

Neo Industrial Plc: Turnover to the clear growth

January-June 2020

- Neo Industrial group's turnover was EUR 55.7 million (49.4 million)
- EBITDA was EUR 3.3 million (2.4 million)
- The operating result was EUR 1.0 million (0.2 million)
- The operating result of the Cable segment was EUR 1.4 million (0.8 million)
- The Group's result for the period was EUR -0.1 million (-0,6 million)

Near-term outlook remains the same: For the financial year 2020, Neo Industrial's net result is expected to be positive, provided that predominant conditions due COVID-19 pandemic will not substantially affect to the company's cable business capability to deliver.

In the main market of cable business there is no instant significant change in the demand.

The rubber business is expected to have positive EBITDA with prevailing market situation.

MANAGING DIRECTOR JUKKA POUTANEN:

The turnover of Reka Cables Ltd increased clearly from last year, even though COVID -19 pandemic restricted the growth during the second quarter of the year.

The COVID -19 pandemic has not affected to the market demand in the cable business.

The operating result improved even though COVID 19 pandemic caused extra costs and delivery delays and price variations of aluminium and copper stressed the operating result. All together these decreased the operating result approximately EUR 1.0 - 1.2 million.

The strong growth employed working capital and affected to the operating cash flow.

As a result of purchase of Reka Rubber, implemented in June, the company will form new business, rubber industry, adjacent to cable industry. This is step from Investment company to an industrial conglomerate. At the preliminary purchase price allocation there is no goodwill. Instead preliminary consolidation had positive EUR 0.2 million impact to the operating result.

The company has started preparations to change the name of the company to be Reka Industrial.

Green Bond funded projects have been launched and new ones are under preparation. Investments have been made specially to the projects and development relating wind power and decreasing energy consumption. The first Green Bond investor letter was published in March.

MAJOR EVENTS DURING JANUARY - JUNE

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.

Neo Industrial Plc bought June 2020 all shares of Reka Rubber from the biggest shareholder of Neo Industrial, Reka Ltd. The purchase price, EUR 7.5 million, was paid by cash. According to the third party expert fairness opinion, acquired by the independent committee of the Board of Directors, the price paid for the shares is fair from financial point of view for Neo Industrial Plc.

On 24th of June 2020, the AGM approved the corporate acquisition of Reka Rubber and the acquisition was implemented after the AGM on 25th of June 2020. The financial figures of Reka Rubber were consolidated to the Group figures as of 30 June 2020 as there was no significant difference between implementation and end of June figures. On the preliminary purchase price allocation, positive difference of EUR 0.4 million was formed and this amount was booked through consolidated income statement in June 2020. The operating result include EU 0.2 million of expenses relating the acquisition.

Via corporate acquisition the company will form new business, rubber industry, adjacent to cable industry. This is step from investment company to an industrial conglomerate.

The new Group is expected to benefit bigger size, different seasons of the businesses and sharing best practices. Different seasons of the businesses lessens the effects of seasonal fluctuations to the result of the company.

Figures in brackets refer to the same period a year earlier, unless otherwise stated. The half year financial report is unaudited.

KEY FIGURES

	1-6/2020	1-6/2019	1-12/2019
Turnover, EUR million	55.7	49.4	97.5
Operating result, EUR million	1.0	0.2	0.5
EBITDA, EUR million	3.3	2.4	4.9
Result for the period, EUR million	-0.1	-0.6	-1.4
Earnings per share, EUR	-0.02	-0.10	-0.24
Net cash provided by operating activities, EUR million	-0.8	1.8	7.8
ROI, %	0.5	2.1	2.4
IAS 19 corrected Equity ratio, %	16.4	19.1	16.8

TURNOVER AND OPERATING RESULT

Neo Industrial Group's turnover consisted of the Cable segment's turnover, totalling EUR 55.7 million (49.4).

EBITDA was EUR 3.3 million (2.4) and the operating result was EUR 1.0 million (0.2).

The Group's result for the review period was EUR -0.1 million (-0.6).

BALANCE SHEET AND FINANCING

At the end of the review period, the balance sheet totalled at EUR 76.9 million. On 31 December 2019 the balance sheet totalled at EUR 58.9 million.

Neo Industrial Plc bought June 2020 all shares of Reka Rubber. The purchase price, EUR 7.5 million, was paid by cash. The purchase was funded by EUR 7.5 million bank loan. Reka Rubber was consolidated to the Group figures as of 30 June 2020.

