

Turnover decreased, operating cash flow positive

January - December 2019

- The Neo Industrial Group's turnover was EUR 97.5 million (103.8 million).
- The operating result was EUR 0.5 million (1.0 million).
- The Cable segment's operating result was EUR 0.9 million (1.9 million).
- The Group's result for the period was EUR -1.4 million (-0.5 million).
- The operating cash flow was EUR 7.8 (-1.3) million.

KEY FIGURES

	2019	2018
Turnover, EUR million	97.5	103.8
Operating profit, %	0.5	1.0
Result for the period, EUR million	-1.4	-0.5
ROI, %	4.5	8.4
IAS 19 corrected Return on Equity, %	-8.1	-4.5
IAS 19 corrected Gearing, %	188.2	104.4
IAS 19 corrected Equity ratio, %	16.8	25.5
Earnings per share, EUR	-0.24	-0.09

This financial statement release is unaudited.

MANAGING DIRECTOR JUKKA POUTANEN:

Turnover was lower than in the previous year. Domestic sales decreased. Export sales increased as planned but could not compensate for the domestic decrease. We made a plan to develop and strengthen substantially both domestic and export sales organization. Part of the measures to take were implemented by the end of the year 2019. We are working on with the remaining measures to take.

During the financial year the Group reorganized the ownerships of Cable Segment's production facilities in Keuruu and Riihimäki. It seems more tempting in longer term to buy such assets than handle them according to IFRS 16. The Real estate related acquisitions have been financed through long-term financing.

The proceeds of the "Green bond", launched at the end of the year, will be used for the financing of eligible expenditures as set out in the Green Bond Framework related to the enhancement of the environmental credentials of Reka Cables' portfolios of products; and the improvement of Reka Cables' environmental performance in respect to its production facilities and processes.

TURNOVER AND OPERATING RESULT

The Neo Industrial Group's (Neo Industrial) turnover in 2019 was EUR 97.5 million (103.8 million). Its result for the full year was EUR -1.4 million (-0.5 million).

BALANCE SHEET AND FINANCING

At the end of the financial year the interest-bearing liabilities were EUR 25.0 (13.0) million, of which other than finance lease liabilities were EUR 15.6 (9.7) million. In the end of the financial period the balance sheet total stood at EUR 58.9 million (46.3).

The balance sheet increased substantially due IFRS 16 -standard. The balance sheet 31 December 2019 include tangible assets due IFRS 16 EUR 8.2 million and EUR 5.4 million Keuruu plant real estate that was bought end of June 2019.

During the financial year, the stocks were from time to time at a high level. At the end of December the value of the inventories was EUR 13.8 (16.4) million. The EUR 3.0 million limit loan was not in use at the end of December.

The Group rearranged financing by reducing short-term interest-bearing loans and acquiring long-term funding for the acquisition of Keuruu plant.

The short-term interest-bearing loans have covenants, of which all were not fulfilled at the end of the closing of the financial year. The breakage of the covenant terms did not cause any immediate repayment of the short-term interest-bearing loans in the balance sheet at 31 December 2019. In enclosures of the Group Financial statements more information is available regarding covenants.

At the end of the financial year, Neo Industrial Plc successfully issued EUR 10 million in senior secured green bonds (the Bonds). The tenor of the euro-denominated Bonds is five (5) years, with maturity date falling on the 6th of December 2024. The Bonds carry a fixed annual coupon at 6.00 per cent, payable annually on the 6th of December.

The Bonds are guaranteed by subsidiary Reka Cables Ltd. The net proceeds of the bonds will be used for the financing of eligible expenditures as set out in the Green Bond Framework related to the enhancement of the environmental credentials of Reka Cables' portfolios of products; and the improvement of Reka Cables' environmental performance in respect to its production facilities and processes. Part of the Bonds can be used for refinancing as described in the contract terms.

MAJOR EVENTS DURING THE FINANCIAL PERIOD

Neo Industrial Plc's subsidiary Reka Cables Ltd is one of two companies to win the public acquisition of substantial contract for underground power cables. Total value of Reka Cable's share will be approximately EUR 20 million and the deliveries will be made during 2020-2021. Underground power cables are used when building grids that are not vulnerable to weather conditions.

Jukka Poutanen was appointed as Neo Industrial Plc and its subsidiary Reka Cables Ltd Managing Director starting August 12, 2019.

Neo Industrial Plc sold its shares of Riihimäen Kaapelitehdas Ltd to Riihimäen Tilat ja Kehitys Ltd in August. Selling price was EUR 2.0 million.

