



**NEO INDUSTRIAL GROUP
FINANCIAL STATEMENTS 2014**

CONTENTS

	Page
Board of Directors' report	3
Consolidated income statement (IFRS)	8
Consolidated balance sheet (IFRS)	9
Consolidated Statement of changes in shareholders' equity (IFRS)	10
Consolidated cash flow statement (IFRS)	11
Notes to the consolidated financial statements (IFRS)	12
Key financial indicator	41
Calculation of key financial indicators	43
Income statement of the parent company (FAS)	44
Balance sheet of the parent company (FAS)	45
Cash flow statement of the parent company (FAS)	46
Notes to the financial statement of the parent company (FAS)	47
Board of Directors' proposal to the annual general meeting	53
Signatures of the Financial Statement and Board of Directors' report	54
Auditor's report	55
Shareholders	57

BOARD OF DIRECTOR'S REPORT 1/1 – 31/12/2014

The Neo Industrial Group's turnover in 2014 was EUR 80.1 million (83.0 million in 2013). The result for the full year was EUR 1.8 million (-1.2 million). At the end of the review period, the balance sheet total stood at EUR 44.7 million (47.2 million).

CONSOLIDATED FINANCIAL STATUS AND PERFORMANCE INDICATORS (IFRS)

	2014	2013	2012
Turnover, EUR million	80.1	83.0	106.2
Operating profit, % of turnover	-0.9	-1.2	0.7
Return on equity, %	21.2	-14.6	-59.4
Return on investment, %	12.1	1.7	1.9
Equity ratio, %	21.1	15.8	13.8
Earnings per share, EUR	0.30	-0.20	-1.25

MAJOR EVENTS DURING THE FINANCIAL PERIOD

The negotiations relating to the breakdown at Reka Cables' Keuruu plant in 2011 were closed with the insurance company in February 2014. The compensation was on a par with the estimation recognised in the financial statements in 2011, EUR 0.8 million.

The financial negotiations of the Cable segment were finalised and new long-term financing agreement was signed in March. With this arrangement the Cable segment replaced previous short-term loans with long-term loans and at the same time enabled a working capital increase with EUR 2 million. Terms of the financing agreement include financial covenants for Cable segment. In addition, the use and distribution of the funds requires consent from the financier. At 31 December 2014 terms of one financial covenant were not fulfilled but that did not influence on financial terms because the financier accepted the deviation.

The action initiated in April 2013 by the bankruptcy estate of Kuitu Finland against Neo Industrial Plc regarding the personal guarantee on the purchase of the mill real estate of Neo Industrial's subsequently bankrupted Avilon Fibres Ltd as non-current compensation was dismissed by the District Court of Pirkanmaa on 17 March 2014. The guaranteed debt of EUR 5 million as well as building cost index is due for payment within 25 years as stated in the original agreement made in 2010. The bankruptcy estate of Kuitu Finland did not file a letter of complaint by the closing date. Thereby the decision of District Court of Pirkanmaa is final and legally valid. The decision of the District Court is in accordance with Neo Industrial's interpretation and has thus no effect on balance sheet values.

Extraordinary Shareholders' Meeting held in September authorized the Board to decide on an issue of new class B shares according to the Board of Directors propose. The new class B shares may be issued in deviation from the shareholders' pre-emptive rights. The maximum number of new B shares issued may amount to a total of 5,000,000 shares. The authorization does not replace or cancel any earlier authorizations for share issues.

In October Neo Industrial Plc published sale and purchase agreement on buying all the shares of Reka Rubber Ltd and notice to the Extraordinary Shareholders' Meeting. The sale and purchase agreement was related to financing arrangements of Neo Industrial and share issue to raise new capital. The whole arrangement was conditional to the acceptance of the Extraordinary Shareholders' Meeting to be held on 3 November 2014. The financing arrangements, which were part of the total arrangement, were not actualized as a whole as Neo Industrial predicted. Therefore the whole arrangement published 13 October 2014 is delayed or can be totally or partly unaccomplished and the Board of Directors of Neo Industrial Plc called off the Extraordinary Shareholders' Meeting on 3 November 2014.

Neo Industrial has carried out arrangement where it has bought back convertible bonds issued in 2011 and which are due in 2016. The purchase is financed with new debt financing. At the same time, as a part of the arrangement, the maturity of earlier acquired EUR 1.1 million loan was prolonged by ten (10) years.

In year 2011 issued and subscribed convertible Bonds are senior unsecured loans due 2016 with total principal amount of EUR 6 million and entitle cash compensation based on the Company's class B share price. The Bonds carry a coupon of 7.50% per annum. Neo Industrial group bought the Bonds back with EUR 1 million. The arrangement has positive, round EUR 4.7 million, effect on to the net result of Neo Industrial group.

SEGMENTS

Neo Industrial's business segment is Cable Industry.

Cable

The Cable segment's turnover was EUR 80.1 million (83.0 million in 2013). The comparable figures for 2013 include EUR 2.8 million turnover of the Russian cable manufacturing companies sold in spring of 2013. Operating result was EUR 0.7 million (1.0 million) in the Cable segment. Operating result for 2013 include a positive effect of EUR 1.0 million from the sale of the Russian cable manufacturing companies.

The sales volume in the cable market of Nordic countries, the main market area of Reka Cables Ltd, was on the same level as the year before. However, there were regional differences. The sales volume of Russia were clearly lower than in 2013. Deliveries to the Baltic countries were lower than in year 2013.

Of the metals used as raw materials, the price of aluminium increased and the price of copper decreased during 2014. The prices of plastics decreased. The EUR/USD exchange changes decreased the effect of price changes of copper and plastics but strengthened the price increase effect of aluminium in EUR.

Investments fulfilled, EUR 0.4 million (1.7 million) were mainly related to optimizing production and maintenance.

Turnover for Nestor Cables Ltd, an associated company, was EUR 30.4 million (25.4 million). The operating result was positive and better than in the previous year.

MAJOR EVENTS AFTER THE REVIEW PERIOD

Neo Industrial Plc's subsidiary Reka Kaapeli Ltd has got substantial underground power cable order. The value of the order is EUR 6.0 million. The deliveries are made during 2015 and 2016. The underground power cables are used when building grids that are not vulnerable to weather conditions.

Neo Industrial Plc's subsidiary Reka Kaapeli Ltd invests EUR 1.5 million in cable manufacturing technology in Hyvinkää Factory. With the investment the productivity of cable manufacturing is enhanced and developing and manufacturing of new products is enabled. The investment will be ready by the end of April 2015.

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

FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in keeping with the International Financial Reporting Standards (IFRS). Consolidated turnover (IFRS) in 2014 was EUR 80.1 million (83.0 million in 2013). The consolidated income statement (IFRS) shows a profit of EUR 1.8 million (a loss of EUR 1.2 million).

SHARE PRICE AND TRADING VOLUME

In 2014, a total of 454,417 (644,870) of Neo Industrial's B shares were traded on NASDAQ OMX Helsinki for a total of EUR 0.3 million (0.6 million), representing 7.7 (11.0) percent of the total number of the shares. At the end of trading on 31 December 2014, the share price was EUR 0.67 (0.80), and the average share price for 2014 was EUR 0.67 (0.89). The lowest quotation in 2014 was EUR 0.50 (0.50), and the highest quotation was EUR 0.86 (1.90). The company's market capitalisation was valued at EUR 4.0 million (4.8) on 31 December 2014.

GROUP STRUCTURE AND SHAREHOLDERS

Neo Industrial Plc is the parent company of the Group, which includes the Neo Industrial wholly owned subsidiaries Novalis Plc, Russian Regional Real Estate Plc and Alnus Ltd and its subsidiaries. The parent company is domiciled in Hyvinkää.

On December 2014, Neo industrial had 11,575 shareholders (11,980). 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 60.3 percent (59.8) of the shares and 72.4 percent (72.1) of the votes.

The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,981,874 (2,978,643) of Neo Industrial's B shares on 31 December 2014.

RISKS AND UNCERTAINTY FACTORS

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

Due to the significant financial arrangements carried out in 2014 the financial situation got better. However, Neo Industrial continues to pay extra attention to ensure the sufficient funding and ensuring liquidity situation. The financial negotiations are continued and to assure liquidity, company intensifies the working capital management and negotiates adjustments to payment terms and agreements.

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.

RESEARCH AND DEVELOPMENT

The Neo Industrial Group invested a total of EUR 0.3 million in research and product development in 2014 (0.8 million in 2013). This total was related to the Cable segment and is recognised as costs in financial statement.

PERSONNEL

During the financial year, the Group employed an average of 241 people (323 in 2013 and in continuing operations 473 in 2012). At the end of 2014, the Group employed 249 (241 in 2013 and 643 in 2012) people, of whom 246 (237 in 2013 and 477 in 2012) worked in the Cable segment and 3 (4 in 2013 and 15 in 2012) in Group administration. The Group paid a total of EUR 10.6 million (11.0 million in 2013 and in continuing operations 14.0 million in 2012) in performance-based salaries and fees in its continuing operations in 2014.

ENVIRONMENT

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

ANNUAL AND EXTRAORDINARY GENERAL MEETINGS

Annual General Meeting

Neo Industrial's Annual General Meeting (AGM) was held in Hyvinkää on 3 April 2014.

The AGM approved the 2013 financial statements and discharged the Board of Directors and CEO from liability for the year 2013. The AGM approved the Board's proposal that no dividends be paid for 2013.

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

The AGM confirmed that the members of the Board be paid a bonus based on the development of the company's B share price, the amount of which is EUR 1,000 for the chairman of the Board and EUR 500 for the members of the Board, multiplied by annual return based on the stock price development of Neo Industrial Plc's class B share for the period 1 May 2014 - 30 April 2015. Should the annual return exceed 50 percent, the bonus shall be paid in accordance with 50 percent.

The AGM decided that approximately 40 per cent of the annual remunerations and bonuses of the Board members will be paid with the shares of the company.

