1,000	2012	2011
Sales receivables	12,231	12,240
Other receivables	3,095	3,949
Total	15,326	16,189

A total of EUR 10.8 million in sales receivables had not matured (10.5 million in 2011). Of the outstanding sales receivables, 90 percent (82 percent) have been due no longer than a month. A total of EUR 0.1 million (0.3 million) is more than 60 days past due.

The factoring credit was secured by a total of EUR 9.8 million of sales receivables on 31 December 2012 (EUR 7.4 million on 31 December 2011). The factoring credit stood at EUR 8.8 million on 31 December 2012 (6.4 million).

Current receivables distributed by currency:

EUR 1,000	2012	2011
EUR	12,161	11,787
SEK	2,455	1,805
DKK	332	756
RUB	148	789
USD	-	815
NOK	230	199
GBP	-	38
Total	15,326	16,189

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. In addition, the Cable segment has had a sale of accounts receivable credit in use. The 90 percent share of sales receivables sold to the financing company within the credit facility is derecognised in the balance sheet under sales receivables on the date of the transaction. Sales receivables financing tools were combined in the summer of 2012. Sales receivables purchase agreements were abandoned in conjunction with this.

With the bankruptcies of Avilon Fibres Ltd and Carbatec Ltd, receivables related to the Viscose Fibres segment have been recorded as write-offs through profit or loss. There was no other impairment of financial assets.

19. Cash and cash equivalents

EUR 1,000	2012	2011
Cash and bank	504	1,793

20. Shareholders' equity

The parent company's share capital by share series		**2012**		**2011**
	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 2011), and the maximum number of B shares is 9.6 million (9.6 million). All issued shares are paid up in full.

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 be paid for 2012. No dividends were paid for 2011.

21. Provisions

The provisions (EUR 4.5 million) on the consolidated balance sheet consist of product warranty provisions (EUR 0.8 million), accounts receivable write-offs (EUR 0.7 million) and a guarantee liability provision related to an environmental guarantee (EUR 0.3 million). In addition, they include the discounted balance sheet value (EUR 2.7 million) of the instalments of Avilon Fibres Ltd's industrial premises for the price remaining unpaid, for which the Group has granted a guarantee. In 2011, product warranty provisions totalled EUR 0.9 million. The credit loss provision, the provision related to the environmental guarantee and the guarantee liability related to the industrial premises are recognised on the balance sheet as a result of the bankruptcies of Avilon Fibres Ltd and Carbatec Ltd. Provisions 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.

Items recognised through provisions but presented elsewhere on the balance sheet than in the line item "Provisions":

With regard to the loss-making lease for the Kirjasniemi residential area, EUR 0.2 million has been recognised as impairment on assets on the balance sheet. The impairment was made in 2011. The provision for the loss-making lease is recognised based on the discounted present value of the differences of estimated income and expenses during the contract period.

22. Financial liabilities

EUR 1,000	2012	2011
Long-term financial liabilities valued at allocated acquisition cost		
Bank loans	-	7 367
Other loans	2,038	1,559
Loan the proceeds of which are partly tied to the company's share performance	5,174	5,031
Finance lease agreements	1,997	12,214
Purchase price liabilities related to premises	-	2,734
Total	9,209	28,905
Short-term financial financial liabilities valued at allocated acquisition cost		
Revolving bank credits	5,679	5,802
Bank loans	8,633	-
Loans from other financial institutions	8,806	6,402
Other loans	314	7,109
Finance lease agreements	48	638
Purchase price liabilities related to premises	-	47
Non-current loan payments	-	2,367
Total	23,479	22,365

The company has further specified the classification of liabilities and its accounting practices and adjusted the comparison information accordingly.

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.

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 was 4.3 percent on 31 December 2012 (4.7 percent on 31 December 2011).

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

EUR 1,000	2012	2011
Less than 6 months	14,484	14,428
6–12 months	8,995	14,866
More than 12 months	9,209	21,976
Total	32,688	51,270

The company has further specified the classification of liabilities and its accounting practices and adjusted the comparison information accordingly.

All loans are denominated in euros.

Maturing of finance lease agreements

EUR 1,000	2012	2011
Finance lease agreements – total amount of minimum lease payments		
Within 1 year	160	1,571
1–5 years	640	6,283
After 5 years	2,827	13,064
Total	3,627	20,918
Unaccumulated financial expenses	-1,582	-8,066
Present value of finance lease agreements	2,044	12,852
Finance lease agreements: present value of minimum lease payments		
Within 1 year	48	638
1–5 years	218	3,036
After 5 years	1,779	9,178
Total	2,044	12,852

The company has further specified the classification of liabilities and its accounting practices and adjusted the comparison information accordingly.