Sale of shares was part of total arrangement where Riihimäen Tilat ja Kehitys Ltd bought altogether 68.05 % and Neo Industrial Plc's subsidiary Reka Cables Ltd 20.2 % shares of Riihimäen Kaapelitehdas Ltd. Third owner is Reka's Pension fund, whose ownership decreased to be under 12 % after arrangement.

At the end of the financial year, Neo Industrial Plc successfully issued EUR 10 million in senior secured green bonds.

The IFRS 16 standard, implemented on January 1, 2019, increased the Group Balance Sheet substantially. The Group included January 1, 2019 EUR 13.5 million of tangible assets, including the lease agreement relating Keuruu plant. At the end of the financial year the Group balance sheet includes tangible assets due IFRS 16 EUR 8.2 million and EUR 5.4 million regarding Keuruu plant real estate bought end of June.

SEGMENTS

Neo Industrial's business segment is Cable Industry.

CABLE SEGMENT

	H2/2019	H2/2018	Change	2019	2018	Change
Turnover, EUR million	48,0	49,2	-2,4 %	97,4	103,8	-6,2 %
Operating result, EUR million	0,1	0,5	-80,0 %	0,9	1,9	-52,6 %

The Cable segment's turnover was EUR 97.4 million (103.8). Operating profit was EUR 0.9 million (1.9 million).

The turnover and the operating result of the cable segment were lower than in the previous year. Domestic sales decreased. Particularly part of the underground power cable projects were postponed to year 2020. Export sales increased as planned but could not compensate for the domestic decrease.

The cable segment made a plan to develop and strengthen substantially both domestic and export sales organization. Part of the measures to take were implemented by the end of the year 2019. The remaining measures to take are estimated to be carried out in the beginning of the year 2020.

The industry's key raw materials are copper, aluminum and plastics. At the beginning of the year the price of copper was EUR 5,251 and the price of aluminum was EUR 1,632 per tonne. At the end of the December 2019, the price of copper was EUR 5,481 and the price of aluminum EUR 1,603.

At its highest point, the daily price of copper during the review period was EUR 5,787 per tonne in April 2019, and at its lowest in August, at EUR 5,051 per tonne. The price of aluminum has been at its highest in March 2019, when it was EUR 1,694 per tonne, and its lowest in June, when it was EUR 1,523 per tonne.

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

IFRS 16 Leases, which entered into force on 1 January 2019, is tempting to acquire assets for yourself instead of leases. As a first step Neo Industrial's cable segment bought in the end of June one of the premises that is used in Keuruu plant. In addition, the arrangement carried out at the end of August is the first step of Neo Industrial's cable segment towards production premises in Riihimäki. Reka Cables Ltd acquired 20.2 % share of Riihimäen Kaapelitehdas Ltd. Reka Cables Ltd plans to increase the ownership in future years.

Investments fulfilled, EUR 8.2 million (2.4 million in 2018) were targeted at real estates, developing new products and improving productivity, material- and energy efficiency.

Turnover for Nestor Cables Group, an associated company in the Cable segment, was EUR 31.5 million (36.0 million). The operating result was positive but lower than year before. The company's value on the consolidated balance sheet is zero and the result of the company is not included in the Group figures.

MAJOR EVENTS AFTER THE REVIEW PERIOD

Neo Industrial Plc's subsidiary Reka Cables Ltd received in January 2020 a substantial contract for underground power cables from Scandinavia. The total value of the contract is approximately EUR 9 million. The deliveries will be made during 2020-2022.

SHARE PRICE AND TRADING VOLUME

In 2019, a total of 961,796 (1,280,875 in 2018) of Neo Industrial's B shares were traded on NASDAQ Helsinki for a total of EUR 2.0 million (5.2 million), representing 16.4 (21.8) percent of the total number of the shares. At the end of trading on 31 December 2019, the share price was EUR 2.04 (2.03), and the average share price for 2019 was EUR 2.12 (4.10). The lowest quotation in 2019 was EUR 1.72 (1.98) and the highest quotation was EUR 2.50 (6.60). The company's market capitalization was valued at EUR 12.2 million (12.4) on 31 December 2019.

GROUP STRUCTURE AND SHAREHOLDERS

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

On December 2019, Neo industrial had 10,869 shareholders (11,389). The largest shareholder, Reka Ltd, held 50.8 percent (50.8) of the shares and 65.8 percent (65.8) of the votes. Neo Industrial Plc is therefore part of the Reka Group. Reka Ltd is domiciled in Juupajoki.