The AGM approved that the auditor's fees be paid as per invoice.

The AGM approved the proposal that the number of members of the Board shall be five (5) and nominated the following persons be elected to the Board: Markku E. Rentto, chairman; Jukka Koskinen, deputy

chairman and Matti Lainema, Taisto Riski and Raimo Valo as members of the Board. No deputy members were elected.

The AGM approved the proposal that Authorized Public Accountants KPMG Ltd, with Authorized Public Accountant Lasse Holopainen as responsible auditor, be elected as the auditor of the company for a term that expires at the end of the AGM of 2015.

The AGM approved the Board's proposal that it be authorized to decide on acquisition of the company's own shares by using the assets from the company's distributable funds so that the maximum number of class B shares to be acquired is 588,076. The proposed amount corresponds to approximately 9.77 percent of all the shares in company and in total ten percent of the company's class B shares.

The shares will be acquired through public trading arranged by NASDAQ OMX Helsinki in accordance with its rules, and the consideration to be paid for the shares to be acquired must be based on market price. The company may acquire B class shares directly from a shareholder other than its major owner, by entering into a contractual trade, provided that the number of class B shares to be acquired via contractual trade is at least 15,000 and that the consideration to be paid for the shares is equal to the prevailing market price in NASDAQ OMX Helsinki at the time of the acquisition. When carrying out the acquisition of the company's own shares, derivatives, share lending and other contracts customary to the capital markets may be entered into within the limits set by law and regulations.

The authorization entitles the Board to decide on the acquisition in a proportion other than that of the shares held by the shareholders (directed acquisition).

The Board is entitled to decide on all other matters pertaining to the acquisition of the company's own shares.

The authorization remains in force until the next AGM.

Extraordinary Shareholders' Meeting

The Extraordinary Shareholders' Meeting of Neo Industrial Plc was held on 11 September 2014, in Helsinki.

Extraordinary General Meeting authorized the Board to decide on an issue of new class B shares according to the Board of Directors propose. The new class B shares may be issued in deviation from the shareholders' pre-emptive rights. The maximum number of new class B shares issued may amount to a total of 5,000,000 shares. The maximum number of new class B shares represents approximately 85 % of the present B shares and 83 % of all present shares of the company.

The Board of Directors can use the authorization to finance or implement corporate acquisitions or other arrangements or to other purposes decided by the Board of Directors. The authorization is however not to be used to implement the management's or key person's incentive program.

The Board is authorized to decide on all other matters pertaining to the issuance of shares as well as other special rights entitling to shares.

The authorization remains in force at maximum of five (5) years after the decision made by the Extraordinary Shareholders' Meeting. This authorization does not replace or cancel any earlier authorizations for share issues.

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 2014, 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 and ICT risk management 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 2014, 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 presents 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 shares (NEOIV) are listed on the main list of NASDAQ OMX Helsinki.

Company shares	31/12/2014	31/12/2013	31/12/2012
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	91,727

ACQUISITION AND TRANSFER OF THE COMPANY'S OWN SHARES

On 31 December 2014, the company held a total of 91,727 B shares.

Neo Industrial has decided to use the authorization issued by the Annual General Meeting on 4 April 2013 to transfer treasury B shares against or without payment. Neo Industrial Plc has agreed to pay consultancy invoices partly by shares. At 31 December 2014 there is commitment to pay consultancy invoices by 20,000 B-shares held by the company.

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 -8,659,157.65 including the result of the review period EUR -1,246,908.23. The Board proposes to the Annual General Meeting that no dividends will be paid for 2014. No dividends were paid for 2013.

NEAR-TERM OUTLOOK

The construction has not been picking up in Nordic countries nor in Baltics and the outlook for Russia is unstable. Also the market situation in Europe does not show any signs of picking up. However, the management believes that grid constructors will boost ground cabling projects to ensure distribution reliability. The turnover of the Cable segment is believed to slightly exceed the turnover in 2014 and the operating result of the Cables segment is believed to be positive.

Neo Industrial continues to pay extra attention to ensure the sufficient funding and ensuring liquidity situation. The measures are negotiations on financing and payment terms as well as boosting inventory turnover and freeing up capital assets.

ANNUAL GENERAL MEETING 2015

Neo Industrial Plc's Annual General Meeting will be held in Helsinki on 9 April 2015 at 1.00 p.m. A separate invitation is published on 27 February 2015.

Hyvinkää, 27 February 2015

Neo Industrial Plc
Board of Directors

CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000	Note	1/1-31/12/2014	1/1-31/12/2013
TURNOVER	5	80,098	83,032
Change in inventories of finished products and production in progress		-950	-1,039
Production for own use		23	35
Other operating income	6	349	1,310
Materials and services		-55,730	-57,562
Personnel expenses	9	-12,801	-13,237
Depreciation and impairment	8	-1,970	-2,918
Other operating expenses	7	-9,759	-10,627
		-80,838	-84,038
Operating result		-740	-1,006
Financial income	11	4,793	1,698
Financial expenses	11	-2,349	-2,440
Result before taxes		1,703	-1,748
Taxes	12	83	567
Result for the period		1,787	-1,181
Profit or loss attributable to			
Equity holders of the parent		1,787	-1,163
Non-controlling interests		0	-18
		1,787	-1,181
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	13	0.30	-0.20
Number of shares		5,928,633	5,928,633

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

Result		1,787	-1,181
Other comprehensive items that may be subsequently reclassified to statement of income			
Translation differences related to foreign units		-41	2
Translation differences recognised in result		0	1,495
Total		-41	1,497
Total comprehensive income		1,746	316
Total comprehensive income attributable to			
Shareholders of the parent		1,746	334
Non-controlling interests		0	-18
		1,746	316

CONSOLIDATED BALANCE SHEET (IFRS)

EUR 1,000	Liitetieto	31/12/2014	31/12/2013
ASSETS			
Non-current assets			
Goodwill	15	3,252	3,252
Other intangible assets	15	1,219	1,806
Tangible assets	14	11,210	12,281
Receivables		80	444
Deferred tax assets	17	1,272	2,368
Total non-current assets		17,033	20,152
Current assets			
Inventories	18	11,695	12,913
Sales receivables and other receivables	19	11,519	12,920
Derivative contracts	25	0	17
Cash and cash equivalents	20	4,484	1,224
Total current assets		27,698	27,075
Total Assets		44,731	47,227
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		-591	-591
Translation differences		-47	-6
Retained profit		-36,634	-38,644
Other unrestricted equity		21,328	21,328
Equity attributable to shareholders of the parent		9,426	7,456
Non-controlling interests		0	0
Total shareholders' equity	21	9,426	7,456
Non-current liabilities			
Deferred tax liabilities	17	150	1,374
Provisions	22	2,958	3,132
Financial liabilities	23	4,021	8,109
Other liabilities		29	6
Derivative contracts	25	0	320
Current liabilities			
Tax liabilities from the profit		20	45
Provisions	22	200	200
Financial liabilities	23	19,554	18,413
Derivative contracts	25	12	0
Accounts payable and other liabilities	24	8,359	8,171
Total liabilities		35,305	39,771
Shareholders' equity and liabilities		44,731	47,227

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS)

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Other unrestricted equity	Retained profit	Shareholder's equity to the parent	Non-controlling interests	Total shareholders' equity
Shareholders' equity 31/12/2012	24,082	66	1,221	-591	-1,503	21,328	-35,784	8,819	-142	8,677
Comprehensive Income										
Result for the period							-1,163	-1,163	-18	-1,180
Other comprehensive income										
Translation differences					1,497		0	1,497		1,497
Total comprehensive income					1,497		-1,163	334	-18	316
Effect of reclassification to translation differences							-1,495	-1,495		-1,495
Transactions with the owners										
Change in non-controlling interests resulted from the end of subsidiaries' operations							-395	-395	395	0
Change in non-controlling interests resulted from the sale of subsidiaries' operations							253	253	-235	18
Other change							-59	-59		-59
Total transactions with the owners							-201	-201	160	-41
Shareholders' equity 31/12/2013	24,082	66	1,221	-591	-6	21,328	-38,644	7,456	0	7,456
EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Other unrestricted equity	Retained profit	Shareholder's equity to the parent	Non-controlling interests	Total shareholders' equity
Shareholders' equity 31/12/2013	24,082	66	1,221	-591	-6	21,328	-38,644	7,456	0	7,456
Comprehensive Income										
Result for the period							1,787	1,787	0	1,787
Other comprehensive items										
Translation differences					-41		0	-41		-41
Total comprehensive income					-41		1,787	1,746	0	1,746
Effect of reclassification to translation differences							0	0		0
Transactions with the owners										
Return of unsettled dividends							224	224		224
Total transactions with the owners							224	224	0	224
Shareholders' equity 31/12/2014	24,082	66	1,221	-591	-47	21,328	-36,634	9,426	0	9,426

Changes in associated companies are described in more detail in note 16 ("Holdings in associates").

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

EUR 1,000	1/1-31/12/2014	1/1-31/12/2013
Cash flows from operating activities		
Payments received from operating activities	80,234	82,847
Payments paid on operating activities	-75,983	-81,175
Paid interests and other financial expenses	-2,360	-2,924
Interests received and other financial incomes	47	123
Direct taxes paid	-68	-9
Net cash provided by operating activities	1,871	-1,138
Cash flows from investments		
Sales of shares in subsidiaries	0	248
Acquisition of subsidiaries and new business	-41	0
Investments in tangible assets	-398	-1,720
Sales of tangible assets	66	46
Investments in intangible assets	0	-1
Sales of loan receivables	0	9,074
Loans granted	-1,000	0
Loan repayments	369	210
Net cash provided by investing activities	-1,004	7,857
Cash flows from financing activities		
Increase in loans	17,659	2,000
Decrease in loans	-15,192	-7,945
Payments of finance lease activities	-53	-48
Net cash provided by financing activities	2,414	-5,993
Change in cash and cash equivalents at the end of the period	3,281	725
Cash and cash equivalents at beginning of the period	1,224	504
Exchange rate differences	-24	-5
Cash and cash equivalents of corporate arrangements	2	0
Change in cash and cash equivalents at the end of the period	4,484	1,224

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, Russian Regional Real Estate Plc and Alnus Ltd with their subsidiaries.