The Group arranged the ownership of real estate situating in Keuruu. Neo Industrial Plc bought the real estate by using purchase option of related sale and lease agreement. Purchase price due purchase option was EUR 1.0 million. Neo Industrial Plc sold the real estate further to Reka pension fund with fair value of EUR 2.2 million. 10 year rental agreement was made with Reka Pension fund relating the real estate. The fair value of the real estate was defined by third party experts. With the funding occurred due arrangements, Neo Industrial paid back its short-term loan EUR 1.2 million. The arrangement did not have significant result effect.

COVID-19

The COVID-19 pandemic has not affected to the market demand in the cable business. However, COVID-19 pandemic restricted the growth during the second quarter of the year.

COVID-19 has caused additional costs and delivery delays as personnel has been more than usual on sick leave to eliminate the possible infection risk. The additional costs due COVID-19 pandemic is estimated to stress operating result of cable business EUR 0.3 - 0.5 million.

In rubber business the COVID-19 pandemic has affected the customer demand. The volumes of part of the customers have been lower than usual due to whether the market demand of the customer, delivery problems of other suppliers, temporal closing of factories or combination of these factors.

COVID-19 pandemic has not significantly affected to the material procurement of cable nor rubber businesses. So far COVID-19 pandemic has not affected to the payment behaviour of the customers.

SEGMENTS

Cable segment

	1-6/2020	1-6/2019	Change
Turnover, EUR million	55.7	49.4	12.7 %
EBITDA, EUR million	3.7	3.1	21.1 %
Operating result, EUR million	1.4	0.8	77.3 %

The Cable Segment's turnover for the review period was EUR 55.7 million (49.4). The operating result was EUR 1.4 million (0.8). EBITDA was EUR 3.7 million (3.1).

Domestic sales volumes increased compared to previous year. Also the export sales volumes increased.

The industry's key raw materials are copper, aluminum and plastics. During January - June the price variations of copper and aluminium have been significant. The management estimate that changes in key raw materials stress the operating result of the season with approximately EUR 0.7 million.

At the beginning of the year the price of copper was EUR 5,481 per tonne and the price of aluminum was EUR 1,603 per tonne. At the end of the June 2020, the price of copper was EUR 5,394 per tonne and the price of aluminum EUR 1,431 per tonne.

At its highest point, the daily price of copper during the review period was EUR 5,649 per tonne in January, and at its lowest in March, at EUR 4,283 per tonne. The price of aluminum has been at its highest in January, when it was EUR 1,631 per tonne, and its lowest in April, when it was EUR 1,308 per tonne.

In purchasing metals, partial price hedging is utilized through commodity derivatives. The fair value of open hedges 30.6.2020 was EUR 0.4 million. All open hedges are booked to equity.

Turnover for Nestor Cables Ltd, an associated company, in January-June 2020 was EUR 19.4 (EUR 16.7) million. The operating result was positive and improved from previous year. The company's equity turned positive and therefore the result of EUR 0.3 million has been included in the consolidated income statement and in holdings in associated in the consolidated balance sheet.

BUSINESS ACQUISITIONS

Neo Industrial Plc bought June 2020 all shares of Reka Rubber from the biggest shareholder of Neo Industrial, Reka Ltd. The purchase price, EUR 7.5 million, was paid by cash. On 24th of June 2020, the AGM approved the corporate acquisition of Reka Rubber and the acquisition was implemented after the AGM on 25th of June 2020. The financial figures of Reka Rubber were consolidated to the Group figures as of 30 June 2020 as there was no significant difference between implementation and end of June figures. On the preliminary purchase price allocation, positive difference of EUR 0.4 million was formed and this amount was booked through consolidated income statement in June 2020. The operating result include EU 0.2 million of expenses relating the acquisition.

Reka Rubber is one of the leading European manufacturers of small and medium-sized rubber components to the heavy vehicle and machine building industries. Reka Rubber has manufacturing units in Finland (Aura) and in Poland (subsidiary in Dopiewo). In addition to that the rubber products are manufactured in Asia through the subcontracting network managed by Reka Rubber.

Via corporate acquisition the company will form new business, Rubber industry, adjacent to cable industry.

INVESTMENTS

During the review period the investments totalled to EUR 9.3 (5.9) million, of which the investments in the cable business were EUR 1.7 (5.9) million. Other investments include in addition to the corporate acquisition of Reka Rubber smaller IT and maintenance investments to the rental premises.

The Group arranged the ownership of real estate situating in Keuruu. Neo Industrial Plc bought the real estate by using purchase option of related sale and lease agreement. Purchase price due purchase option was EUR 1.0 million. Neo Industrial Plc sold the real estate further to Reka pension fund with fair value of EUR 2.2 million. 10 year rental agreement was made with Reka Pension fund relating the real estate. The fair value of the real estate was defined by third party experts. With the funding occurred due arrangements, Neo Industrial paid back its short-term loan EUR 1.2 million. The arrangement did not have significant result effect.