On 31 December 2019, the combined holding of the ten largest shareholders was 56.1 percent (56.6 on 31 December 2018) of the shares and percent 69.5 (69.8) of the votes.

The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,958,529 (2,955,000) of Neo Industrial's B shares on 31 December 2019.

SHARES AND SHARE CAPITAL

Neo Industrial Plc's share capital is divided into A and B shares. At the end of 2019, its total share capital was EUR 24,081,440, and the number of shares was 6,020,360. The total number of shares includes 68,610 B shares held by Neo Industrial. The holding presents 1.1 percent of the company's share capital and 0.8 percent of the votes. The company held no A shares. Neo Industrial Plc's shares (NEO1V) are listed on the exchange list of NASDAQ Helsinki.

	31/12/2019	31/12/2018	31/12/2017
Company shares			
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	68,610	72,439	74,271

ACQUISITION AND TRANSFER OF THE COMPANY'S OWN SHARES

On 31 December 2019, the company held a total of 68,610 own B shares. Neo Industrial did not exercise its authorization to acquire the company's own shares.

Neo Industrial has used the authorization to transfer treasury B shares against or without payment. In the financial period of 2019, Neo Industrial Plc has paid remuneration and incentives to the Board of Directors with shares, totaling to 3,829 shares.

RESEARCH AND DEVELOPMENT

The Group invested a total of EUR 0.3 million in research and product development in 2019 (0.4 million in 2018). The investments were allocated to the Cable Segment. During the financial period, total of EUR 0.2 million (EUR 0.2 million in 2018) of the development costs of new products and product families were activated in the balance sheet.

PERSONNEL

During the financial year, the Group employed an average of 247 people (251 in 2018 and 269 in 2017). At the end of 2019, the Group employed 245 (252 in 2018 and 261 in 2017) people, of whom 244 (252 in 2018 and 261 in 2017) worked in the Cable segment and 1 (0 in 2018 and 0 in 2017) in Group administration. The Group paid a total of EUR 10.7 million (11.3 million in 2018 and 12.0 million in 2017) in performance-based salaries and fees in 2019.

ENVIRONMENT

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

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement of Neo Industrial Plc has been prepared in accordance with recommendation 51 of the Finnish Corporate Governance Code. The statement has been issued separately from the annual report and will be published at the same time with the financial statements and the board of directors' report. The report will be available on Neo Industrial's website at www.neoindustrial.fi. The Finnish Corporate Governance Code is available at www.cgfinland.fi.

ANNUAL GENERAL MEETINGS

Neo Industrial's Annual General Meeting (AGM) was held in Helsinki on 28 March 2019.

The AGM approved the Board's proposal that dividend of EUR 0.02 per share is paid for the financial year 2018.

The AGM nominated the following persons be elected to the Board: Markku E. Rentto, chairman; Jukka Koskinen, deputy chairman and Marjo Matikainen-Kallström and Ari Järvelä as members of the Board. No deputy members were elected.

The AGM approved the proposal that Authorized Public Accountants KPMG Ltd, with Authorized Public Accountant Leenakaisa Winberg as responsible auditor, be elected as the auditor of the company for a term that expires at the end of the AGM of 2020.

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

A separate release about the AGM's decisions and authorizations was published in 28 March 2019.

RISKS AND UNCERTAINTY FACTORS

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

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

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

The Group has carried out and is carrying out the simplifications of the Group structure with mergers. Tax authority has questioned the tax neutrality of the subsidiary merge carried out in 2015. Neo Industrial has filed for changes in its tax assessment notice. Neo Industrial has the opinion that the merge is universal succession and therefore tax neutral. The difference of opinion of the Neo Industrial and tax authority is EUR 1.2 million.

NEAR-TERM OUTLOOK

For the financial year 2020, Neo Industrial's net result is expected to be positive.

DIVIDEND POLICY

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

ANNUAL GENERAL MEETING 2020

Neo Industrial Plc's Annual General Meeting will be held in Helsinki on 25 March 2020 at 1.00 p.m. A separate invitation will be published on 27 February 2020.