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

The parent company is domiciled in Hyvinkää. Neo Industrial Plc's address is Niinistökatu 12, 05800 Hyvinkää. 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 Salokunnantie 590, 35550 Salokunta.

Neo Industrial Plc's Board of Directors approved these financial statements for publication at its meeting of 27 February 2015. 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 2014. 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 2014 the following new and amended standards that have come into effect.

- IFRS 10 *Consolidated Financial Statements* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard had no relevant impact on Neo Industrial's consolidated financial statements.
- IFRS 11 *Joint Arrangements* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The new standard had no impact on Neo Industrial's consolidated financial statements.
- IFRS 12 *Disclosures of Interests in Other Entities* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard expanded the notes the Group provides for its interests in other entities.
- IAS 27 *Separate Financial Statements* (revised 2011) and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): The revised standard includes the provisions on separate IFRS financial statements that were left after the control provisions were included in the new IFRS 10. The revised standard had no impact on Neo Industrial's consolidated financial statements.
- IAS 28 *Investments in Associates and Joint Ventures* (revised 2011) (in the EU effective for financial years beginning on or after 1 January 2014): Following the issue of IFRS 11 the revised

IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard had no significant impact on Neo Industrial's consolidated financial statements.

- Amendments to IAS 32 *Financial Instruments: Presentation* (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendments had no significant impact on Neo Industrial's consolidated financial statements.
- Amendments to IAS 36 *Impairment of Assets* (effective for financial years beginning on or after 1 January 2014): The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. The amended standard had no significant impact on Neo Industrial's consolidated financial statements.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (effective for financial years beginning on or after 1 January 2014): The amendments made to IAS 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The amendments had no impact on Neo Industrial's consolidated financial statements.
- IFRIC 21 *Levies* (effective for financial years beginning on or after 1 January 2014; in the EU to be applied at the latest, as from the commencement date of its first financial year starting on or after 17 June 2014): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognized when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation had no impact on Neo Industrial's consolidated financial statements.

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

Valuation principles

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

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

Principles of consolidation

Subsidiaries

The consolidated financial statements include the parent company, Neo Industrial Plc, and its subsidiaries. Subsidiaries are companies in which the Group has a controlling interest. A controlling interest is created when The Group has a controlling interest when it is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

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

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

Associated companies

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

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

Foreign currency items

Figures related to the result and financial position of the Group's units is 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 recognized at fair value have been translated into the functional currency at the exchange rate on the date of recognition. Other non-monetary items have been 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 recognized in the income statement. The foreign exchange losses and profits from the Group's internal non-current liabilities, however, are included in the change in equity under translation differences. Foreign exchange profits and losses from business operations are included in the corresponding items above the operating profit. Foreign exchange losses and profits related to financing are included in financial income and expenses.

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

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

Tangible non-current assets

Tangible non-current assets are measured at original acquisition cost less depreciation and impairment. If a non-current asset consists of several parts with different economic lifetime, each part is treated as a separate asset. In these cases, the costs associated with renewing the asset are activated. Otherwise, any expenses arising later are included in the book value of the tangible non-current asset only if the Group is likely to profit from the future financial benefit and if the acquisition cost of the asset can be determined reliably. Other repair and maintenance costs are recognized through profit and loss at the time of completion.

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

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

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

Residual values and useful lives are reviewed on a regular basis in conjunction with annual financial statements and adjusted to reflect changes in expected financial benefits. Depreciation on a tangible non-current asset is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Sales gains and losses from decommissioning and disposal of tangible non-current assets are included in other operating income and expenses in the income statement.

Borrowing costs

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

Intangible non-current assets

Goodwill

Goodwill is 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. Goodwill is valued at the original acquisition cost less impairment.

Research and development expenses

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

Other intangible assets

Other intangible assets with a limited useful life are 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 recognized in other operating income and expenses on the income statement.

Inventories

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

Lease agreements

The Group as a lessee

Lease agreements related to tangible assets in which the Group bears an essential part of the risks and rewards of ownership are recognized as finance lease agreements. Assets acquired through finance lease agreements are entered in the balance sheet at the leased item's fair value or the present value of minimum lease payments, if lower, at the beginning of the lease period. Assets acquired through finance leases are depreciated over their estimated useful lives or their lease periods, if shorter. Lease obligations are included in interest-bearing liabilities.

Lease agreements in which the lessor bears the risks and rewards of ownership are 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. 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. These options have been taken into account in the accounting of finance leases.

Impairment

On the closing date of the financial year, the Group evaluates whether any assets are showing signs of impairment. If such signs are detected, the recoverable amount of the asset concerned is estimated. The recoverable amount is also assessed annually on the following assets, regardless of whether they are showing signs of impairment: goodwill, intangible assets with unlimited useful lives and unfinished intangible assets. The need for impairment is assessed at the level of units generating cash flows – that is, the lowest level on which units are mostly independent of others and cash flows can be separated from other cash flows.

The subsidiaries in the Cable segment constitute a unit generating cash flows. Balance sheet values related to the unit are tested through test calculation. Nestor Cables Ltd, an associated company in the Cable segment, is a unit to be tested separately if any balance sheet values are related to it. In the 2014 financial statements, no balance sheet values are related to Nestor Cables Ltd.

Other tangible and intangible balance sheet values are evaluated by item.

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

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

An impairment loss is 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 recognized 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 fulfill 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 recognized when the transaction concerns an asset or liability initially recognized in the accounts and does not concern business combinations and when the recognition of such an asset or liability does not affect the accounting result or the taxable income at the time of the transaction. No deferred taxes are 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 recognized if it is probable, based on an evaluation, that the deferred tax assets can be utilised before the expiry of unused tax losses or unused tax-related credits. Deferred tax assets are recognised to the extent that it is likely that taxable income will be created in the future, against which the temporary difference can be utilised.

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.

Financial assets and liabilities

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

In cases where the fair value of financial assets and liabilities has not been used as the book value, the financial assets and liabilities are valued at allocated acquisition cost. Financial assets and liabilities recognized at fair value are valued based on market quotations. Realised and unrealised gains and losses from changes in fair value are 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 recognized directly in equity if their fair value can be measured reliably. If the fair value cannot be measured reliably, available-for-sale investments are recognised at acquisition cost. Available-for-sale financial assets may consist of shares and interest-bearing investments.

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

Cash and cash equivalents

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

Financial liabilities

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

Derivative contracts

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

- Derivatives that hedge net sales are included in net sales.
- Changes in metal derivatives targeted at customer orders are included in material purchases, as are commodity derivatives with a maturity of less than 12 months.
- Commodity derivatives with a maturity of 12 months or more are included in financial income or expenses.
- Derivatives related to financing are included in financial income or expenses.

Operating result

IAS 1 *Presentation of Financial Statements* does not define the concept of operating result. The Group defines it as follows: operating result is the net amount formed when the net sales figure is reduced by purchasing costs adjusted for the change in the inventories of finished products, work in progress, expenses incurred through production for own use and by expenses arising from employee benefits, depreciation and any impairment loss, with other operating income and expenses taken into account. Items other than those

mentioned above are presented below the operating profit. Foreign exchange differences and changes in the fair values of derivatives are included in the operating profit if they arise from items related to business operations. Otherwise, they are recognized under financial items. Operating result is also known as operating profit or operating loss, depending on the context.

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

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

Management discretion related to the choice and application of accounting principles

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

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

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

Uncertainty factors related to estimates

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

Measurement of fair value of goods acquired in business combinations

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

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

Impairment testing

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

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

Neo Industrial has not yet adopted the following new or amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

* = not yet endorsed for use by the European Union as of 31 December 2014.

- Amendments to IAS 19 *Employee Benefits - Defined Benefit Plans: Employee Contributions* (effective for financial years beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments are not assessed to have an impact on Neo Industrial's consolidated financial statements.
- *Annual Improvements to IFRSs (2011-2013 cycle and 2010-2012 cycle, December 2013)* (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard but are not significant.
- Amendment to IAS 1 *Presentation of Financial Statements: Disclosure Initiative** (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation is not assessed to have significant impact on Neo Industrial's consolidated financial statements.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation** (effective for financial years beginning on or after 1 January 2016): The amendments clarify IAS 16 and IAS 38 that revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments will have no impact on Neo Industrial's consolidated financial statements.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture - Bearer Plants** (effective for financial years beginning on or after 1 January 2016): These amendments require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment and included in the scope of IAS 16, instead of IAS 41. These amendments will have no impact on Neo Industrial's consolidated financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (effective for financial years beginning on or after 1 January 2016): The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not assessed to have an impact on Neo Industrial's consolidated financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception** (the amendments can be applied immediately; mandatory for financial years beginning on or after 1 January 2016): The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. The amendments will not have an impact on Neo Industrial's consolidated financial statements.
- Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations** (effective for financial years beginning on or after 1 January 2016): The amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendments are not assessed to have significant impact on Neo Industrial's consolidated financial statements.
- Amendments to IAS 27 *Separate Financial Statements – Equity Method in Separate Financial Statements** (effective for financial years beginning on or after 1 January 2016): The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will not have an impact on Neo Industrial's consolidated financial statements.