23. Accounts payable and other liabilities

EUR 1,000	2012	2011
Current financial liabilities valued at allocated acquisition cost		
Accounts payable	4,844	14,241
Personnel expenses allocated by period	2,859	2,481
Accruals and deferred income	1,815	3,909
Other liabilities	2,848	6,572
Total	12,367	27,204

Non-interest-bearing current liabilities distributed by currency:

EUR 1,000	2012	2011
EUR	10,517	25,716
USD	-	90
RUB	1,651	1,157
Other currencies	199	241
Total	12,367	27,204

24. 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 euros. 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. On the other hand, the market prices of viscose fibres are also based on dollar prices. The combined effect of metal, pulp and viscose fibre 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 0.0 million (0.2 million in 2011). Had the dollar been 10 percent weaker, its effect would have been EUR 0.0 million (-0.2 million).

SEK hedges are used to hedge net sales. If the Swedish krona had been 10 percent weaker against the euro on the closing date of the financial period, its effect on the operating result before taxes would have been EUR -0.2 million (-0.2 million in 2011). Had the krona been 10 percent stronger, its effect before taxes would have been EUR 0.3 million (0.2 million).

The significance of the Russian rouble is evident on the balance sheets of the companies in Russia and in the development of the operating result. The effect that the rouble, when weakening, has on the result depends on the extent to which services and materials can be acquired from local suppliers in roubles. In addition, the result is affected by how raw materials denominated in USD are priced by local material suppliers when the rouble depreciates. If the rouble had been 10 percent weaker against the euro on the closing date of the financial period, its effect on the operating result before taxes would have been EUR -0.1 million (-0.1 million in 2011). Had the rouble been 10 percent stronger, its effect would have been EUR 0.2 million (0.1 million).

Interest rate risk
The Group's interest rate risks arise from borrowing.

The reference rates for external loans are the 1-week Euribor, 1-month Euribor and 6-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 4.7 percent (4.7 percent in 2011). If the average interest rate had been 1 percentage point higher, it would have affected the Group's result before taxes by EUR -0.4 million (-0.5 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 (0.2 million in 2011) 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 -0.1 million (-0.2 million). If the market value of copper had been 10 percent higher on the closing date of the financial period, its effect on the operating result before taxes would have been EUR 0.0 million (0.1 million) 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 (0.1 million).

Liquidity risk
With regard to the Cable segment, the financial statements have been prepared in accordance with the principle of continuity. The continuity of operations requires that the Group be able to secure additional funding to replace maturing loans and renegotiate payment terms or liquidate capital from its operations in other ways during 2013.

Negotiations with financiers, suppliers and customers are in progress, and the company's management believes they will be successful. If, however, the Group does not succeed in securing financing, it is possible that it will not be able to liquidate assets to a sufficient extent or sufficiently fast and pay its debts in its ordinary business operations. This would jeopardise the continuity of the Group's operations in their current form.

In the Viscose Fibres segment, low market prices did not allow for the financing and profitable relaunch of viscose production. The corporate reorganisation programme was discontinued after the closing date of the financial period, and Avilon Fibres Ltd and Carbatec Ltd filed for bankruptcy. For these reasons, it was no longer reasonable to assume continuity of operations. The information presented in the financial statements on the Viscose Fibres segment is not based on the principle of continuity.

In accordance with the IFRS standards, the assets and liabilities of the companies of the Viscose Fibres segment have been recorded as write-offs on the balance sheet. The Group's guarantee liabilities related to Avilon Fibres Ltd have been recorded as liabilities on the consolidated balance sheet through profit or loss.

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 10.0 million on 31 December 2012 (3.3 million on 31 December 2011). Factoring credit facilities represented EUR 9.2 million of this total (3.1 million). A sale of accounts receivable credit facility was not in use on the closing date of the financial period (EUR 2.1 million of a sale of accounts receivable credit facility of EUR 3.5 million was unused on 31 December 2011).

EUR 1,000	**Balance sheet value**	**Cash flow**	**Less than 1 year**	**1–2 years**	**2–5 years**	**More than 5 years**
31/12/2012						
Bank loans	8,633	8,633	8,633	-	-	-
Other loans	2,351	2,550	1,106	600	845	
Loan the proceeds of which are partly tied to the company's share performance	5,174	8,897	892	644	7,361	-
Finance lease agreements	2,044	3,627	160	160	480	2,827
Purchase price liabilities related to premises	-	-	-	-	-	-
Revolving bank credit, in use	5,679	5,679	5,679			
Sale of receivables facilities	8,806	8,806	8,806			
Accounts payable and other liabilities	7,699	7,699	7,693	6		
Total	40,386	45,891	32,969	1,410	8,686	2,827
Derivatives						
Commodity derivatives	25	25	19	6		
Financial derivatives	1,343	1,343	-	-	1,343	

EUR 1,000	**Balance sheet value**	**Cash flow**	**Less than 1 year**	**1–2 years**	**2–5 years**	**More than 5 years**
31/12/2011						
Bank loans	9,733	10,348	2,864	7,484	-	-
Other loans	8,692	10,520	810	1,487	5,287	2,936
Loan the proceeds of which are partly tied to the company's share performance	5,031	8,250	606	625	7,020	-
Finance lease agreements	12,852	20,918	1,571	1,571	4,712	13,064
Purchase price liabilities related to premises	2,781	5,333	200	200	600	4,333
Revolving bank credit	5,802	5,802	5,802			
Sale of receivables facilities	6,402	6,402	6,402			
Accounts payable and other liabilities	9,054	9,054	9,054			
Total	60,347	76,629	27,309	11,367	17,619	20,334
Derivatives						
Commodity derivatives	-128	-128	-128			
Financial derivatives	913	913	-	-	-	913

The company has further specified the classification of liabilities and its accounting practices and adjusted the comparison information accordingly.