Espoo, 27 February 2020

Neo Industrial Plc
Board of Directors

Further information:

Jukka Poutanen, Managing Director, tel. +358 40 833 9007

CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000

1/1-31/12/2019 1/1-31/12/2018

TURNOVER	97,478	103,818
Change in inventories of finished products and production in progress	-2,461	83
Production for own use	8	24
Other operating income	280	282
Materials and services	-70,524	-77,124
Personnel expenses	-13,727	-14,712
Depreciation and impairment	-4,384	-2,485
Other operating expenses	-6,161	-8,887
	-96,970	-102,820
Operating result	508	998
Financial income	106	132
Financial expenses	-2,616	-2,014
	114	166
Result before taxes	-1,887	-716
Taxes	447	190
Result for the period	-1,440	-527
Profit or loss attributable to		
Shareholders of the parent	-1,440	-527
Non-controlling interests	0	0
	-1,440	-527
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	-0.24	-0.09
Number of shares	5,951,750	5,947,921

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

Result	-1,440	-527
Other comprehensive items that may subsequently reclassified to statement of income		
Translation differences related to foreign units	-14	-10
Change in the value of open customer derivatives	180	-174
Taxes of items that may subsequently reclassified to statement of income	-36	35
Total	130	-150
Other comprehensive items that are not subsequently reclassified to statement of income		
Items related to remeasurements of net defined benefit liability	234	-704
Taxes of items that are not subsequently reclassified to statement of income	-47	141
Total	188	-563
Other comprehensive items total	317	-713
Total comprehensive income	-1,123	-1,240
Total comprehensive income attributable to		
Shareholders of the parent	-1,123	-1,240
Non-controlling interests	0	0
	-1,123	-1,240

CONSOLIDATED BALANCE SHEET (IFRS)

EUR 1,000	31/12/2019	31/12/2018
ASSETS		
Non-current assets		
Goodwill	3,252	3,252
Other intangible assets	1,476	1,191
Tangible assets	16,321	12,011
Right-of-use assets (2018 Financial leases)	8,193	2,249
Holdings in associates	930	1,578
Receivables	71	19
Derivative contracts	0	0
Deferred tax assets	2,608	1,975
Total non-current assets	32,851	22,276
Current assets		
Inventories	13,832	16,411
Sales receivables and other receivables	5,272	6,622
Derivative contracts	204	80
Cash and cash equivalents	6,784	889
Total current assets	26,092	24,002
Total Assets	58,943	46,278
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholder's equity		
Share capital	24,082	24,082
Premium fund	66	66
Reserve fund	1,221	1,221
Own shares	0	0
Translation differences	-45	-30
Retained profit	-18,798	-17,604
Other unrestricted equity	436	436
Equity attributable to shareholders of the parent	6,963	8,170
Non-controlling interests	0	0
Total shareholders' equity	6,963	8,170
Non-current liabilities		
Deferred tax liabilities	55	27
Provisions	3,250	3,127
Financial liabilities	12,561	4,089
Lease liabilities (2018 Financial lease liabilities)	7,595	3,079
IAS19 pension liability	3,870	4,107
Other liabilities	11	7
Derivative contracts	14	73
Current liabilities		
Tax liabilities from the profit	62	53
Provisions	27	23
Financial liabilities	3,004	5,575
Lease liabilities (2018 Financial lease liabilities)	1,867	266
Derivative contracts	184	197
Accounts payable and other liabilities	19,480	17,483
Total liabilities	51,980	38,108
Shareholders' equity and liabilities	58,943	46,278

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS)

	Share capital	Premium fund	Reserve fund	Own shares	Transla- tion diffe- rences	Pension liability IAS 19	Fair value fund	Other un- restricted equity	Retained profit	Sharehol- der's equity to the sharehol- ders of the parent	Non- controlling interests	Total sharehol- ders' equity
EUR 1,000												
Shareholders' equity 31/12/2017	24,082	66	1,221	0	-20	-1,518	0	436	-13,508	10,759	0	10,759
Effects of IFRS 15 and 9 changes									-890	-890		-890
Shareholders' equity 1/1/2018	24,082	66	1,221	0	-20	-1,518	0	436	-14,398	9,869	0	9,869
Comprehensive income												
Result for the period									-527	-527	0	-527
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						-563				-563		-563
Derivatives							-139			-139		-139
Payments by own shares				0					0	0	0	0
Translation differences					-10					-10		-10
Total comprehensive income					-10	-563	-139		-527	-1,239	0	-1,239
Effect of reclassification to translation differences									0	0		0
Transactions with the owners												
Dividends paid									-476	-476		-476
Payments by own shares									17	17		17
Total transactions with the owners									-459	-459	0	-459
Shareholders' equity 31/12/2018	24,082	66	1,221	0	-30	-2,081	-139	436	-15,383	8,170	0	8,170