- New IFRS 14 *Regulatory Deferral Accounts** (effective for financial years beginning on or after 1 January 2016): IFRS 14 is first specific IFRS guidance on accounting for the effects of rate regulation. It is an interim standard. IFRS 14 allows first-time adopters of IFRS, whose activities are subject to rate-regulation, to continue using previous GAAP ("grandfathering") while the IASB completes its comprehensive project in this area. IFRS 14 is an optional standard. The new standard will not have an impact on Neo Industrial's consolidated financial statements.
- *Annual Improvements to IFRSs, 2012-2014 cycle**) (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in four standards. Their impacts vary standard by standard but are not significant.
- New IFRS 15 *Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2017): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. Under IFRS 15 an entity shall recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15.
- New IFRS 9 *Financial Instruments** (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the impact of IFRS 9.

3. Segment information

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

2014

EUR 1,000	Other operations		
	Cable	and eliminations	Group
Turnover	80,092	5	80,098
Operating result before change in the value of open derivatives	718	-1,294	-577
Change in the value of open derivatives	22	-185	-164
Operating result after change in the value of open derivatives	739	-1,479	-740
Unallocated items		2,527	2,527
Result for the period			1,787
Assets			
Segment's assets	40,831	3,899	44,731
Total assets	40,831	3,899	44,731
Liabilities			
Segment's liabilities	25,330	9,974	35,305
Total liabilities	25,330	9,974	35,305
Assets - liabilities	15,501	-6,075	9,426
Investments	375	37	412
Depreciations	1,693	275	1,968

2013

EUR 1,000	Other operations		Group
	Cable	and eliminations	
Turnover	83,012	21	83,032
Operating result before change in the value of open derivatives	995	-1,998	-1,003
Change in the value of open derivatives	-1	-1	-2
Operating result after change in the value of open derivatives	993	-1,999	-1,006
Unallocated items		-176	-176
Result for the period			-1,182
Assets			
Segment's assets	41,412	5,815	47,227
Total assets	41,412	5,815	47,227
Liabilities			
Segment's liabilities	25,626	14,145	39,771
Total liabilities	25,626	14,145	39,771
Assets - liabilities	15,786	-8,330	7,456
Investments	1,702	101	1,804
Depreciations	2,498	420	2,918
Cable segment's turnover by product group, EUR million			
		1-12/2014	1-12/2013
LV energy		37.6	26.9
Power cable		42.5	56.1
Total		80.1	83.0
Cable segment's turnover by sales area, EUR million			
		1-12/2014	1-12/2013
EU-countries		76.3	73.7
Non-EU-countries		3.8	9.3
Total		80.1	83.0

Taken all market areas into the consideration the largest customer Group's share of the Group's turnover is 20.3 % and the share of the second largest is 12.6 %. Other single customer's share of the Group's turnover is under 10 %.

On 31 December 2014, non-current assets other than financial instruments and deferred taxes were EUR 15.8 million (17.8). The assets are located in Finland EUR 15.8 million (17.8)

4. Divested business operations

The Group did not have any divested business operations in 2014.

In May 2013, Neo Industrial sold its companies in the Cable segment in Russia, with the exception of a sales company that sells the products of the Group's Finnish factories in Russia. The selling price consisted of the sale of the shares and the sale of Group receivables from Finnish companies at the closing of the transaction. For this reason, the transaction is included in cash flows from both business operations and investment in the cash flow statement. The consideration for the selling price was paid entirely in cash. The gain from the sale was EUR 1.0 million, including the fees paid to the experts involved in performing the transaction. The gain is recognised in other operating income. The parties have decided not to publish the price.

Divested business operations in 2013:

EUR 1,000

Assets and liabilities of divested companies:	
Tangible and intangible non-current assets	11,495
Inventories	1,500
Sales receivables and other receivables	1,627
Cash and cash equivalents	67
Financial liabilities	-8,385
Accounts payable and other liabilities	-7,383
Net assets	-1,078

Additionally, following subsidiaries and associates were traded off in 2013: Finndomo Ltd, Carbatec Ltd, Advanced Cellulosic Fiber Company Ltd. In this connection Aylon Fibres Ltd, subsidiary of Carbatec Ltd, was also traded off from the Group.

5. Turnover

EUR 1,000	2014	2013
Turnover from industrial business operations	80,098	83,032
Turnover, total	80,098	83,032

6. Other operating income

EUR 1,000	2014	2013
Subsidies received	74	66
Rental income	104	106
Sales of Russian operations	0	993
Other income	171	144
Total	349	1,310

7. Other operating expenses

EUR 1,000	2014	2013
Rental expenses	-2,810	-2,727
Machinery and property maintenance costs	-2,794	-2,255
Sales and marketing expenses	-600	-701
Other expenses	-3,556	-4,945
Total	-9,759	-10,627

The item "Other expenses" includes EUR 57,000 in fees paid to auditors for the audit of the accounts (EUR 52,000) and EUR 58,000 in fees for other consulting services (EUR 35,000).

8. Depreciation and impairment

EUR 1,000	2014	2013
Depreciation by commodity group		
Intangible non-current assets		
Customer realitions	-275	-275
Product brands and trademarks	-44	-105
Other intangible assets	-268	-280
Total	-587	-660
Tangible non-current assets		
Buildings	-86	-254
Machinery and equipment	-1,114	-1,681
Other tangible assets	-8	0
Total	-1,208	-1,935
Impairment by commodity group		
Buildings	-174	-323
Total depreciation and impairment	-1,970	-2,918

The impairment recognised on buildings in total EUR 0.7 million of which EUR 0.2 million in year 2014 is based on the difference between the estimated income and expenses related to a long-term lease agreement.

In the Cable segment, the useful economic lives of machines and production lines were reassessed in 2013. The related depreciation periods were adjusted in accordance with the actual useful lives. The adjustment had a positive effect of EUR 0.3 million in the result of the 2013.

9. Personnel expenses

EUR 1,000	2014	2013
Salaries and fees	10,574	10,991
Pension expenses, defined contribution plans	1,703	1,590
Other personnel expenses	524	657
Total	12,801	13,237

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

Average number of personnel in the financial period:

	2014	2013
Total	241	323
Cable segment	238	318

10. Research and development expenses

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

11. Financial income and expenses

Financial income EUR 1,000	2014	2013
Interest revenues	37	110
Positive value changes in financial derivatives	0	1,029
Exchange rate differences	79	390
Acquisition of convertible bond	4,675	0
Other financial income	2	169
Total	4,793	1,698
Financial expenses EUR 1,000	2014	2013
Interest expenses	-1,207	-1,494
Interest expenses on finance leases	-110	-112
Expenses on metal derivatives	131	-32
Exchange rate differences	-201	-386
Other financial expenses	-963	-416
Total	-2,349	-2,440
Total exchange rate differences	-122	3

12. Taxes

EUR 1,000	2014	2013
Taxes payable on profit	-8	-70
Taxes from previous financial periods	-37	1
Deferred tax on profit	128	636
Total	83	567

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

EUR 1,000	2014	2013
Result before taxes	1,703	-1,748
Taxes calculated at the domestic tax rate	341	-428
Effect of tax-exempt income	-39	179
Effect of non-deductible expenses	21	-535
Effect of different tax rates applicable to foreign subsidiaries	-1	-29
Effect of unrecognised deferred tax receivables related to taxable losses	598	928
Effect of other unrecognised deferred tax receivables	-998	0
Taxes from previous periods	-37	0
Change in deferred tax - Change in domestic tax rate	0	-666
Other items	32	-16
Taxes on the income statement	-83	-567

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

13. Earnings per share

	2014	2013
Profit from the financial period attributable to the shareholders of the parent company, EUR 1,000	1,787	-1,163
Weighted average numbers of shares during the period	5,928,633	5,928,633
Undiluted earnings per share	0.30	-0.20
Weighted diluted average numbers of shares during the period (number)	5,928,633	5,928,633
Earnings per share adjusted for dilution	0.30	-0.20

Earnings per share:

Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	0.30	-0.20
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.

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

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Motor vehicles	Advance payments and acquisitions in progress	Total
Acquisition costs 1/1/2013	1,338	7,394	27,264	270	260	36,526
Increase	0	0	2,108	0	76	2,184
Decrease	-1,326	-5,314	-4,747	0	-260	-11,647
Exchange rate differences	-12	-48	646	0	0	586
Acquisition costs 31/12/2013	0	2,032	25,271	270	76	27,649
Accumulated depreciation and impairment 1/1/2013	0	2,537	14,989	140	0	17,667
Depreciation	0	575	1,660	20	0	2,255
Decrease	0	-2,399	-2,375	0	0	-4,774
Exchange rate differences	0	-21	242	0	0	221
Accumulated depreciation and impairment 31/12/2013	0	692	14,516	160	0	15,368
Book value 1/1/2013	1,338	4,857	12,275	130	260	18,861
Book value 31/12/2013	0	1,340	10,755	110	76	12,281

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

EUR 1,000	2014	2013
Buildings		
Acquisition costs 1/1	2,146	2,146
Decrease	0	0
Acquisition costs 31/12	2,146	2,146
Accumulated depreciation 1/1	806	397
Decrease in accumulated depreciation	0	0
Depreciation for the period	86	86
Impairment	174	323
Accumulated depreciation 31/12	1,066	806
Book value 31/12	1,079	1,340

15. Intangible non-current assets

EUR 1,000	Goodwill	Other intangible	Total
Acquisition costs 1/1/2014	3,252	5,749	9,001
Acquisition costs 31/12/2014	3,252	5,749	9,001
Accumulated depreciation and impairment 1/1/2014	0	3,943	3,943
Depreciation	0	587	587
Accumulated depreciation and impairment 31/12/2014	0	4,530	4,530
Book value 1/1/2014	3,252	1,806	5,058
Book value 31/12/2014	3,252	1,219	4,471
Acquisition costs 1/1/2013	3,484	9,980	13,464
Increase	0	140	140
Decrease	-232	-4,333	-4,565
Exchange rate differences	0	-38	-38
Acquisition costs 31/12/2013	3,252	5,749	9,001
Accumulated depreciation and impairment 1/1/2013	0	3,283	3,283
Depreciation	0	660	660
Accumulated depreciation and impairment 31/12/2013	0	3,943	3,943
Book value 1/1/2013	3,484	6,697	10,181
Book value 31/12/2013	3,252	1,806	5,058

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

The goodwill recognised in the financial statements arose from the acquisition of shares in Reka Cables Ltd and it has been allocated entirely to the Cable segment for impairment testing purposes. The recoverable amount has been determined based on value in use calculations. The calculations are based on forecasts approved by the management for a period of four years. Cash flows after the forecast period have been predicted using a growth assumption of 0 percent. The projected cash flows are discounted at the present date. In the Cable segment, the discount rate before taxes was 7.81 percent (8.71 percent).