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

Neo Industrial's loan the proceeds of which are partly tied to the company's share performance includes covenants. The key covenants concern restrictions related to the issue of new shares and the size of the dividend. The requirements of the covenants were met on the closing date of the financial period.

The financing agreement related to the Cable segment's loans was updated in October 2012. The updated financing agreement was short-term and valid until the end of November 2012. A new financing agreement related to the Cable segment was signed in early 2013 and is intended to be updated in the spring of 2013.

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. Most of the Group's sales receivables have not matured. Of the outstanding sales receivables, 90 percent (82 percent) have been due no longer than a month. A total of EUR 0.1 million (0.3 million) is more than 60 days past due. The Group's largest customers, who represent more than 10 percent of net sales, are presented in note 3 ("Segment information").

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 31/12/2012	Current net values 31/12/2011	Nominal values 31/12/2012	Nominal values 31/12/2011
Financial derivatives						
Option contracts		-1,343	-1,343	-913	-	-
Currency derivatives						
Forward exchange agreements	-	-	-	-	-	-
Raw material options						
Metal derivatives	28	-3	25	-128	1,358	3,354
Total derivatives	28	-1,346	-1,318	-1,041		

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 recognised at fair value in the balance sheet. If the price of the company's share had been 10 percent higher on the closing date of the financial period, its effect on the operating result before taxes would have been EUR -0.2 million (-0.2 million in 2011). Had the share price been 10 percent weaker, its effect would have been EUR 0.2 million (0.2 million). 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. If the share price were EUR 3.20 on the loan repayment date, the additional payment would be EUR 0.9 million.

25. 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.

26. Fair values of financial assets and liabilities

Derivatives are presented in note 24. Other cash and cash equivalents as well as receivables and liabilities are recognised in accordance with the amount open in the financial statements, excluding any credit losses. The Group does not apply hedge accounting. All income and expenses from derivatives are recognised through the income statement.

27. Other leases

The Group as a lessee

Minimum lease payments based on non-cancellable other leases

EUR 1,000	2012	2011
Within 1 year	2,163	817
1–5 years	284	204
After 5 years	-	-
Total	2,447	1,021

The Group has leased many of its production and office facilities. Some leases for premises are recognised 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.

Located next to the Valkeakoski plant, the Kirjasniemi residential area is leased from the bankruptcy estate of Kuitu Finland for 25 years as 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 does not affect the terms of the lease.

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 2012 includes EUR 1.2 million in expenses based on other leases (1.1 million in 2011).

28. Contingent liabilities and commitments

EUR 1,000	31/12/2012	31/12/2011
Debts secured against business mortgages, securities or guarantees		
Loans from financial institutions	14,312	15,735
Loans to others	-	12,178
Granted business mortgages	35,000	41,820
Book value of pledged securities	25,885	25,885
Granted guarantees	14,312	27,913
Other collateral		
Guarantees and payment commitments	1,038	2,353
Mortgages	-	4,700

Investment commitments

Investment commitments for tangible fixed assets amounted to EUR 0.2 million on 31 December 2012 (0.2 million on 31 December 2011).

29. Related-party events

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.

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

Company came	Home country	Domicile	Group's equity share	Group's share of votes (%)
Parent company: Neo Industrial Plc	Finland	Hyvinkää		
Alnus Ltd	Finland	Helsinki	100.00	100.00
Avilon Fibres Ltd	Finland	Valkeakoski	79.77	79.77
Carbatec Ltd	Finland	Valkeakoski	88.55	88.55
Metsämarkka I Ltd	Finland	Hyvinkää	100.00	100.00
Metsämarkka 101 Ltd	Finland	Hyvinkää	100.00	100.00
Novalis Plc	Finland	Helsinki	100.00	100.00
Reka Cables Ltd	Finland	Hyvinkää	100.00	100.00
Advanced Cellulosic Fibre Co. Ltd	Finland	Valkeakoski	100.00	100.00
Reka Kabel Ab	Sweden	Gothenburg	100.00	100.00
Reka Kabel AS	Norway	Kolbotn	100.00	100.00
Reka Kabel A/S	Denmark	Roskilde	100.00	100.00
Reka Cables Polska SP.Z.O.O.	Poland	Dopiewo	100.00	100.00
OAO Expokabel	Russia	Podolsk	90.88	90.88
OOO Reka Kabel	Russia	St Petersburg	100.00	100.00
OOO Reka Kabel Holding	Russia	Moscow	100.00	100.00
OOO Reka Rubber	Russia	St Petersburg	100.00	100.00
ZAO Reka Kabel	Russia	Podolsk	90.00	90.00
Reka Cables Baltic OÜ	Estonia	Tallinn	100.00	100.00
Finndomo	Finland	Sonkajärvi	30.30	30.30
Nestor Cables Ltd	Finland	Oulu	22.94	22.94