	Share capital	Premium fund	Reserve fund	Own shares	Transla- tion diffe- rences	Pension liability IAS 19	Fair value fund	Other un- restricted equity	Retained profit	Sharehol- der's equity to the sharehol- ders of the parent	Non- controlling interests	Total sharehol- ders' equity
EUR 1,000												
Shareholders' equity 31/12/2018	24,082	66	1,221	0	-30	-2,081	-139	436	-15,383	8,170	0	8,170
Comprehensive income												
Result for the period									-1,440	-1,440	0	-1,440
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						188				188		188
Derivatives							144			144		144
Translation differences					-14					-14		-14
Total comprehensive income					-14	188	144		-1,440	-1,123	0	-1,123
Other change									16	16		16
Transactions with the owners												
Dividends paid									-119	-119		-119
Payments by own shares									17	17		17
Total transactions with the owners									-102	-102	0	-102
Shareholders' equity 31/12/2019	24,082	66	1,221	0	-45	-1,893	4	436	-16,909	6,963	0	6,963

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

EUR 1,000

1/1-31/12/2019 1/1-31/12/2018

Cash flows from operating activities

Payments received from operating activities	96,851	100,993
Payments paid on operating activities	-86,325	-100,238
Paid interests and other financial expenses	-2,561	-1,812
Direct taxes paid	-232	-243
Net cash provided by operating activities	7,758	-1,300

Cash flows from investments

Investments in tangible assets	-7,152	-2,549
Sales of tangible assets	75	0
Purchase of associated company shares	-1,255	0
Proceeds from sale of associated company shares	2,017	0
Loans granted	-3,200	0
Loan repayments	3,200	0
Net cash provided by investing activities	-6,314	-2,549

Cash flows from financing activities

Increase in loans	19,438	5,000
Decrease in loans	-12,901	-1,356
Payments of finance lease activities	-1,968	-251
Dividends paid	-119	-476
Net cash provided by financing activities	4,450	2,917

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

Cash and cash equivalents at beginning of the period	889	1,827
Exchange rate differences	2	-7
Change in cash and cash equivalents at the end of the period	6,784	889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

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

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

The parent company is domiciled in Hyvinkää. Neo Industrial Plc's address is Kankurinkatu 4-6, 05800 Hyvinkää. Neo Industrial Plc's B shares are listed on NASDAQ Helsinki.

The Neo Industrial Group is part of the Reka Group. Reka Ltd, the parent company of the Reka Group, is domiciled in Juupajoki. Reka Ltd's address is Salokunnantie 590, 35550 Salokunta.

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 2019. International financial standards refer to standards and the related interpretations that are laid down in the Finnish Accounting Act and regulations based on the Finnish Accounting Act and that have been approved in accordance with the EU Regulation (EC) No 1606/2002. The notes to the consolidated financial statements also comply with Finnish accounting and companies' laws that supplement IFRS regulations.

Neo Industrial Group has applied as from 1 January 2019 the following new and amended standards that have come into effect:

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019). The new standard replaced the IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognize the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contracts in which the lease term is 12 months or less, or to low value items i.e. assets of value about USD 5,000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The impacts of IFRS 16 on Neo Industrial's consolidated financial statements:

- The Group has several contracts in which the lease term is 12 months or less and assets of value less than USD 5,000. The Group benefits the exceptions and does not expect any change in handling of such contracts nor assets. IT- devices are whether already in the the Assets in the Balance Sheet or their value is less than USD 5,000. IFRS 16 will be noticed also in future when comparing different contract models and in decisions whether to buy or lease some IT related purchases.
- The Group has rental agreements, which are valid over 12 months or for the time being, of which part were not handled in the Balance Sheet according to the IAS 17 standard. The Group analyzed all such contracts and evaluated the periods to be used as well as the interest noticed.
- For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.
- The new IFRS 16 standard is implemented by using method of accumulated effect as of 1 January 2019. As a result, the comparison figures of previous financial year were not changed.
- The weighted-average rate applied was 4.0 %.
- IFRS 16 changes essentially Neo Industrial Group's balance structure. The effect of IFRS 16 to the opening balance was EUR 13.5 million to non-current assets and interest-bearing liabilities.

During year 2019 the Group recognized depreciation expense on right-of-use assets from former operating lease contracts totalling EUR 2.1 million and interest expenses totalling EUR 0.6 million. The rent expenses reversed from other operating expenses relating to these contracts totalled EUR 2.5 million.