The following are the most significant factors used in the calculations related to the Cable segment: the prices of metals and other key raw materials in Eur, the effects of demand and competition on volumes and market prices, the timing of infrastructure investments and the expansion of cooperation with key customers. The prediction calculations are based on actual outcome information and predictions updated based on the actual outcome. The effects of the investments as well as changes made to operating models – those already visible in 2014 – 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 in prognosis years were six percent lower or discount rates were over forty percent higher 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.

16. Holdings in associates

EUR 1,000	2014	2013
At the beginning of the period	0	0
Impairment	0	0
At the end of the period	0	0

On the closing date of the financial period, Neo Industrial's associated company was Nestor Cables Ltd.

The value of the shares of Nestor Cables Ltd is zero in the 2014 financial statements.

Nestor Cables is domiciled in Oulu. Its assets in the financial statements are EUR 17.2 million (17.4), and its liabilities are EUR 20.5 million (20.7 million). Subordinated loans constitute EUR 5.5 million (5.5) of the liabilities. The company's turnover in 2014 was EUR 30.4 million (25.4), and its operating result was EUR 0.1 million (0.2). The company launched production in 2008. Neo Industrial's share of the company is 22.94 percent. The unrecognised share of Nestor Cables' result in 2014 is EUR 0.0 (EUR 0.1) million and that of its cumulative loss is EUR 0.9 (EUR 0.9) million, because the company's value on the consolidated balance sheet is EUR 0 and the Group does not carry any liabilities regarding Nestor Cables Ltd.

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

17. Deferred tax assets and liabilities

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

Changes in deferred taxes during 2014:

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

Confirmed losses of the Group companies expire in 2019 or later. Deferred tax receivables on losses were not recognised for the Group's foreign companies.

In the Cable segment, deferred tax receivables on losses have been recognised for Reka Cables Ltd and its parent company. These are recognised as a single entity and evaluated based on Reka Cables' actual results and on long-term predictions that have updated on the basis on the actual results and for which sensitivity analyses have been carried out. Deferred tax receivables have not been recognised with regard to the tax loss of the Group's parent company in 2014. The change of tax rate has been updated through profit and loss.

Changes in deferred taxes during 2013:

EUR 1,000	1/1 in the 2014	Recorded in the income statement	Exchange rate differences	Transfer, discontinued operations	31/12 2014
Deferred tax receivables					
Provisions	195	-35	0	0	160
Deferred tax receivables on losses	1,972	236	0	0	2,208
Other items	142	0	0	-142	0
Total	2,309	201	0	-142	2,368
Deferred tax liabilities					
Accumulated depreciation difference	-1,437	260	0	0	-1,177
Purchase price allocation in accordance with IFRS 3 and recognition of costs resulting from the allocation	-1,878	175	0	1,507	-196
Other items	-5	0	5	0	0
Total	-3,320	435	5	1,507	-1,374

18. Inventories

EUR 1,000	2014	2013
Materials and supplies	3,118	3,386
Production in progress	3,255	4,249
Finished products	5,322	5,278
Total	11,695	12,913

In years 2013 and 2014 there has not been any inventory impairment.

19. Current receivables

Current receivables were distributed as follows:

EUR 1,000	2014	2013
Sales receivables	1,983	2,324
Factoring receivables	8,318	8,247
Other receivables	1,218	2,350
Total	11,519	12,920

Age distribution of Sales receivables 31/12/2014

EUR 1,000	Total	undue	less than 7 days	less than 14 days	less than 30 days	less than 60 days	more than 60 days
	10,301	9,716	298	72	169	4	42

Age distribution of Sales receivables 31/12/2013

EUR 1,000	Total	undue	less than 7 days	less than 14 days	less than 30 days	less than 60 days	more than 60 days
	10,571	8,960	617	444	360	190	0

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

The factoring credit was secured by sales receivables. The factoring credit stood at a total of EUR 7.1 million (6.6) and is included in current financial liabilities.

Current receivables distributed by currency:

EUR 1,000	2014	2013
EUR	11,098	11,360
SEK	182	1,100
DKK	127	279
RUB	28	109
NOK	84	72
Total	11,519	12,920

20. Cash and cash equivalents

EUR 1,000	2014	2013
Cash and bank	4,484	1,224

21. Shareholders' equity

The parent company's share capital by share series	2014		2013	
	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 2013), 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 will be paid for 2014. No dividends were paid for 2013.

22. Provisions

EUR million	Product warranty provisions	Provision of unpaid purchase price	Environmental guarantee	Other provisions	Total
31/12/2013	0.8	2.5	0	0	3.3
Increase	0.1	0	0	0	0.1
Decrease	0	-0.2	0	0	-0.2
31/12/2014	0.9	2.3	0	0	3.2

EUR million	Product warranty provisions	Provision of unpaid purchase price	Environmental guarantee	Other provisions	Total
31/12/2012	0.8	2.7	0.3	0.7	4.5
Changes resulted from the sale of subsidiaries	-0.1	0	0	0	-0.1
Increase	0.1	0	0	0	0.1
Decrease	0	-0.2	-0.3	-0.7	-1.2
31/12/2013	0.8	2.5	0.0	0	3.3

EUR million	2014	2013
Long-term provisions	3.0	3.1
Short-term provisions	0.2	0.2
Total	3.2	3.3

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

In the closing of the books for 2013 the provisions EUR 3.3 million on the consolidated balance sheet consisted of product warranty provisions (EUR 0.8 million) and discounted balance sheet value (EUR 2.5 million) of the instalments of Avilon Fibres Ltd's industrial premises for the price remaining unpaid, for which the Group has granted a guarantee.

The product warranty are made based on claims made but not yet paid as well as assigned provisions based on experience from past years. The assigned provision takes into account any compensation obligations potentially occurring in the Cable segment over a period of ten years, unless otherwise agreed with the customer.

23. Financial liabilities

EUR 1,000	2014	2013
Long-term financial liabilities valued at allocated acquisition cost		
Loan the proceeds of which are partly tied to the company's share performance	0	5,361
Finance lease agreements	1,894	1,947
Other loans	2,128	801
Total	4,021	8,109
Short-term financial liabilities valued at allocated acquisition cost		
Revolving bank credits	0	5,601
Bank loans	11,133	5,633
Factoring credit	7,134	6,595
Other loans	1,233	534
Finance lease agreements	53	50
Total	19,554	18,413

The Group's bank and financing loans have floating interest rates. Finance leases have fixed interest rates. In addition to a fixed interest rate, an effective interest rate applies to the loan the proceeds of which are partly tied to the company's share performance. The Group's average interest rate on 31 December 2014 was 4.8 percent (5.1).

The financing agreement of the Cable segment includes financial covenants. In addition, the use and distribution of the funds requires consent from the financier. At 31 December 2014 terms of one financial covenant (turnover of capital) was not fulfilled but that did not influence on financial terms because the financier accepted the deviation.

At 31 December 2014 terms of one financial covenant (turnover of capital) were not fulfilled but that did not influence on financial terms because the financier accepted the deviation. Although the financial terms were not altered the loans of the Financial Agreement have been classified as current liabilities according to IAS 1 (IAS 1 / 75). The financial covenants are viewed quarterly according to the financial agreement. The management believes that financial covenants will not affect on the duration of the loans.

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

EUR 1,000	2014	2013
Less than 6 months	7,187	12,246
6-12 months	12,366	6,167
More than 12 months	4,021	8,109
Total	23,575	26,522

All loans are denominated in euro.

Maturing of finance lease agreements

EUR 1,000	2014	2013
Finance lease agreements - total amount of minimum lease payments		
Within 1 year	160	160
1-5 years	640	640
After 5 years	2,507	2,693
Total	3,307	3,493
Unaccumulated financial expenses		
Present value of finance agreements	-1,360	-1,489
	1,947	2,005
Finance lease agreements - present value if minimum lease payments		
Within 1 year	53	50
1-5 years	242	228
After 5 years	1,651	1,727
Total	1,947	2,005

Located next to the Valkeakoski plant, the Kirjasniemi residential area is leased from the bankruptcy estate of the Kuitu Finland for 25 years as a part of a comprehensive restructuring carried out in the Viscose Fibres segment in 2010. Neo Industrial has the option to continue the lease for another 25 years, and it also has the right to purchase the area based on a preliminary agreement signed in 2010. The long-term lease for the Kirjasniemi residential area is recognised as a financial lease agreement. Avilon Fibres Ltd's bankruptcy in 2013 did not affect the terms of the lease.

24. Accounts payable and other liabilities

EUR 1,000	2014	2013
Current financial liabilities valued at allocated acquisitions cost		
Accounts payable	3,076	2,477
Personnel expenses allocated by period	2,092	2,262
Accruals and deferred income	1,872	3,067
Other liabilities	1,320	365
Total	8,359	8,171

Non-interest-bearing current liabilities distributed by currency:

EUR 1,000	2014	2013
EUR	8,361	7,908
USD	-22	48
RUB	0	91
Other currency	20	124
Total	8,359	8,171

25. Financial risk management

The Group's business operations involve risks related to financing. Neo Industrial's primary financial risks are currency, interest rate, commodity, liquidity, credit and investment market risks.

The Board of Directors approves the Group's general risk management principles. The operational management is responsible for the practical implementation of these principles. Operating under the parent company's Board of Directors, the audit committee is responsible for assessing the sufficiency and pertinence of risk management.