PERSONNEL

In January-June 2020, the Group employed an average of 279 (247) people. At the end of the review period, the personnel of the Group was 505 employees (248), of which 270 (248) represented the Cable segment and 234 represented the Rubber segment.

ANNUAL GENERAL MEETING DECISIONS

The Annual General Meeting (AGM) of Neo Industrial Plc was held on 24 June 2020, in Hyvinkää.

The AGM approved the financial accounts for the 2019 accounting period and granted the Company's Board and the Managing Director discharge from liability for the 2019 accounting period.

The AGM resolved, in accordance with the Board's proposal, that no dividends will be paid and profit EUR 1,068,591.57 of 2019 will be transferred to the profit / loss account of previous financial years.

The AGM decided to accept the remuneration policy for governing bodies.

The AGM approved the proposed annual remuneration of EUR 10,000 for the members of the Board of Directors, EUR 12,500 for the chairman of the Board and an attendance remuneration of EUR 600 per each meeting for the Board and the committees. The AGM approved that the members of the Board are compensated for their travel expenses.

Circa 40 per cent of the annual remunerations will be paid with the shares of the company. Transfer to the shares is made by using the average share price of Neo Industrial Plc's B-share in May 2020 and the shares will be handed over in June 2021.

The AGM resolved that the members of the Board be paid a bonus based on the development of the company's B share price, the amount of which is EUR 1,000 for the chairman of the Board and EUR 500 for the ordinary members of the Board, multiplied by annual return based on the share price development of Neo Industrial Plc's class B share (average share price in May 2021 – average share price in May 2020). Should the annual return exceed 50 per cent, the bonus shall be paid in accordance with 50 per cent. So the highest multiplier when counting remuneration is 50.

Circa 40 per cent of the bonuses will be paid with the shares of the company. Conversion into the shares will be carried out based on the average share price of the Company's class B share in May 2021, and the shares will be handed over in June 2021.

The AGM resolved that the auditors' fees be paid as per invoice based on competitive bidding of accounting services.

The AGM approved, in accordance with the shareholders' proposal, that the number of members of the Board shall be four (4) and re-elected the following persons 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 elected, in accordance with the shareholders' proposal, Authorized Public Accountants KPMG Ltd, with Authorized Public Accountant Leenakaisa Winberg as responsible auditor, as the Company's auditor for a term that expires at the end of the Annual General Meeting of 2021.

The AGM approved, in accordance with the shareholders' proposal, that company's Articles of Association 14 § to be changed as follows:

14 § Notice of general meeting and registration

Notice of the General Meeting shall be published on the Company's website no earlier than three (3) months before the record date of the General Meeting and not later than three (3) weeks prior to the record date, nevertheless, always at least nine (9) days prior mentioned record date. In order to attend the General Meeting, a shareholder must register with the Company no later than on the date specified in the notice of the meeting, which may be at least ten (10) days prior to the meeting.

The AGM approved, in accordance with the Board's proposal, the corporate acquisition, where company is buying all the shares of Reka Rubber Ltd ("Reka Rubber") from the biggest shareholder of Neo Industrial Plc, Reka Ltd. The corporate acquisition is implemented on June 25 2020.

The AGM authorized, in accordance with the Board of Director's proposal, the Board of Directors to decide on the acquisition of the Company's own shares with assets from the Company's unrestricted equity. The shares will be acquired through trading arranged by Nasdaq Helsinki in accordance with its rules, and the consideration to be paid for the shares to be acquired must be based on market price. The Company may acquire B class shares directly by a contractual trade with other parties than the biggest shareholder, provided that the number of class B shares to be acquired via contractual trade is at least 15,000 and that the consideration to be paid for the shares is equal to the prevailing market price in Nasdaq Helsinki at the time of the acquisition. When carrying out acquisitions of the Company's own shares, derivatives, stock lending and other agreements customary to the capital markets may be entered into within the limits set by law and regulations.

The authorization entitles the Board of Directors to also decide on a directed acquisition in a proportion other than that of the shares held by the shareholders, provided the Company has a weighty reason for this as defined in the Finnish Companies Act.

The AGM authorized, in accordance with the Board of Director's proposal, the Board of Directors to take the Company's own shares as pledge from Reka Ltd as collateral of possible compensation responsibility according to the terms of the sale and purchase agreement. Taking the shares as pledge is implemented latest in connection with implementation of the corporate acquisition according to the terms of the pledge agreement. No remuneration is paid from shares taken as pledge. Taking shares as pledge does not effect on the equity of the Company.