Related-party transactions

Transactions with the Reka Group

EUR 1,000	1–12/2012	1–12/2011
Sales	21	20
Rental expenses	-1,699	-1,633
Other purchases	-112	-98
Other income	6	-
Interest revenues	42	13
Loan receivables	300	493
Sales receivables and other receivables at the end of the period	375	945
Finance leases (activated on the balance sheet)	-	-9,944
Other debts at the end of the period	-190	-8

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.

Transactions with associated companies
Sales to associated companies in 2012 totalled EUR 36,000 (40,000 in 2011), and purchases totalled EUR 3,000 (2,000). Receivables totalled EUR 0,000 at the end of the financial period (3,000 in 2011). Liabilities totalled EUR 3,000 at the end of the financial period (0,000 in 2011).

Transactions with other related parties

EUR 1,000	1–12/2012	1–12/2011
Interest revenues	-	73
Other purchases	204	-
Other debts at the end of the period	6	-

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.

Management fringe benefits

EUR 1,000	2012	2011
Salaries and other short-term fringe benefits	291	341
Pension benefits, defined contribution plans	50	60

The Group's related parties include the Group's Board of Directors and management group.

The members of the Board of Directors are paid an annual fee in accordance with the Annual General Meeting's decision. In addition, a separate meeting fee is paid for Board and committee meetings. Travel expenses are paid according to invoice. Members of the Board and management group have no other benefits. The Board members have no pension agreements with the company. The notice period is twelve (12) months for the CEO and six (6) months for the CFO.

Salaries and other fringe benefits by person:

EUR 1,000	**2012**	**2011**
Salaries and fees		
Jari Salo, Managing Director	36	-
Markku E. Rentto, Managing Director	116	137
Sari Tulander, CFO	57	99
Members of the Board		
Markku E. Rentto (from 8/11/2012)	3	-
Matti Lainema	21	21
Ilpo Helander	17	17
Taisto Riski	19	17
Raimo Valo	17	14
Pekka Soini, former member	4	19
Matti Lappalainen, former member	-	4
Risto Kyhälä, former member	3	14
Total	291	341

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

30. Discontinued operations

2012

	Viscose Fibres	Singe Family Housing	Discontinued operations
Income	16,369		16,369
Expenses	-10,027	-6,369	-16,396
Profit before taxes	6,343	-6,369	-26
Taxes	-272		-272
Result for the period from discontinued operations	6,071	-6,369	-298

2011

	Viscose Fibres	Singe Family Housing	Discontinued operations
Income	21,395		21,395
Expenses	-33,799	-8,857	-42,656
Profit before taxes	-12,405	-8,857	-21,262
Taxes	-1,533		-1,533
Result for the period from discontinued operations	-13,938	-8,857	-22,795

The Viscose Fibres segment's income in 2012 includes EUR 10.3 million in debt cuts related to unsecured reorganisation debts and EUR 1.1 million (2.3 million in 2011) in profit from the sale of emission rights. In addition, the revaluation of assets and liabilities to zero on the balance sheet had a net effect of EUR 1.3 million on the result.

Viscose Fibres: net cash flows from operations

EUR 1,000	1/1–31/12/2012	1/1–31/12/2011
Net cash provided by operating activities	**-723**	**-3,035**
Net cash provided by investing activities	**-343**	**-1,855**
Net cash provided by financing activities	**-29**	**4,505**
Change in cash and cash equivalents	**-1,095**	**-385**
Cash and cash equivalents at the beginning of the period	1,117	1,502
Elimination of cash and cash equivalents	-22	
Cash and cash equivalents at the end of the period	**-**	**1,117**

The elimination of balance sheet items related to the Viscose Fibres segment's operations totalled EUR 22,000 on the consolidated balance sheet.

Net cash provided by the Single Family Housing segment

EUR 1,000	1/1–31/12/2012	1/1–31/12/2011
Net cash provided by operating activities	**-**	**-**
Net cash provided by investing activities	**-**	**-2,982**
Net cash provided by financing activities	**-**	**-**

The Viscose Fibres segment's assets and liabilities before the balance sheet values were revalued to zero:

EUR 1,000	31/12/2012
Goodwill	-
Other intangible assets	3,228
Tangible assets	8,768
Receivables	336
Inventories	780
Cash and cash equivalents	22
Financial liabilities	-9,292
Provisions	-100
Accounts payable and other liabilities	-5,001
Total assets and liabilities	-1,259

In conjunction with revaluing balance sheet items to zero, guarantee liabilities related to debts and contingent liabilities have been recognised as liabilities in continuing operations through profit or loss.