For risk management, the Group uses forward contracts, options, commodity derivatives, interest rate swaps and reference rate changes, if necessary, as well as various selling and buying orders based on threshold values.

Currency risk

Operating internationally, the Group is subjected to currency transaction risks as well as risks that arise when different currencies, investments, assets and liabilities are converted into the parent company's functional currency. For the Group, the most significant currencies are the U.S. dollar (USD), the Swedish krona (SEK) and the Russian rouble (RUB). In relation to these, currency positions are determined at least once a year, and the currency positions are hedged, in accordance with foreign exchange trends, with hedging instruments to a degree ranging from 0 to 125 percent. Currently, the Group has not hedged net investments in foreign units by using external loans denominated in the corresponding currency or by using foreign exchange forward contracts. All of the Group's external loans are denominated in euro's. On the closing date of the financial period, the group had no open currency hedges.

The U.S. dollar is important for the Group, because the prices of the metals it purchased are determined based on the dollar. The combined effect of metal 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 (0.0). Had the dollar been 10 percent weaker, its effect would have been EUR 0.0 million (0.0).

Interest rate risk

The Group's interest rate risks arise from borrowing.

The reference rates for external loans are the 1-week Euribor and 3-month Euribor. Finance leases have fixed interest rates, as does the loan the proceeds of which are partly tied to the company's share performance. On the closing date of the financial year, the Group's average financing rate for external loans was 4.8 percent (5.1). If the average interest rate had been 1 percentage point higher, it would have affected the Group's result before taxes by EUR -0.2 million (-0.3 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 0.0 million (0.0) in terms of commodity derivatives. Had the market value of aluminium been 10 percent lower, its effect on the operating result before taxes would have been EUR 0.0 million (0.0 million). If the market value of copper had been 10 percent higher on the closing date of the financial period, its effect on the operating result before taxes would have been EUR 0.0 million (0.0) in terms of commodity derivatives. Had the market value of copper been 10 percent lower, its effect on the operating result before taxes would have been EUR 0.0 million (0.0).

Liquidity risk

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

The Group aims to continuously evaluate and monitor the amount of financing required by its business operations in order to ensure that the Group has sufficient liquid funds to finance operations and repay loans. To guarantee liquidity, external loan funding includes accounts with credit facilities and funding for sales receivables. This makes it easier to respond to seasonal fluctuations in the different segments.

In the Cable segment, unused credit facilities totalled EUR 12.9 million on 31 December 2014 (12.3). Factoring credit facilities represented EUR 10.9 million of this total (11.4).

EUR 1,000	Balance sheet value	Cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31/12/2014						
Bank loans	11,133	11,133	2,500	8,633	0	0
Other loans	3,361	3,361	1,233	1,000	0	1,128
Finance lease agreements	1,947	3,307	160	160	480	2,507
Factoring credit	7,134	7,134	7,134	0	0	0
Accounts payable and other liabilities	4,424	4,403	4,395	8	0	0
Total	28,000	29,339	15,422	9,801	480	3,635
Derivatives						
Commodity derivatives	12	12	12	0	0	0
Financial derivatives	0	0	0	0	0	0

EUR 1,000	Balance sheet value	Cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31/12/2013						
Bank loans	5,633	5,633	5,633	0	0	0
Other loans	1,335	1,445	600	571	274	0
Loan the proceeds of which are partly tied to the company's share performance	5,361	8,897	450	450	6,488	0
Finance lease agreements	1,997	3,493	160	160	480	2,693
Revolving bank credit	5,601	5,601	5,601			
Factoring credit	6,595	6,595	6,595			
Accounts payable and other liabilities	2,848	2,848	2,842	6		
Total	29,370	34,512	21,881	1,187	7,242	2,693
Derivatives						
Commodity derivatives	10	10	10	0		
Financial derivatives	314	314	0	0	314	

The figures are undiscounted and include both interest payments and principal repayments. In December 2014 Neo Industrial Group carried out arrangement where it bought back convertible bonds that entitle cash compensation based on the Company's class B share price.

The financial negotiations of the Cable segment were finalized and new long-term financing agreement was signed in March. With this arrangement the Cable segment replaced previous short-term loans with long-term loans and at the same time enabled a working capital increase with EUR 2 million. Terms of the financing agreement include financial covenants for Cable segment. In addition, the use and distribution of the funds requires consent from the financier. At 31 December 2014 terms of one financial covenant (turnover of capital) were not fulfilled but that did not influence on financial terms because the financier accepted the deviation. Although the financial terms were not altered the loans of the Financial Agreement have been classified as current liabilities according to IAS 1 (IAS 1 / 75). The financial covenants are viewed quarterly according to the financial agreement. The management believes that financial covenants will not affect on the duration of the loans.

Credit risk

The Group manages its credit risk by regularly monitoring the credit rating of its key partners – customers, suppliers and other partners – and by regularly and actively monitoring customer payment behaviour and external information. In addition, Reka Cables Ltd has customer-specific credit insurance. The Group also manages its credit risk through market-specific and customer-specific payment terms. The Group's maximum credit risk corresponds to the book value of financial assets at the end of the financial period. Age analysis of sales receivable is presented in enclosure 18. Taken all market areas into the consideration the largest customer Group's share of the Group's turnover is 20.3 % and the share of the second largest is 12.6 %. Other separate customer's share of the Group's turnover is under 10 %.

Investment market risk

Through its investments in securities, the Group is subjected to investment market risks. Market prices of shares, changes in fund values and the general market situation affect the company's performance through

changes in the values of said investments. The company had no active investments in securities on the closing date of the financial period.

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

EUR 1,000	Positive current values	Negative current values	Current net values 31/12/2014	Current net values 31/12/2013	Nominal values 31/12/2014	Nominal values 31/12/2013
Financial derivatives						
Option contracts	-	0	0	-314	0	0
Raw material options						
Metal derivatives	-	-12	-12	10	395	422
Total derivatives	-	-12	-12	-304	395	422

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

26. Capital management

The Group invests in industrial companies. In capital management, it monitors key figures, such as return on investment (ROI), equity ratio, operating profit and earnings per share.

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

27. Fair values of financial assets and liabilities

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

28. Other leases

The Group as a lessee

Minimum lease payments based on non-cancellable other leases:

EUR 1,000	2014	2013
Within 1 year	1,578	2,164
1-5 years	0	280
Total	1,578	2,444

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.

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 2014 includes EUR 1.0 million (1.0) in expenses based on other leases.

29. Contingent liabilities and commitments

EUR 1,000	31/12/2014	31/12/2013
Debts secured against business mortgages, securities or guarantees		
Loans from financial institutions	11,133	11,234
Granted business mortgages	35,000	35,000
Book value of pledged securities	38,794	25,888
Granted guarantees	11,133	11,234
Guarantees and payment commitments	538	1,038
Lease liabilities	111	90

Investment commitments

On December 2014 Investment commitments for tangible fixed assets amounted to EUR 1.2 million (0.1).

30. Related-party events

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

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

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

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

Related-party transactions

Transactions with the Reka Group

EUR 1,000	1-12/2014	1-12/2013
Rental expenses	-1,721	-1,722
Other purchases	-429	-589
Other income	25	30
Interest revenues	6	92
Loan receivables	43	90
Sales receivables and other receivables at end of the period	462	983
Other debts at the end of the period	58	-17

Discounted rent and sale price receivables, EUR 0.2 million (0.6), are included in other receivables. The items are part of the finance investment activities of the Group.

In the spring of 2012, it was determined that the availability of premises for the Cable segment can be ensured, regardless of the tenure of the lease, if the lessor is a company of the Reka Group. The leases for premises were adjusted on the initiative of Reka Cables. As a result, the recognition of leases in accordance with IFRS changed, and finance leases were eliminated from the balance sheet. Finance lease agreements eliminated from the balance sheet totalled EUR 9.7 million in year 2012. 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 2014 totalled EUR 43,000 (57,000), and purchases totalled EUR 14,000 (2,000). Receivables totalled EUR 0 (1,000) at the end of the financial period. Liabilities totalled EUR 0 (0) at the end of the financial period.

Transactions with other related parties

EUR 1,000	1-12/2014	1-12/2013
Other purchases	14	6
Other debts at the end of the period	14	0

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	2014	2013
Salaries and other short-term fringe benefits	335	496
Pension benefits, defined contribution plans	42	71
Total	377	567

The Group's Board of Directors and management group has been defined as key persons and to the Group's related parties.

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	2014	2013
Salaries and fees:		
Jari Salo, Managing Director	161	257
Markku E. Rentto, Managing Director	0	45
Sari Tulander, CFO	81	107
Members of the board:		
Markku E. Rentto	29	20
Matti Lainema	16	17
Taisto Riski	16	17
Raimo Valo	16	17
Jukka Koskinen	16	12
Ilpo Helander, former member	0	3
Total	335	496

The amounts above include statutory pension insurances as follows: Jari Salo EUR 28,000 (45,000), Markku E. Rentto EUR 0 (8,000) and Sari Tulander EUR 12,000 (19,000).

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

31. Major events after the end of the financial period

Neo Industrial Plc's subsidiary Reka Kaapeli Ltd has got substantial underground power cable order in January. The value of the order is EUR 6.0 million. The deliveries are made during 2015 and 2016. The underground power cables are used when building grids that are not vulnerable to weather conditions.

Neo Industrial Plc's subsidiary Reka Kaapeli Ltd invests EUR 1.5 million in cable manufacturing technology in Hyvinkää Factory. With the investment the productivity of cable manufacturing is enhanced and developing and manufacturing of new products is enabled. The investment will be ready by the end of April 2015.

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

KEY FINANCIAL INDICATORS

Key figures from the income statement and balance sheet

The key figures regarding years 2013 and 2012 have been calculated from continuing operations.