The Board of Directors is entitled to decide on all other matters pertaining to acquiring of the Company's own shares and taking own shares as pledge.

The authorization of acquiring and taking own shares as pledge is proposed to remain in force until the next Annual General Meeting, however no longer than 18 months.

The maximum number of class B shares acquired or taken as pledge in total is 588,076. The proposed amount corresponds to approximately 9.77 per cent of all the shares in the Company and in total 10.0 per cent of the Company's class B shares.

For the possible realization of the own shares taken as pledge The AGM authorized, in accordance with the Board of Director's proposal, the Board of Directors to decide on the handover of its own shares in one or more batch, with or without compensation. The maximum number of class B shares acquired or taken as pledge in total is 588,076. The amount corresponds to approximately 9.77 per cent of all the shares in the Company and in total 10.0 per cent of the Company's class B shares. Authorization will be valid until 30 September 2021.

SHARES AND SHARE CAPITAL

Neo Industrial Plc's share capital is divided into A and B shares. On 30 June 2020, its total share capital was EUR 24,082,000 and the number of shares was 6,020,360. The total number of shares includes 56,349 shares held by Neo Industrial. The holding represents 0.9% of the company's share capital and 0.6% of the votes. The company held no A shares. Neo Industrial Plc's B shares (NEO1V) are listed on the main list of NASDAQ Helsinki.

	30/6/2020	30/6/2019
Company share capital (EUR)	24,082,000	24,082,000
A shares (20 votes per share)	139,600	139,600
B shares (1 vote per share)	5,880,760	5,880,760
Total	6,020,360	6,020,360
B shares held by the company	56,349	68,610

On January-June 2020, a total of 976,239 (465,619) of Neo Industrial Plc's B shares were traded on NASDAQ Helsinki, representing 16.6% (7.9%) of the total number of shares. At the end of trading on 30 June 2020 the share price was EUR 2.26 (2.15), and the average share price for the review period was EUR 2.72 (2.16). The lowest quotation in January–June was EUR 1.81 (1.80), with the highest being EUR 4.10 (2.50). The company's market capitalisation was valued at EUR 13.5 million (12.8) on 30 June 2020.

ACQUISITION OF OWN SHARES

Neo Industrial did not exercise its authorisation to acquire the company's own shares.

GROUP STRUCTURE AND SHAREHOLDERS

Neo Industrial Plc is the parent company of the Group which includes the Neo Industrial's wholly owned subsidiaries Alnus Ltd and Reka Rubber Ltd and their subsidiaries and associated companies. Neo Industrial Plc is domiciled in Hyvinkää.

At the end of the review period, Neo Industrial had 10,896 shareholders (11,257). The largest shareholder, Reka Ltd, held 51.12% of the shares and 66.03% of the votes. Neo Industrial Plc is therefore part of the Reka Group. Reka Ltd is domiciled in Juupajoki.

At the end of June 2020, the combined holding of the ten largest shareholders was 56.38% of the shares and 69.68% of the votes. The members of the Board, the Managing Director and the CFO directly and through their controlled corporations owned and controlled a total of 2,995,629 (2,964,930) of Neo Industrial's B shares.

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 development of its business segments.

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 cable business, COVID -19 pandemic has caused extra costs and delivery delays. It is difficult to estimate the effect of the pandemic for the future. The additional costs are expected to have also in the second half of the year.

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

The financial situation in euro area and political uncertainties may have effect on purchase amount of the customers in rubber business as well to the start of new projects. COVID-19 pandemic has affected to the purchase amount of customers and it is difficult to estimate the effect of pandemic for the future. COVID-19 pandemic is expected to have negative effect on purchase amounts of the customers also in the second half of the year. Due COVID-19

pandemic the rubber business got EUR 100 thousand support from Business Finland to develop its products, marketing and competitiveness. The development measures are under way.

The trade sanctions of USA, increase of customs tariffs for the products as well Brexit can have negative effect on customer volumes in rubber industry. Also the increased competition by Asian actors in euro area can have effect on customer's purchase decisions.

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.

MAJOR EVENTS AFTER THE REVIEW PERIOD

There has not been any major events after the review period.

NEAR-TERM OUTLOOK

For the financial year 2020, Neo Industrial's net result is expected to be positive, provided that predominant conditions due COVID-19 pandemic will not substantially affect to the company's cable business capability to deliver.

In the main market area of cable business there is no instant significant change in the demand.

The rubber business is expected to have positive EBITDA with prevailing market situation.