A reconciliation of the operating lease commitment at 31 December 2018 and the lease liabilities recognized at 1 January 2019 is presented in the following table:

EUR million	1/1/2019
Operating lease commitment at 31/12/2018	3.1
VAT adjustment	-0.6
Other adjustments	0.6
Lease adjustments from other leases 31/12/2018 total	3.0
Discounted at 1/1/2019	2.8
Finance lease liabilities recognised as at 31/12/2018	3.3
Recognition exemption for:	
- Short-term leases	-0.1
- Leases of low-value assets	-0.1
Extension options reasonably certain to be exercised	10.8
Lease liabilities recognised at 1/1/2019	16.7

IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial years beginning on or after 1 January 2019). The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The interpretation is not expected to have significant impact.

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

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent assets and liabilities and the recognition of income and expenses in profit or loss. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

The most important items, which require management estimates and assumptions and which may include uncertainty, are impairment testing of goodwill, deferred tax assets of unused tax losses, definition of length in lease periods in IFRS 16 handling, effects on provisions given, handling of rental loss provision and net realisable value of inventories. Detailed descriptions of decisions based on management's judgement and management's use of estimates are presented later at each item of the financial statements.

The Group's management makes judgements concerning the adoption and application of the accounting policies for the financial statements. The management has used its judgement in selecting and applying the accounting policies, for example, classification of leases.

Any assumptions and estimates related to the comparison period are based on the circumstances and outlook that prevailed at the reporting date of that period.

Valuation principles

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

All open customer-specific hedge changes are booked to equity. Other changes with derivatives are recognized through the income statement. Derivatives that hedge net sales are included in net sales. Changes in metal derivatives targeted at customer orders and changes in raw-material purchase hedging for periods less than 12 months are included in material purchases. Longer-term raw-material purchase hedging is included in financial income or expenses. Customer-specific commodity derivatives and segment-specific currency hedging have been recognized under each segment. Other derivatives are recognized in other

operations and eliminations. In addition, segment-specific statements present the operating result before and after open hedging instruments.

Segment information

In accordance with IFRS 8, segment-specific reporting is based on the management's internal reporting. Turnover by product group and sales area are presented as complementary information. Customer-specific commodity derivatives and segment-specific currency hedging have been recognized under each segment. Other derivatives, the numbers of companies not belonging to Cable segment, IAS 19 bookkeeping entries and unallocated items as well financial liabilities related to acquiring businesses are recognized in other operations and eliminations. In addition, segment-specific statements present the operating result before and after open hedging instruments.

31/12/2019

EUR 1,000	Cable	Other operations and eliminations	Group
Turnover	97,439	39	97,478
Operating result before change in the value of open derivatives	887	-379	508
Change in the value of open derivatives	0	0	0
Operating result after change in the value of open derivatives	887	-379	508
Unallocated items		-1,948	-1,948
Result before taxes			-1,887
Result for the period			-1,440
Assets			
Segment's assets	48,013	10,930	58,943
Total assets	48,013	10,930	58,943
Liabilities			
Segment's liabilities	34,647	17,333	51,980
Total liabilities	34,647	17,333	51,980
Assets - liabilities	13,366	-6,403	6,962
Investments	8,167	45	8,212
Depreciations	4,262	123	4,384

31/12/2018

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

Cable segment's turnover by product group, EUR million

	1-12/2019	1-12/2018
LV energy	21.0	21.9
Power cable	76.4	81.9
Total	97.4	103.8

Cable segment's turnover by sales area, EUR million

	1-12/2019	1-12/2018
EU-countries	81.4	89.7
Non-EU-countries	16.0	14.1
Total	97.4	103.8

Taken all market areas into the consideration the largest customer Group's share of the Group's turnover was 20.2 %, the share of the second largest was 11.1 % and the share of the third largest was 10.3 %. Other separate customer's share of the Group's turnover was under 10 %.

On 31 December 2019, non-current assets other than financial instruments and deferred taxes were EUR 30.2 million (20.3) and are located in Finland.