31. Major events after the end of the financial period

In February, Reka Cables Ltd negotiated an additional financing package of EUR 2.0 million to alleviate the effects of seasonal changes. In conjunction with this, the company signed a financing agreement related to the Cable segment. The intention is to update the agreement in the spring of 2013.

On 6 March 2013, Neo Industrial announced that Avilon Fibres Ltd and Carbatec Ltd had filed for bankruptcy.

Based on the authorisation granted to the Board of Directors by the general meeting of November 2012, the Board decided on 13 March 2013 not to enforce the demerger due to changed circumstances.

KEY FINANCIAL INDICATORS

Key figures from the income statement and balance sheet

The key figures for 2012 are based on continuing operations. The key figures for 2011 and 2010 were published in previous financial periods.

EUR 1,000	**2012**	**2011**	**2010**
Net sales	106,234	121,186	83,421
Operating profit	796	-15,609	-11,040
Operating profit, %	0.7%	-12.9%	-13.2%
Result before taxes and discontinued operations	-6,211	-29,025	-12,765
% of net sales	-5.8%	-24.0%	-15.3%
Result for the period	-6,272	-29,104	-10,591
Return on equity (ROE)	-59.4%	-125.5%	-26.7%
Return on investment (ROI)	1.9%	-32.1%	-12.7%
Equity ratio, %	13.8%	12.7%	31.7%
Gearing	370.9%	389.8%	107.8%
Investments in tangible assets	1,834	1,504	15,241
Average number of personnel	473	605	539

Share-related key figures (A and B shares)	**2012**	**2011**	**2010**
Equity per share, EUR	1.46	2.10	5.71
Earnings per share (EPS), EUR	-1.25	-4.60	1.76
Dividend/share, EUR	0.00	0.00	0.25
Dividend/earnings, %	-	-	-14.3%
Effective dividend yield, %	-	-	4.5%
Price/earnings (P/E)	-1.4	-0.5	-3.2
Share performance, EUR			
- average share price	2.21	5.87	6.32
- lowest price	1.17	2.00	5.40
- highest price	3.36	9.43	8.20
- price at the end of the period	1.75	2.50	5,60
Market capitalisation, EUR 1,000	10,439	15,292	33,295
Trading, number of shares			
B Shares	309,490	410,027	381,127
% of B shares	5.3%	6.8%	6.3%
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, %

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

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	1/1–31/12/2012	1/1–31/12/2011
Net sales	1	625,458	462,935
Other operating income	2	135,060	127,481
Materials and services		0	-2,737
Personnel expenses	3	-879,723	-728,599
Depreciation and impairment	4	-7,159,706	-18,549
Other operating expenses	5	-1,186,550	-1,162,572
OPERATING PROFIT		-8,465,461	-1,322,042
Financial income and expenses	6	-13,703,238	-3,915,495
RESULT BEFORE EXTRAORDINARY ITEMS		-22,168,699	-5,237,537
Extraordinary items	7	598,000	550,000
RESULT BEFORE TAXES AND APPROPRIATIONS		-21,570,699	-4,687,537
Appropriations		553	-2,096
Taxes	8	642,767	-4,890
RESULT FOR THE PERIOD		-20,927,379	-4,694,522

BALANCE SHEET OF THE PARENT COMPANY (FAS)

		Notes	31/12/2012	31/12/2011
ASSETS				
NON-CURRENT ASSETS				
	Intangible rights	9	33,751	42,255
	Tangible assets	10	10,075	13,473
	Other investments	11	16,573,110	29,797,853
			16,616,937	29,853,581
CURRENT ASSETS				
	Non-current receivables	12	16,709,100	15,232,000
	Current receivables	13	10,056,004	10,338,194
	Cash and cash equivalents		1,250	44,443
			26,766,354	25,614,637
ASSETS			43,383,290	55,468,218
LIABILITIES				
SHAREHOLDERS' EQUITY		14		
	Share capital		24,081,440	24,081,440
	Premium fund		66,400	66,400
	Reserve fund		1,221,255	1,221,255
	Own shares		-590,794	-590,794
	Retained profit		2,466,709	7,161,231
	Other unrestricted equity		21,326,806	21,326,806
	Result for the period		-20,927,379	-4,694,522
			27,644,436	48,571,816
ACCUMULATED APPROPRIATIONS		15	1,543	2,096
OBLIGATORY PROVISIONS		16	5,497,170	197,170
NON-CURRENT LIABILITIES		17	7,857,142	5,943,832
CURRENT LIABILITIES		18	2,382,999	753,304
LIABILITIES			43,383,290	55,468,217

PARENT COMPANY CASH FLOW STATEMENT (FAS)