Hyvinkää, 6 August 2020

Neo Industrial Plc
Board of Directors

Further information:
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CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000	1/1-30/6/2020	1/1-30/6/2019
TURNOVER	55,694	49,392
Change in inventories of finished products and production in progress	1,590	-627
Production for own use	20	0
Other operating income	772	133
Materials and services	-42,888	-35,692
Personnel expenses	-8,325	-7,368
Depreciation and impairment	-2,374	-2,255
Other operating expenses	-3,531	-3,420
	-54,738	-49,229
Operating result	956	162
Financial income	13	36
Financial expenses	-1,319	-1,074
Share of the result of associated companies	329	104
Result before taxes	-21	-771
Taxes	-78	162
Result for the period	-99	-610
Profit or loss attributable to		
Shareholders of the parent	-99	-610
Non-controlling interests	0	0
	-99	-610
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	-0.02	-0.10
Number of shares	5,964,011	5,951,750
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)		
Result	-99	-610
Other comprehensive items that may subsequently reclassified to statement of income		
Translation differences related to foreign units	-5	0
Change in the value of open customer derivatives	163	19
Taxes of items that may subsequently reclassified to statement of	-33	-4
Total	125	15
Other comprehensive items that are not subsequently reclassified to statement of income		
Items related to remeasurements of net defined benefit liability	-2,287	-1,986
Taxes of items that are not subsequently reclassified to	457	397
Total	-1,830	-1,589
Other comprehensive items total	-1,704	-1,574
Total comprehensive income	-1,804	-2,184
Total comprehensive income attributable to		
Shareholders of the parent	-1,804	-2,184
Non-controlling interests	0	0
	-1,804	-2,184

CONSOLIDATED BALANCE SHEET (IFRS)

EUR 1,000

	30/6/2020	31/12/2019
ASSETS		
Non-current assets		
Goodwill	3,252	3,252
Other intangible assets	5,999	1,476
Tangible assets	23,767	16,321
Right-of-use assets	7,422	8,193
Holdings in associates	1,259	930
Receivables	20	71
Derivative contracts	45	0
Deferred tax assets	3,573	2,608
Total non-current assets	45,337	32,851
Current assets		
Inventories	19,849	13,832
Sales receivables and other receivables	6,614	5,272
Tax receivables from the profit	80	0
Derivative contracts	358	204
Cash and cash equivalents	4,683	6,784
Total current assets	31,585	26,092
Total Assets	76,922	58,943
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	-50	-45
Retained profit	-20,559	-18,798
Other unrestricted equity	436	436
Equity attributable to shareholders of the parent	5,197	6,963
Non-controlling interests	0	0
Total shareholders' equity	5,197	6,963
Non-current liabilities		
Deferred tax liabilities	1,666	55
Provisions	3,287	3,250
Financial liabilities	19,817	12,561
Lease liabilities	7,709	7,595
IAS19 pension liability	8,883	3,870
Other liabilities	52	11
Derivative contracts	9	14
Current liabilities		
Tax liabilities from the profit	230	62
Provisions	48	27
Financial liabilities	6,157	3,004
Lease liabilities	1,928	1,867
Derivative contracts	226	184
Accounts payable and other liabilities	21,712	19,480
Total liabilities	71,725	51,980
Shareholders' equity and liabilities	76,922	58,943

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS)

EUR 1,000	A	B	C	D	E	F	G	H	I	J	K	L
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
Effect of reclassification to translation differences									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
EUR 1,000	A	B	C	D	E	F	G	H	I	J	K	L
Shareholders' equity 31/12/2019	24,082	66	1,221	0	-45	-1,893	4	436	-16,909	6,963	0	6,963
Comprehensive income												
Result for the period									-99	-99	0	-99
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						-1,830				-1,830		-1,830
Derivatives							130			130		130
Translation differences					-5					-5		-5
Total comprehensive income					-5	-1,830	130		-99	-1,803	0	-1,803
Other change									13	13		13
Transactions with the owners												
Payments by own shares									25	25		25
Total transactions with the owners									25	25	0	25
Shareholders' equity 30/6/2020	24,082	66	1,221	0	-50	-3,723	134	436	-16,970	5,197	0	5,197

Explanations for the letter codes:

- A Share capital
- B Premium fund
- C Reserve fund
- D Own shares
- E Translation differences
- F Pension liability IAS 19
- G Fair value fund
- H Other unrestricted equity
- I Retained earnings
- J Shareholder's equity to the shareholders of the parent
- K Non-controlling interests
- L Total shareholders' equity