Changes in tangible non-current assets

EUR 1,000	2019	2018
Acquisition costs 1/1	34,566	35,626
Reclassification	0	-4,346
Increase	6,579	2,148
Decrease	-44	0
Exchange rate differences	0	1,138
Acquisition costs 31/12	41,101	34,566
Accumulated depreciation and impairment 1/1	22,554	21,720
Reclassification	0	-2,097
Depreciation	2,225	2,321
Exchange rate differences	0	610
Accumulated depreciation and impairment 31/12	24,778	22,554
Book value 1/1	12,011	13,906
Book value 31/12	16,321	12,011

Change in Right of Use assets (2018 Financial Leases)

EUR 1,000	2019	2018
Acquisition costs 1/1	4,346	4,346
Increase in IFRS 16 implementation 1/1/2019	13,475	0
Increase	47	0
Decrease	-5,512	0
Acquisition costs 31/12	12,355	4,346
Accumulated depreciation and impairment 1/1	2,097	1,789
Depreciation	2,052	308
Impairment	13	0
Accumulated depreciation and impairment 31/12	4,162	2,097
Book value 1/1	2,249	2,557
Book value 31/12	8,193	2,249

Liabilities and derivatives

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

	Positive current values	Negative current values	Current net values 2019	Current net values 2018	Nominal values 2019	Nominal values 2018
EUR 1,000						
Currency derivatives						
Forward exchange agreements		-178	-178	42	0	0
Raw material options						
Metal derivatives	204	-20	183	-232	5,829	3,436
Total derivatives	204	-198	5	-190	5,829	3,436

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

Contingent liabilities

EUR 1,000	31/12/2019	31/12/2018
Loans from financial institutions	7,254	3,000
Bond	7,034	0
Loans from others	0	3,117
Granted business mortgages	21,000	4,000
Granted real estate mortgages	7,151	0
Book value of pledged securities	26,165	26,165
Granted guarantees	0	3,117
Guarantees and payment commitments	226	2,726
Lease liabilities		243

Business mortgages on December 31, 2019 were EUR 23 million, of which EUR 2 million under company's own control.

Investment commitments

On December 2019 the investment commitments for tangible fixed assets amounted to EUR 0.4 million (0.3).

Commitments to rental agreements less than 12 months or low value were on December 31, 2019 total EUR 0.1 million.

Related-party events

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

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

Related-party transactions

Transactions with the Reka Group

EUR 1,000	1-12/2019	1-12/2018
Payments to Lease liabilities and interest expenses (2018: Rental expenses)	-262	-513
Other purchases	-149	-752
Other income	44	1
Interest revenues	25	0
Interest expenses	-138	-130
Purchase of real estate	5,300	0
Sales receivables and other receivables at end of the period	1,032	287
Loans	0	3,117
Other debts at the end of the period	139	16

Neo Industrial's Cable segment was tenant of Reka Ltd's premises in Keuruu. The Neo Industrial Group bought Keuruu plant real estate in June 2019. The Group arranged its loan to Reka Group in financial arrangements in summer 2019.

The Neo Industrial Group uses the Reka Group level finance and supporting systems as well as related licenses and virtual servers.

Transactions with Reka Pension Fund

EUR 1,000	1-12/2019	1-12/2018
Purchase of shares	1,255	0
Paid pension expenses	-3,438	-2,521

Reka Group's pension insurances were transferred into Reka's Pension Fund in 31 December 2015. Because of the transfer, pension liabilities of Neo Industrial Group have been processed in IFRS through benefit-based calculation. The transfer in 31 December 2015 caused an IFRS booking with EUR -0.5 million result. In 2019 IAS 19 based IFRS booking changed pension costs by EUR 0.1 (-0.6) million, financial costs and liabilities by EUR 0.2 (-0.7) million that was booked through consolidated statement of comprehensive income. In addition, extra pension costs were paid EUR -0.9 (0.0) million in 2019.

Transactions with associated companies

EUR 1,000	1-12/2019	1-12/2018
Sales		
Nestor Cables Ltd	54	29
Leasing rents (2018: Other rents)		
Riihimäen Kaapelitehdas Ltd	1,024	1,008

Neo Industrial Plc sold its shares of Riihimäen Kaapelitehdas Ltd in August 2019. Shares were bought in 2016. The cable segment bought in August 2019 share of Riihimäen Kaapelitehdas Ltd. Riihimäen Kaapelitehdas Ltd is a company who owns premises in Riihimäki where Reka Cables Ltd is tenant. Other owners of Riihimäen Kaapelitehdas Ltd are Riihimäen Tilat ja Kehitys and Reka Pension fund.

Management fringe benefits

EUR 1,000	2019	2018
Salaries and other short-term fringe benefits	690	459
Pension benefits, defined contribution plans	99	58
Total	789	518

The Group's Board of Directors and management group have been defined as key management personnel of the company. Annual remuneration is paid to the members of the Board of Directors. In addition to that separate meeting attendance remuneration is paid and travel expenses are compensated. The Board of Directors has a bonus system and the terms of the bonus system is decided each year in the Annual General meeting. The members of the Board of Directors do not have any other benefits. Part of the yearly and bonus remunerations can be paid via shares according to the decisions made in the AGM. The decisions of the Annual General Meeting on 28 March 2019 have been published as a separate stock release.