EUR 1,000	1/1–31/12/2012	1/1–31/12/2011
Cash flows from operating activities:		
Payments received from operating activities	593	753
Payments paid on operating activities	-1,554	-1,428
Paid interests and other financial expenses	-846	-1,968
Interests received and other financial income	1,060	1,836
Direct taxes paid	-19	-7
Cash flows from operating activities:	**-765**	**-814**
Cash flows from investments		
Investments in tangible fixed assets	-3	-49
Proceeds from sale of tangible fixed assets	0	25
Investments in intangible fixed assets	0	-53
Acquired shares in subsidiaries	-20	-242
Acquired shares in associates	0	-2,982
Withdrawals from other financial funds	0	2,895
Loans granted	-483	-16 047
Loan repayments	1,227	26,957
Cash flows from investments	**722**	**10,503**
Cash flows from financing activities		
Sale of own shares	0	8
Increase in loans	0	6,514
Decrease in loans	0	-15,685
Group contributions received/paid	0	-485
Cash flows from financing activities	**0**	**-9,648**
Change in cash and cash equivalents	**-43**	**41**
Cash and cash equivalents at the beginning of the period	44	3
Cash and cash equivalents at the end of the period	**1**	**44**

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 recognised in the balance sheet at original cost less depreciation. Depreciation has been determined using straight-line method 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 recognised at fair value. Realised and unrealised gains and losses from changes in fair value are recognised 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

recognised as costs in the financial year during which they are accumulated.

Comparability of the profit

The result for 2011 was burdened by a write-off of EUR 2.5 million on doubtful receivables, of which EUR 2.2 million consisted of unsecured receivables or receivables with doubtful securities from Avilon Fibres Ltd. Of this previously recorded impairment, EUR 0.4 million was reversed through profit or loss. A guarantee liability granted for financing for Avilon Fibres Ltd was realised in 2012. The liability with interest, totalling EUR 2.2 million, was recorded through profit or loss. Because of Avilon Ltd's bankruptcy, the guarantees granted on behalf of Avilon Fibres Ltd related to industrial premises (EUR 5.0 million) and an environmental guarantee (EUR 0.3 million) have been recognised as provisions affecting the result for 2012. As a result of Avilon Fibres Ltd's and Carbatec Ltd's bankruptcies, EUR 7.1 million in shares in subsidiaries has been recorded as a write-off on the balance sheet, and receivables from the companies, totalling EUR 0.7 million, have been recorded as credit loss provisions.

An impairment of EUR 2.5 million on shares in Finndomo was recorded in 2011.
An impairment of EUR 6.5 million on shares in Finndomo was recorded in 2012. After this, the value of the shares on the balance sheet is zero.

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. Net sales

EUR 1,000	2012	2011
Net sales from consulting and management services	625	463
	625	463

2. Other operating income

EUR 1,000	2012	2011
Rental income from Group companies	62	60
Rental income from other companies	71	63
Other income	2	4
	135	128

3. Personnel expenses

EUR 1,000	2012	2011
Salaries and fees	739	621
Pension expenses	120	89
Other personnel expenses	21	18
	880	729
of which		
Management's salaries and fees	208	105
Board of Directors' fees	83	223
	291	328

4. Depreciation and impairment

	2012	2011
Depreciation on machinery and equipment	3	8
Depreciation on intangible rights	11	11
Total depreciation	14	19
Impairment		
Impairment on shares in subsidiaries	7,145	
Total depreciation and impairment	7,159	19

5. Other operating expenses

	2012	2011
Rents	237	236
Voluntary personnel expenses	21	23
Audit of the accounts	164	118
Other expenses	761	786
	1,183	1,163

Fees paid to auditors

The amounts are included in other operating expenses	2012	2011
Annual audit of the accounts	88	90
Other services	76	28
	164	118

Fees paid to auditors by authorised public audit firm	2012	2011
Ernst & Young Ltd	62	118
KPMG Ltd	102	-
	164	118

6. Financial income and expenses

Financial income (EUR 1,000)	2012	2011
Dividend income from Group companies	-	170
Interest and financial income from Group companies	1,219	1,376
Interest and financial income from other companies	3	181
	1,222	1,727
Financial expenses		
Impairment on investments in non-current assets	-6,482	-2,500
Reversal of impairment on investments in non-current assets	407	-
Interest and financial expenses to Group companies	-272	-209
Guarantee liabilities resulting from Avilon Fibres Ltd's bankruptcy	-5,300	
Interest and financial expenses to other companies	-3,278	-2,934
	-14,925	-5,643
Total financial income and expenses	-13,703	-3,916

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

EUR 1,000	2012	2011
Group contributions received	598	550
Total extraordinary items	598	550

8. Taxes on the income statement

EUR 1,000	2012	2011
Taxes	643	-5
Taxes total	643	-5

NOTES TO THE BALANCE SHEET

9. Intangible rights

Intangible rights (EUR 1,000)	2012	2011
Acquisition costs 1/1	53	-
Increase	3	53
Accumulated depreciation	-11	-
Depreciation according to plan	-11	-11

Acquisition costs 31/12	34	42

10. Tangible assets

Machinery and equipment (EUR 1,000)	2012	2011
Acquisition costs 1/1	23	5
Increase	-	49
Decrease	-	-31
Accumulated depreciation	-10	-2
Depreciation according to plan	-3	-8
Acquisition costs 31/12	10	13