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

EUR 1,000	1/1-30/6/2020	1/1-30/6/2019
Cash flows from operating activities		
Payments received from operating activities	57,303	47,345
Payments paid on operating activities	-56,864	-44,557
Paid interests and other financial expenses	-1,077	-919
Direct taxes paid	-175	-106
Net cash provided by operating activities	-813	1,763
Cash flows from investments		
Acquisition of subsidiaries and new business	-6,232	0
Investments in tangible assets	-2,725	-537
Sales of tangible assets	2,259	0
Net cash provided by investing activities	-6,698	-537
Cash flows from financing activities		
Increase in loans	7,899	1,500
Decrease in loans	-1,550	-1,544
Payments of finance lease activities	-932	-878
Dividends paid	0	-119
Net cash provided by financing activities	5,417	-1,042
Change in cash and cash equivalents at the end of the period	-2,094	184
Cash and cash equivalents at beginning of the period	6,784	889
Exchange rate differences	-7	2
Change in cash and cash equivalents at the end of the period	4,683	1,074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies

This unaudited interim report has been prepared in accordance with IAS 34 requirements for interim reports. This interim report has been prepared in accordance with the same principles as the financial statements for 2019.

The Group has adopted following new or amended IAS/IFRS standards and interpretations effective for financial periods beginning on January 1, 2020:

- **Definition of a Business (Amendments to IFRS 3)** (effective for financial years beginning on or after 1 January 2020). The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business.
- **Definition of Material (Amendments to IAS 1 and IAS 8)** (effective for financial years beginning on or after 1 January 2020). The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved.

BUSINESS ACQUISITIONS

Neo Industrial Plc published stock release on 2 June 2020 stating that it has signed sale and purchase agreement on buying all the shares of Reka Rubber Ltd ("Reka Rubber") from the biggest shareholder of Neo Industrial, Reka Ltd. The purchase price, EUR 7.5 million, is to be paid by cash. The corporate acquisition was conditional to the acceptance of the Annual General Meeting. On 24th of June 2020, the AGM approved the corporate acquisition of Reka Rubber and the acquisition was implemented after the AGM on 25th of June 2020. The financial figures of Reka Rubber were consolidated to the Group figures as of 30 June 2020 as there was no significant difference between implementation and end of June figures.

According to the third party expert fairness opinion, acquired by the independent committee of the Board of Directors, the price paid for the shares is fair from financial point of view for Neo Industrial Plc.

Reka Rubber is one of the leading European manufacturers of small and medium-sized rubber components to the heavy vehicle and machine building industries. Reka Rubber has manufacturing units in Finland (Aura) and in Poland (subsidiary in Dopiewo). In addition to that the rubber products are manufactured in Asia through the subcontracting network managed by Reka Rubber.

On the preliminary purchase price allocation, positive difference of EUR 0.4 million was formed and this amount was booked through consolidated income statement in June 2020. The operating result include EU 0.2 million of expenses relating the acquisition.

Via corporate acquisition the company will form new business, Rubber industry, adjacent to cable industry.

Preliminary purchase price allocation

EUR 1000	IFRS book values before combination	Allocation of fair values	Combined fair values
Acquired net assets			
Intangible assets	795	3,757	4,552
Tangible assets	3,329	3,835	7,164
Right-of-use assets	123	0	123
Inventories	3,027	220	3,247
Deferred tax assets	451	0	451
Sales receivables and other receivables	2,055	0	2,055
Cash and cash equivalents	1,268	0	1,268
Provisions	-21	0	-21
Deferred tax liabilities	-73	-1,562	-1,636
Lease liabilities, non-current	-62	0	-62
IAS 19 pension liability	-2,244	0	-2,244
Financial liabilities, non-current	-2,872	0	-2,872
Other liabilities, non-current	-41	0	-41
Lease liabilities, current	-51	0	-51
Financial liabilities, current	-1,338	0	-1,338
Accounts payable and other liabilities	-2,672	0	-2,672
Total	1,674	6,250	7,923
Goodwill / consolidation reserve			-423
Purchase price paid			7,500

Neo Industrial Plc bought June 2020 all shares of Reka Rubber from the biggest shareholder of Neo Industrial, Reka Ltd. The purchase price, EUR 7.5 million, was paid by cash.

Via corporate acquisition the company will form new business, rubber industry, adjacent to cable industry. This is step from Investment company to an industrial conglomerate.

The new Group is expected to benefit bigger size, different seasons of the businesses and sharing best practices. Different seasons of the businesses lessens the effects of seasonal fluctuations to the result of the company.