EUR 1,000	2014	2013	2012
Turnover	80,098	83,032	106,234
Operating profit	-740	-1,006	796
Operating profit, %	-0.9 %	-1.2 %	0.70 %
Result before taxes and discontinued operations	1,703	-1,748	-6,211
% of turnover	2.1 %	-2.1 %	-5.80 %
Result for the period	1,787	-1,181	-6,272
Return on equity (ROE)	21.17 %	-14.63 %	-59.40 %
Return on investment (ROI)	12.10 %	1.73 %	1.90 %
Equity ratio, %	21.07 %	15.79 %	13.80 %
Gearing	202.54 %	339.29 %	370.90 %
Investments in tangible assets	412	1,690	1,834
Average number of personnel	241	338	473

Share-related key figures (A and B shares)	2014	2013	2012
Equity per share, EUR	1.59	1.26	1.46
Earnings per share (EPS), EUR	0.30	-0.20	-1.25
Dividend/share, EUR	0.00	0.00	0.00
Dividend/earnings, %	0.00 %	0.00 %	0.00 %
Effective dividend yield, %	0.00 %	0.00 %	0.00 %
Price/earnings (P/E)	2.2	-4.1	-1.4
Share performance, EUR			
-average share price	0.67	0.91	2.21
-lowest price	0.5	0.5	1.17
-highest price	0.86	1.9	3.36
-price at the end of the period	0.67	0.8	1.75
Market capitalisation, EUR 1,000	3,972	4,758	10,439
Trading, number of shares			
Trading, number of shares	454,417	644,870	309,490
%	7.7	11.00	5.3
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			
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), %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{[\text{Balance sheet total} - \text{obligatory provisions and non-interest-bearing liabilities}] \text{ (average)}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity} + \text{non-controlling interest}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Gearing, %	=	$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents, liquid financial and investment securities}}{\text{Shareholders' equity} + \text{non-controlling interest}} \times 100$
Earnings per share (EPS), EUR	=	$\frac{\text{Profit for the period attributable to equity holders of the parent company}}{\text{Number of shares adjusted for share issues (average)}}$
Equity per share, EUR	=	$\frac{\text{Shareholders' equity} - \text{non-controlling interest}}{\text{Number of shares adjusted for share issues at the end of the period}}$
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	1/1-31/12/2014	1/1-31/12/2013
TURNOVER	1	13,391.00	71,897.20
Other operating income	2	90,237.46	77,944.12
Materials and services		-5,760.81	0.00
Personnel expenses	3	-477,507.96	-624,234.57
Depreciation and impairment	4	-10,037.38	-1,188.27
Other operating expenses	5	-1,006,032.02	-1,540,320.41
OPERATING RESULT		-1,395,709.71	-2,015,901.93
Financial income and expenses	6	26,626.40	-7,925,501.21
RESULT BEFORE EXTRAORDINARY ITEMS		-1,369,083.31	-9,941,403.14
Extraordinary items	7	168,000.00	150,000.00
RESULT BEFORE TAXES AND APPROPRIATIONS		-1,201,083.31	-9,791,403.14
Appropriations		-9,051.34	474.99
Taxes	8	-36,773.58	-120,921.27
RESULT FOR THE PERIOD		-1,246,908.23	-9,911,849.42

BALANCE SHEET OF THE PARENT COMPANY (FAS)

	Notes	31/12/2014	31/12/2013
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	9	126,045.37	101,534.60
Other investments	10	6,942,536.01	6,901,518.48
		7,068,581.38	7,003,053.08
CURRENT ASSETS			
Non-current receivables	11	18,220,179.06	17,404,179.06
Current receivables	12	7,116,855.66	6,203,073.20
Cash and cash equivalents		582,453.06	14,898.51
		25,919,487.78	23,622,150.77
ASSETS		32,988,069.16	30,625,203.85
LIABILITIES			
SHAREHOLDERS' EQUITY			
	13		
Share capital		24,081,440.00	24,081,440.00
Premium fund		66,400.00	66,400.00
Reserve fund		1,221,254.58	1,221,254.58
Own shares		-590,794.10	-590,794.10
Retained profit		-28,148,261.78	-18,460,670.45
Other unrestricted equity		21,326,806.46	21,326,806.46
Result for the period		-1,246,908.23	-9,911,849.42
		16,709,936.93	17,732,587.07
ACCUMULATED APPROPRIATIONS	14	10,119.35	1,068.01
OBLIGATORY PROVISIONS	15	5,294,924.01	5,320,457.07
NON-CURRENT LIABILITIES	16	8,126,293.01	6,481,768.17
CURRENT LIABILITIES	17	2,846,795.86	1,089,323.53
LIABILITIES		32,988,069.16	30,625,203.85

PARENT COMPANY CASH FLOW STATEMENT (FAS)

EUR 1,000	1/1-31/12/2014	1/1-31/12/2013
Cash flow from operating activities:		
Payments received from operating activities	108	82
Payments paid on operating activities	-1,121	-3,123
Paid interests and other financial expenses	-566	-1,510
Interests received and other financial income	29	1,191
Direct taxes paid	-37	0
Cash flow from operating activities	-1,586	-3,360
Cash flow from investments:		
Investments in tangible fixed assets	-35	-98
Proceeds from sale of tangible fixed assets	0	39
Acquired shares in subsidiaries	-41	0
Loans granted	-1,014	0
Loan repayments	194	2,796
Cash flow from investments	-896	2,737
Cash flow from financing activities:		
Increase in loans	3,107	0
Decrease in loans	-207	-511
Group contributions received/paid	150	1,148
Cash flow from financing activities	3,050	637
Change in cash and cash equivalents	568	14
Cash and cash equivalents at the beginning of the period	15	1
Cash and cash equivalents at the end of the period	583	15

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (FAS)

ACCOUNTING POLICIES

The financial statements of the parent company have been prepared in accordance with the general accounting principles of Finnish Accounting Standards (FAS; chapter 3, section 3).

Valuation principles

Valuation of non-current assets

Non-current assets are recognized in the balance sheet at original cost less depreciation. Depreciation has been determined on the basis of the useful lives of the assets. Machinery and equipment are depreciated over a period of 3 to 5 years.

Valuation of current assets

The company's financial securities are recognized at fair value. Realised and unrealised gains and losses from changes in fair value are recognized in the income statement in the financial period in which they occur.

Fair value is assessed based on information received from the counterparty or a valuation report or valuation model submitted by a third party.

Recognition of pensions

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

Comparability of the profit

In year 2013 an impairment of EUR 9.7 million on shares in Novalis Plc was recorded. After this, the value of the shares on the balance sheet is EUR 6.7 million.

Foreign currency items

Receivables and liabilities denominated in foreign currencies have been converted to euros using the exchange rate listed by the European Central Bank on the closing date of the financial period.

NOTES TO THE INCOME STATEMENT

1. Turnover

EUR 1,000	2014	2013
Turnover from consulting and management services	13,391.00	71,897.20
	13,391.00	71,897.20

2. Other operating income

EUR 1,000	2014	2013
Rental income from Group companies	3,580.00	0.00
Rental income from other companies	80,472.54	77,942.32
Other income	6,184.92	0.00
	90,237.46	77,942.32

3. Personnel expenses

EUR 1,000	2014	2013
Salaries and fees	409,970.17	522,945.84
Pension expenses	56,886.30	87,036.28
Other personnel expenses	10,651.49	14,252.45
	477,507.96	624,234.57
of which		
Management's salaries and fees	228,348.17	408,736.79
Board of Directors' fees	93,050.00	86,900.00
	321,398.17	495,636.79

4. Depreciation and impairment

EUR 1,000	2014	2013
Depreciation on machinery and equipment	2,358.55	1,188.27
Depreciation on other tangible assets	7,678.83	0.00
	10,037.38	1,188.27
Total depreciation and impairment	10,037.38	1,188.27

5. Other operating income

EUR 1,000	2014	2013
Rents	173,845.88	208,013.22
Voluntary personnel expenses	4,148.36	27,740.18
Audit of the accounts	60,145.07	54,623.57
Consultant services	266,877.28	573,733.70
Sales and marketing	9,476.80	62,408.79
Machinery and property maintenance costs	113,573.07	106,994.48
Other expenses	377,965.56	506,806.47
	1,006,032.02	1,540,320.41

Fees paid to the auditors

The amounts are included in other operating expenses	2014	2013
Annual audit of the accounts	22,792.66	21,310.90
Other services	37,352.41	33,312.67
	60,145.07	54,623.57

6. Financial income and expenses

Financial income (EUR 1,000)	2014	2013
Interest and financial income from Group companies	911,080.02	1,111,867.10
Income from financial derivatives	0.00	1,029,216.14
Interest and financial income from other companies	42.12	1,952.52
	911,122.14	2,143,035.76
Financial expenses		
Impairment on investments in non-current assets	0.00	-9,669,273.00
Interest and financial expenses to Group companies	-35,317.22	-535.34
Interest and financial expenses to other companies	-849,178.52	-398,728.63
	-884,495.74	-10,068,536.97
Total financial income and expenses	26,626.40	-7,925,501.21

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

EUR 1,000	2014	2013
Group contributions received	168,000.00	150,000.00
Total extraordinary items	168,000.00	150,000.00

8. Taxes on the income statement

EUR 1,000	2014	2013
Change in deferred tax	0.00	-120,921.27
Other taxes	-36,773.58	0.00
Taxes total	-36,773.58	-120,921.27

NOTES TO THE BALANCE SHEET

9. Tangible assets

Machinery and equipment (EUR 1,000)	2014	2013
Acquisition costs 1/1	115,722.87	23,075.37
Increase	34,548.15	98,326.75
Decrease	0.00	-5,679.25
Acquisition costs 31/12	150,271.02	115,722.87
Accumulated depreciation 1/1	-14,188.27	-13,000.00
Depreciation according to plan	-10,037.38	-1,188.27
Accumulated depreciation 31/12	-24,225.65	-14,188.27
Book value 31/12	126,045.37	101,534.60

10. Other investments

EUR 1,000	2014	2013
Acquisition costs 1/1	6,901,518.48	16,573,110.12
Increase	41,017.53	0.00
Decrease	0.00	-2,318.64
Impairment	0.00	-9,669,273.00
Acquisition costs 31/12	6,942,536.01	6,901,518.48

Holdings in Group companies	Business ID	Share capital EUR 1,000	Number of shares	Proportion of Shares, %
Alnus Oy, Helsinki	0762281-4	168	1,000	100.0
Novalis Oyj, Helsinki	1642820-4	2000	2,000,000	100.0
Russian Regional Real Estate	2185443-5	150	30,000	100.0

The sale of manufacturing companies OAO Expokabel and ZAO Reka Kabel in May 2013 had on a positive effect of EUR 1.0 million on the Group's result. However, the impact of the sale affected differently to different Group companies. The direct and indirect effect on Novalis Plc was negative and therefore an impairment of EUR 9.7 million on shares in Novalis Plc was recorded in 2013. The impairment was recognised in financial expenses on the income statement.