11. Other investments

EUR 1,000	2012	2011
Acquisition costs 1/1	29,798	29,073
Increase	402	3,225
Impairment	-13,627	-2,500
Acquisition costs 31/12	16,573	29,798

Holdings in Group companies	Business ID	Share capital	Number of shares	Book value	Proportion of shares
		EUR 1,000		EUR 1,000	%
Alnus Ltd, Helsinki	0762281-4	168	1,000	171	100.0
Novalis Plc, Helsinki	1642820-4	2,000	2,000,000	16,400	100.0
Carbatec Ltd	2350548-2	5,002	7,611,112	-	88.6
Advanced Cellulosic Fibre Co.	2203290-0	3	500	2	100.0
Avilon Fibres Ltd	2209170-8	5,180	5,458,521	-	9.46
Finndomo	1754981-7	5,939	59,392,194	-	30.0

Finndomo Ltd filed for corporate reorganisation on 15 February 2012, and the reorganisation procedure was started on 2 March 2012. Confirmed on 3 December 2012, the programme is based on what is known as “liquidation reorganisation”, in which all of the company’s assets are liquidated and the accumulated amount is disbursed to the creditors of the company. In 2011, an impairment of EUR 2.5 million was recognised on Finndomo’s book value. In 2012, an impairment of EUR 6.5 million was recognised on Finndomo’s book value. They impairment is recognised in financial expenses on the income statement.

Carbatec Ltd and Avilon Fibres Ltd filed for bankruptcy on 6 March 2013. An impairment of EUR 7.1 million has been recognised on the income statement as an impairment on non-current assets in the line item “Depreciation and impairment”.

12. Non-current receivables

EUR 1,000	2012	2011
Subordinated loan receivables from Group companies	13,600	13,600
Non-current interest receivables from the Group	2,448	1,632
Other non-current receivables	661	-
Total	16,709	15,232

13. Current receivables

EUR 1,000	2012	2011
Sales receivables	7	-
Sales receivables from Group companies	68	47
Current loan receivables	40	40
Current loan receivables from Group companies	7,956	8,700
Interest receivables from Group companies	448	302
Other receivables, Neo Industrial Group	1,318	720
Accrued income	219	529
Total	10,056	10,338

Material items of accrued income

EUR 1,000	2012	2011
Accrued income from Group companies	25	373
Other accrued income	194	156
Total	219	529

14. Shareholders' equity

EUR 1,000	2012	2011
Share capital 1/1		
Series A	558	558
Series B	23,524	23,524
Share capital 31/12	24,082	24,082
Premium fund 1/1	66	66
Premium fund 31/12	66	66
Reserve fund 1/1	1,221	1,221
Reserve fund 31/12	1,221	1,221
Own shares 1/1	-591	-599
Sale of own shares	-	8
Own shares 31/12	-591	-591
Retained profit 1/1	2,467	7,161
Dividends	-	-
Retained profit 31/12	2,467	7,161
Other unrestricted equity 1/1	21,327	21,327
Other unrestricted equity 31/12	21,327	21,327
Result for the period	-20,927	-4,695
Shareholders' equity 31/12	27,644	48,572

The parent company's share capital by share series		2012		2011
	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

15. Accumulated appropriations

EUR 1,000	2012	2011	Change
Difference between depreciation according to plan and depreciation in accordance with the Finnish Business Tax Act (EVL)	2	2	-

16. Obligatory provisions

EUR 1,000	2012	2011
Rental loss provision	197	197
Payment guarantee for the purchase price of premises (Avilon Fibres Ltd)	5,000	
Counter-security for an environmental guarantee (Avilon Fibres Ltd)	300	
Total obligatory provisions	5,497	197

17. Non-current liabilities

EUR 1,000	2012	2011
Convertible bonds	5,174	5,031
Derivative liabilities	1,343	913
Other liabilities to Group companies	5	-
Other liabilities	1,335	-
Total	7,857	5,944

18. Current liabilities

EUR 1,000	2012	2011
Accounts payable	728	144
Accounts payable to Group companies	127	72
Accruals and deferred income	716	537
Current liabilities to Group companies	8	-
Other liabilities	804	-
Total	2,383	753

Material items of accrued liabilities

EUR 1,000	2012	2011
Personnel expenses allocated by period	120	97
Other accrued liabilities	596	440
Total	716	537

19. Contingent liabilities

EUR 1,000	2012	2011
Guarantees granted on behalf of the Group or its subsidiaries	8,633	17,171
Total	8,633	17,171

Financial lease and other lease liabilities

EUR 1,000	2012	2011
Maturing within 1 year	154	146
Maturing in 1 to 5 years	666	666
Maturing after 5 years	2,830	2,996
Total	3,650	3,808

20. Derivative contracts

EUR 1,000	2012	2011
Nominal values		
Financial derivative		
Option contracts	-	-
Fair values		
Financial derivative		
Option contracts	-1,343	-913

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 recognised 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

Neo Industrial Plc has recorded the value of its subsidiaries Carbatec Ltd and Avilon Fibres Ltd (EUR 7.1 million in total) and its receivables from these companies (EUR 0.7 million) as a write-off as a result of the companies filing for bankruptcy on 6 March 2013. In addition, the company has recognised its guarantee liabilities related to Avilon Fibres Ltd (EUR 5.3 million) through profit or loss on the balance sheet. The possible time and amount of the realisation of the guarantee liabilities will be determined as the bankruptcy proceedings progress further.