Acquired net assets with fair values of Reka Rubber exceeded the purchase price paid and related consolidation reserve is noticed in other operating income. The biggest fair value allocations consisted of customer relations and production facilities. Fair value of production facilities were evaluated by third party experts. Also the fair value of the inventories were higher than book values. Reka Rubber has long-term customer relationships and related fair value allocation was essential in born consolidation reserve. Sales receivables and other receivables are whether short-term sales receivable or seasoning. These has been noticed as book value.

The expenses relating the acquisition of Reka Rubber totalled EUR 0.2 million and are noticed in other operating expenses.

The purchase price allocation is preliminary. The balance values as of June 30 2020 and IFRS bookings including IAS 19 valuations will be gone through during the financial year.

If Reka Rubber would have been bought 1 January 2020, the turnover of the Group would have been EUR 65.9 million, EBITDA EUR 4.5 million and operating result EUR 1.6 million.

COVID-19

The COVID-19 pandemic has not affected to the market demand in the cable business. However, COVID-19 pandemic restricted the growth during the second quarter of the year.

COVID-19 has caused additional costs and delivery delays as personnel has been more than usual on sick leave to eliminate the possible infection risk. The additional costs due COVID-19 pandemic is estimated to stress operating result of cable business EUR 0.3 - 0.5 million. Further additional costs are expected on the second half of the year.

In rubber business the COVID-19 pandemic has affected the customer demand. The volumes of part of the customers have been lower than usual due to whether the market demand of the customer, delivery problems of other suppliers, temporal closing of factories or combination of these factors. COVID-19 pandemic is expected to have negative effect on purchase amounts of the customers also in the second half of the year.

COVID-19 pandemic has not significantly affected to the material procurement of cable nor rubber businesses. So far COVID-19 pandemic has not affected to the payment behaviour of the customers.

SEGMENT INFORMATION

Neo Industrial Plc bought June 2020 all shares of Rek Rubber from the biggest shareholder of Neo Industrial, Reka Ltd. Via corporate acquisition the company will form new business, rubber industry, adjacent to cable industry. Items not allocated to the business segments are reported also in the future in other operations and eliminations.

30/6/2020 EUR 1,000	Cable	Rubber	Other operations and eliminations	Group
Turnover	55,692		1	55,694
EBITDA	3,736	202	-608	3,330
Operating result	1,418	202	-664	956
Unallocated items			-1,055	-1,055
Result before taxes				-21
Result for the period				-99
Assets				
Segment's assets	49,784	18,223	8,915	76,922
Total assets	49,784	18,223	8,915	76,922
Liabilities				
Segment's liabilities	34,158	10,957	26,611	71,725
Total liabilities	34,158	10,957	26,611	71,725
Assets - liabilities	15,626	7,266	-17,695	5,197
Investments	1,687	0	7,625	9,312
Depreciations	2,318	0	57	2,374

30/6/2019			Other operations and eliminations	
EUR 1,000	Cable	Rubber		Group
Turnover	49,392		0	49,392
EBITDA	3,084		-668	2,416
Operating result	841		-679	162
Unallocated items			-772	-772
Result before taxes				-771
Result for the period				-610
Depreciations	2,243		11	2,255
Investments	426		12	438

31/12/2019			Other operations and eliminations	
EUR 1,000	Cable	Rubber		Group
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

Cable segment's turnover by product group, EUR million

	1-6/2020	1-6/2019
LV energy	12.1	11.2
Power cable	43.6	38.2
Total	55.7	49.4

Cable segment's turnover by sales area, EUR million

	1-6/2020	1-6/2019
EU-countries	51.4	40.5
Non-EU-countries	4.3	8.9
Total	55.7	49.4

Taken all market areas into the consideration the largest customer Group's share of the Group's turnover was 21.1% and the share of the second largest was 11.9%. Other customer Group's and single customers' share of the Group's turnover was under 10%.

Other income

EUR 1,000	1-6/2020	1-6/2019
Subsidies received	40	32
Rental income	45	42
Revenue recognition of the consolidated reserve	423	0
Gains on the sale of fixed assets	118	0
Other income	145	59
Total	772	133

Other expenses

EUR 1,000	1-6/2020	1-6/2019
Short-term variable compensation	-101	-94
Other variable compensation	-327	-349
Rental expenses total	-429	-442
Machinery and property maintenance costs	-1,071	-875
Sales and marketing expenses	-327	-324
Voluntary personal expenses	-310	-291
Expenses incurred for the acquisition of shares in subsidiaries	-221	0
Other expenses	-1,173	-1,486
Total	-3,531	-3,420