11. Non-current receivables

EUR 1,000	2014	2013
Subordinated loan receivables from Group companies	13,600,000.00	13,600,000.00
Non-current interest receivables from Group companies	4,080,000.00	3,264,000.00
Deferred tax receivable	540,179.06	540,179.06
Total	18,220,179.06	17,404,179.06

12. Current receivables

EUR 1,000	2014	2013
Sales receivables	8,296.28	8,484.24
Sales receivables from Group companies	113,880.16	110,011.68
Current loan receivables from Group companies	6,032,277.95	5,211,909.14
Interest receivables from Group companies	608,670.81	542,692.24
Other receivables, Neo Industrial Group	168,000.00	150,000.00
Accrued income from Group companies	31,506.05	36,202.28
Other receivables	26,854.22	23,823.35
Accrued income	127,370.19	119,950.27
Total	7,116,855.66	6,203,073.20

Material items of accrued income

EUR 1,000	2014	2013
Accrued income from Group companies	31,506.05	36,202.28
Other accrued income	127,370.19	119,950.27
Total	158,876.24	156,152.55

13. Shareholders' equity

EUR 1,000	2014	2013
Share capital 1/1		
Series A	558,400.00	558,400.00
Series B	23,523,040.00	23,523,040.00
Share capital 31/12	24,081,440.00	24,081,440.00
Premium fund 1/1	66,400.00	66,400.00
Premium fund 31/12	66,400.00	66,400.00
Reerve fund 1/1	1,221,254.58	1,221,254.58
Reserve fund 31/12	1,221,254.58	1,221,254.58
Restricted equity 31/12	25,369,094.58	25,369,094.58
Own shares 1/1	-590,794.10	-590,794.10
Own shares 31/12	-590,794.10	-590,794.10
Retained profit 1/1	-28,372,519.87	-18,460,670.45
Return of unsettled dividends	224,258.09	0.00
Siirto omien osakkeiden rahastoon	0.00	0.00
Retained profit 31/12	-28,148,261.78	-18,460,670.45
Other unrestricted equity 1/1	21,326,806.46	21,326,806.46
Other unrestricted equity 31/12	21,326,806.46	21,326,806.46
Result for the period	-1,246,908.23	-9,911,849.42
Unrestricted equity 31/12	-8,659,157.65	-7,636,507.51
Shareholders' equity 31/12	16,709,936.93	17,732,587.07

The parent company's share capital by share series	2014		2013	
	Number	Shareholders' equity EUR 1,000	Number	Shareholders' equity EUR 1,000
Series A (20votes/share)	139,600	558	139,600	558
Series B (1 vote/share)	5,880,760	23,524	5,880,760	24,082
	6,020,360	24,082	6,020,360	24,640

14. Accumulated appropriations

EUR 1,000	2014	2013	Change
Difference between depreciation according to plan and depreciation in accordance with the Finnish Business Tax Act (EVL)	10,119.35	1,068.01	9,051.34

15. Obligatory provisions

EUR 1,000	2014	2013
Rental loss provision	694,924.01	520,457.07
Payment guarantee for the purchase price of premises (Avilon Fibres Ltd)	4,600,000.00	4,800,000.00
Total obligatory provisions	5,294,924.01	5,320,457.07

16. Non-current liabilities

EUR 1,000	2014	2013
Loan the proceeds of which are partly tied to the company's share perfor	5,557,314.04	5,361,423.04
Derivative liabilities	433,232.74	313,950.03
Other liabilities	2,135,746.23	806,395.10
Total	8,126,293.01	6,481,768.17

17. Current liabilities

EUR 1,000	2014	2013
Accounts payable	623,610.89	186,993.14
Accruals and deferred income	69,937.91	337,721.85
Other liabilities to Group companies	909,815.72	0.00
Other liabilities	1,243,431.34	564,608.54
Total	2,846,795.86	1,089,323.53

Material items of accrued liabilities

EUR 1,000	2014	2013
Personnel expenses allocated by period	51,281.80	58,733.76
Other accrued liabilities	18,656.11	278,988.09
Total	69,937.91	337,721.85

18. Contingent liabilities

EUR 1,000	2014	2013
Guarantees granted on behalf of the Group or its subsidiaries	5,133,310.00	5,633,310.00
Granted business mortgages	170,791.48	170,791.48
Total	5,304,101.48	5,804,101.48

Financial lease and other lease liabilities

EUR 1,000	2014	2013
Maturing within 1 year	172,614.72	166,447.00
Maturing in 1 to 5 years	690,458.88	665,787.00
Maturing after 5 years	2,689,912.72	2,774,000.00
Total	3,552,986.32	3,606,234.00

19. Derivative contracts

EUR 1,000	2014	2013
<i>Nominal values</i>		
Financial derivative		
Option contracts	0.00	0.00
<i>Fair values</i>		
Financial derivative		
Option contracts	-433,232.74	-313,950.03

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

21. Additional information for shareholders

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

22. Board's proposal to the Annual General meeting

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

Signatures of the Financial Statement and Board of Directors' report

Helsinki, 27 February 2015

Markku E. Rentto
Chairman

Jukka Koskinen

Matti Lainema

Taisto Riski

Raimo Valo

Jari Salo
Managing Director

AUDITOR'S NOTE

We have issued the auditor's report today.

Helsinki, 27 February 2015

KPMG OYAB
Authorized Public Audit FirmLasse Holopainen
APA



KPMG Oy Ab
PO Box 1037
00101 Helsinki
FINLAND

Töölönlahdenkatu 3 A
00100 Helsinki
FINLAND
Telephone +358 20 760 3000
Telefax +358 20 760 3399
www.kpmg.fi

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, 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates

made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the consolidated financial statements

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

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

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

Helsinki, 27 February 2015

KPMG OY AB

LASSE HOLOPAINEN
Authorized Public Accountant

SHAREHOLDERS ON 31 DECEMBER 2014

Neo Industrial plc's ten largest shareholders on December 31 2014

	A-class shares	B-class shares	Shares total	Proportion of equity %	Proportion of votes %
Reka Oy	139 400	2 916 387	3 055 787	50,76	65,77
Onninen-Sijoitus Oy	0	250 000	250 000	4,15	2,88
CAG Management Oy	0	105 305	105 305	1,75	1,21
Neo Industrial Oyj	0	91 727	91 727	1,52	1,06
Syvänen Riku	0	29 670	29 670	0,49	0,34
Lainema Matti	0	26 000	26 000	0,43	0,30
Etelä-Pohjanmaan Turve Oy	0	22 499	22 499	0,37	0,26
Sjöblom Katri	0	17 935	17 935	0,30	0,21
Syrjä Jukka	0	17 770	17 770	0,30	0,20
Halonen Antti	0	15 962	15 962	0,27	0,18
Other shareholders	200	2 387 505	2 387 705	39,66	27,57
Total	139 600	5 880 760	6 020 360	100,00	100,00

Ownership by type of shareholder

Type of shareholder	Share- holders no.	Share- holders %	Shares total	Proportion of equity %	Proportion of votes %
Companies	229	2,0	3 388 050	56,3	69,6
Financial institutions and insurance companies	31	0,3	356 637	5,9	4,1
Public organisations	68	0,6	46 150	0,8	0,5
Non-profit organisations	246	2,1	141 766	2,4	1,6
Households	10 995	95,0	1 967 611	32,7	22,7
Outside Finland	6	0,1	1 240	0,0	0,0
Nominee registered			9 439	0,2	0,1
Not in the book-entry securities system			109 467	1,8	1,3
Total	11 575	100,0	6 020 360	100,0	100,0

Ownership by the amount held

Shares held	Share- holders no.	Share- holders %	Shares total	Proportion of equity %	Proportion of votes %
1 - 50	5 288	45,7	153 312	2,5	1,8
51 - 100	3 030	26,2	264 627	4,4	3,1
101 - 1 000	2 914	25,2	909 226	15,1	10,5
1 001 - 10 000	319	2,8	771 237	12,8	8,9
10 001 -	24	0,2	3 812 491	63,3	74,5
Not in the book-entry securities system			109 467	1,8	1,3
Total	11 575	100,0	6 020 360	100,0	100,0

Management's shareholding

The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,981,874 (2,978,643) of Neo Industrial's B shares on 31 December 2014. Neo Industrial held 91,727 (92,727) of its own shares on 31 December 2014.

Shares and share capital

Neo Industrial Plc's share capital was EUR 24,081,440 (24,081,440) on 31 December 2014. The share capital is divided into 6,020,360 shares. Of the shares, 139,600 are A shares with 20 votes per share and 5,880,760 are B shares with one vote per share. The total number of votes is 8,672,760, of which A series represents 2,792,000 votes and B series represents 5,880,760 votes. The total number of shares includes 91,727 (91,727) B shares owned by Neo Industrial. The company's Articles of Association do not include any redemption clauses. There are no shareholder agreements.