BOARD'S PROPOSAL TO THE ANNUAL GENERAL MEETING

The parent company's unrestricted equity stood at EUR 2,866,136.01 on 31 December 2012. The Board proposes to the Annual General Meeting that no dividends be paid for 2012.

Helsinki, 14 March 2013

Markku E. Rentto Chairman	Matti Lainema
Ilpo Helander	Taisto Riski
Raimo Valo	Jari Salo Managing Director

AUDITOR'S NOTE

We have issued the auditor's report today.

Helsinki, 14 March 2013

KPMG Ltd
Authorised Public Audit Firm

Lasse Holopainen
APA

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

AUDITOR'S REPORT
To the Annual General Meeting of Neo Industrial Plc

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, 2012. The financial statements comprise the consolidated statement of financial position, 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.

Emphasis of a matter

Without qualifying our opinion we want to draw attention to the chapter 2 of the notes to the consolidated financial statements "Accounting policies" as well as to section "Risks and uncertainty factors" in the report of the Board of Directors.

With regards to the Cable segment, the financial statements have been prepared in accordance with the principle of continuity. The continuity of operations requires that the Group be able to secure additional funding to replace maturing loans and renegotiate payment terms or liquidate capital from its operations in other ways during 2013.

Negotiations with financiers, suppliers and customers are in progress, and the Group management believes they will be successful. If, however, the Group companies do not succeed in securing financing, it is possible that it will not be able to liquidate assets to a sufficient extent or sufficiently fast and pay its debts in its ordinary business operations. This would jeopardise the continuity of the Group's operations in their current form.

Helsinki, 14 March 2013

KPMG OY AB
LASSE HOLOPAINEN
Authorized Public Accountant

SHAREHOLDERS ON 31 DECEMBER 2012

Largest shareholders	A shares	B shares	Total	Proportion of shares, %	Proportion of votes, %
1. Reka Ltd	139, 400	2,916,387	3,055,787	50.76	65.77
2. Onninen-sijoitus Ltd		250,000	250,000	4.15	2.88
3. CAG Management Ltd		105,305	105,305	1.75	1.21
4. Neo Industrial Plc		91,727	91,727	1.52	1.06
5. 4Capes Ltd		50,000	50,000	0.83	0.58
6. Danske Bank Plc		25,012	25,012	0.42	0.29
7. Nordea Bank Finland Ltd		23,890	23,890	0.40	0.28
8. Kärkkäinen Esa Tapani		18,428	18,428	0.31	0.21
9. Matti Lainema		17,000	17,000	0.28	0.20
10. Seneca Ltd		13,500	13,500	0.22	0.16

Ownership by type of shareholder

Type of shareholder	Number of shareholders	Proportion of shareholders, %	Number of shares	Proportion of shares, %	Proportion of votes, %
Companies	264(1)	2.2	3,744,745	62.2	73.8
Financial and insurance institutions	39(3)	0.3	42,850	0.7	1.1
Public organisations	71	0.6	46,540	0.8	0.5
Households	11,558	94.8	1,845,861	30.7	21.3
Non-profit organisations	261	2.1	178,401	3.0	2.1
Outside Finland	5	0.0	1,300	0.0	0.0
Total	12,198	100	5,859,697	97.3	98.7
Nominee registered	(4)		49,956	0.8	0.6
Joint account			110,707	1.8	1.3
Amount issued			6,020,360	100	100

Ownership by the amount held

Number of shares	Number of shareholders	Proportion of shareholders, %	Number of shares	Proportion of shares, %	Proportion of votes, %
1–50	5,517	45,2	160,237	2.7	1.9
51–100	3,220	26,4	282,139	4.7	3.3
101–1,000	3,121	25,6	971,368	16.1	11.2
1,001–10,000	321	2,6	744,269	12.4	8.6
10,001–100,000	19	0,2	3,751,640	62.3	73.8
Total	12,198	100	5,909,653	98.2	98.7
of which nominee registered	4		49,956	0.8	0.6
Joint account			110,707	1.8	1.3
Amount issued			6,020,360	100	100

Management's shareholding

The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,961,358 (2,956,162) of Neo Industrial's B shares on 31 December 2012. Neo Industrial held 91,727 (91,727) of its own shares on 31 December 2012.

Shares and share capital

Neo Industrial Plc's share capital was EUR 24,081,440 (24,081,440) on 31 December 2012. 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.