Change in non-current assets

EUR 1,000	1-6/2020	1-12/2019
Book value at the beginning of the period	24,514	27,736
Investments	1,568	6,626
Assets received in a business combination	7,287	0
Decrease	0	-5,556
Depreciation	-2,179	-4,292
Book value at the end of the period	31,189	24,514

Contingent liabilities

EUR 1,000	30.6.2020	31.12.2019
Loans from financial institutions	17,880	7,254
Bond	7,062	7,034
Loans from others	0	0
Granted business mortgages	25,000	21,000
Granted real estate mortgages	13,655	7,151
Book value of pledged securities	33,879	26,165
Granted guarantees	0	0
Guarantees and payment commitments	756	226
Security deposits	3,000	0

Investment commitments

Investment commitments for tangible fixed assets amounted to EUR 1.5 million on 30 June 2020 (EUR 0.2 million on 30 June 2019).

Valid derivative contracts

EUR 1,000	Positive current values	Negative current values	Current net values 30/6/2020	Current net values 31/12/2019	Nominal values 30/6/2020	Nominal values 31/12/2019
Currency derivatives						
Forward exchange agreements	10	-219	-208	-178	0	0
Raw material options						
Metal derivatives	393	-17	377	183	6,312	5,829
Total derivatives	403	-235	168	5	6,312	5,829

Related-party events

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

Neo Industrial Plc, and therefore also the Neo Industrial Group, belong to the Reka Group. Reka Ltd has a 51.12% holding of shares and a 66.03% holding of votes.

Related-party transactions

Transactions with the Reka Group

EUR 1,000	1-6/2020	1-6/2019
Payments to Lease liabilities and interest expenses	0	-259
Other purchases	-299	-332
Other income	9	2
Guarantee commissions	-16	0
Interest expenses	0	-85
EUR 1,000	1-6/2020	1-12/2019
Purchase of real estate	0	5,300
Purchase of shares	-7,500	0
Sales receivables and other receivables at end of the period	1,023	1,032
Other debts at the end of the period	86	139

Neo Industrial Plc bought June 2020 all shares of Reka Rubber from the biggest shareholder of Neo Industrial, Reka Ltd. The purchase price, EUR 7.5 million, was paid by cash. According to the third party expert fairness opinion, acquired by the independent committee of the Board of Directors, the price paid for the shares is fair from financial point of view for Neo Industrial Plc.

Neo Industrial's Cable segment was tenant of Reka Ltd's premises in Keuruu until end June 2019. At the end of June 2019 the Cable segment bought related real estate.

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

Transactions with Reka Pension Society

EUR 1,000	1-6/2020	1-12/2019
Purchase of real estate	2,258	0
Paid pension expenses	-1,122	-3,438
Other debts at the end of the period	2	0

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. During the review period 2020 IAS 19 based IFRS booking increased pension costs by EUR -0.5 (-0.4) million as well as financial costs and liabilities by EUR 2.3 (2.0) million that was booked through consolidated statement of comprehensive income. Due corporate acquisition of Reka Rubber the IAS 19 pension liabilities relating rubber business have been booked to the 30 June 2020 Balance Sheet values.

The Group arranged the ownership of real estate situating in Keuruu. Neo Industrial Plc bought the real estate by using purchase option of related sale and lease agreement. Purchase price due purchase option was EUR 1.0 million. Neo Industrial Plc sold the real estate further to Reka pension fund with fair value of EUR 2.2 million. 10 year rental agreement was made with Reka Pension fund relating the real estate. The fair value of the real estate was defined by third party experts. With the funding occurred due arrangements, Neo Industrial paid back its short-term loan EUR 1.2 million. The arrangement did not have significant result effect.

Transactions with associated companies

EUR 1,000	1-6/2020	1-6/2019
Sales		
Nestor Cables Ltd	61	24
Leasing rents		
Riihimäen Kaapelitehdas Ltd	515	509

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.

Transactions with other related parties

EUR 1,000	1-6/2020	1-6/2019
Other purchases	5	17

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.

During the comparison period the Group's CFO was not employed by the company, but her reward was included in other acquisitions, total EUR 15 thousand. The Group's CFO is employed by the company since 1, August 2019.

CALCULATION OF KEY FIGURES

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

IAS 19 corrected Equity ratio, % = $\frac{\text{Shareholder's equity + non-controlling interest excluding effects of IAS 19 bookings}}{\text{Balance sheet total - advances received excluding effects of IAS 19 bookings}} \times 100$

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

Operating profit = the net sum formed when from the turnover 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 turnover are expenses, depreciation, amortization and any impairment losses arising from employee benefits. Also other operating income and expenses are taken into account

EBITDA = the net sum formed when depreciations are added to operating profit

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 and change in exchange rates and interest rates.