Due to Neo Industrial's ownership structure company's member of the Board of Directors can be member of the Board of Directors in subsidiaries and get compensation. In addition, the Board of Directors can decide of separate remuneration, when member of the Board of Directors is taking additional measures and time for implementing company's important project (financing, acquisition, contract).

Members of the management group have target bonus agreements.

During January 1, 2019 - July 31, 2019 the Group CFO was not employed by the company and therefore her rewards are handled as other purchases with other related parties, in total EUR 19 thousand (31 Dec 2018: 38). The Group CFO is employed by the company since August 1, 2019.

Calculation of key financial indicators

IAS 19 corrected Return on equity (ROE) %	=	$\frac{\text{Result for the period}}{\text{Shareholders' equity excluding effects of IAS 19 bookings (average)}} \times 100$
IAS 19 corrected Equity ratio, %	=	$\frac{\text{Shareholders' equity} + \text{non-controlling interest excluding effects of IAS 19 bookings}}{\text{Balance sheet total} - \text{advances received excluding effects of IAS 19 bookings}} \times 100$
IAS 19 corrected Gearing, %	=	$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents, liquid financial and investment securities}}{\text{Shareholders' equity} + \text{non-controlling interest excluding effects of IAS 19 bookings}} \times 100$
Return on investment (ROI) %	=	$\frac{\text{Profit before taxes} + \text{interest and other financial expenses}}{[\text{Balance sheet total} - \text{obligatory provisions and non-interest-bearing liabilities}] \text{ (average)}} \times 100$
Operating profit	=	Neo Industrial has defined operating profit as follows: Operating result is the net sum formed when from the net sales are deducted the purchase costs adjusted by the change in the stocks of non-finished and finished goods as well as expenses for production for personal use. Also deducted from the net sales are expenses, depreciation, amortization and any impairment losses arising from employee benefits. Also other operating income and expenses are taken into account. Other income statement items than those mentioned above are presented below operating result. Exchange rate differences and changes in fair values of derivatives are included in operating result if they arise from items related to business operations; otherwise they are recognized in financial items. Operating profit or operating loss are also terms used instead of operating result, according to the situation.
Gross investments	=	New investments made to tangible and intangible assets and Right of Use assets

Reconciliation of IAS 19 adjusted Alternative Performance Measures to figures reported in Financial Statements

EUR 1,000	2019	2018	2017
IAS 19 effect on non-interest-bearing liabilities	3,870	4,107	2,769
IAS 19 effect on Shareholders' equity	-2,731	-3,441	-2,231
IAS 19 effect on Balance sheet total	1,138	665	538
Shareholders' equity in Financial statements	6,962	8,170	10,759
IAS 19 eliminations	2,731	3,441	2,231
Shareholders' equity in IAS 19 adjusted Performance Measures	9,694	11,612	12,990
Balance sheet total in Financial Statements	58,942	46,278	43,242
IAS 19 eliminations	-1,138	-665	-538
Balance sheet total in IAS 19 adjusted Performance Measures	57,804	45,613	42,704

All comments in this report that do not refer to actual facts are future estimates. Such estimates include expectations concerning market trends, growth and profitability as well as statements including the words "believe", "assume" or "will be" or a similar expression. Since these estimates are based on current plans and estimates, they involve risks and uncertainty factors that may cause the actual results to differ substantially from current statements.

Among other things, such factors include 1) operating conditions, such as continued success in production and the ensuing efficiency benefits, availability and cost of production inputs, demand for new products and changes in circumstances affecting the acquisition of capital under acceptable conditions; 2) sector-specific circumstances, such as the intensity of demand for products, the competition, current and future market

prices for the Group's products and related pricing pressures, the financial situation of the Group's customers and competitors and competitors' possible new products; and 3) the general economic situation, such as economic growth in the Group's main market areas or changes in exchange rates and interest rates.

ABOUT NEO INDUSTRIAL OYJ

Neo Industrial Plc is a Finnish company that focuses on building a sustainable future by developing and renewing modern society's networks. We own emerging private companies in the cable industry, to whom we are a long-term and responsible partner. Our goal is to be a conglomerate in the future, that creates new opportunities responsibly for a smart and energy-efficient society. Neo Industrial's class B shares are listed on the main list of NASDAQ Helsinki Stock Exchange.