

NEO INDUSTRIAL PLC'S BUSINESS REVIEW 1.1.-25.10.2016

The Cable Segment's turnover grew and operating result improved clearly from previous year

Neo Industrial's turnover for the period between 1 January and 30 September 2016 was EUR 74.8 million (EUR 64.4 million in the comparison period 1.1. - 30.9.2015). Its operating result was EUR 4.9 million (-1.4).

During the first three quarters of the year, Cable segment's turnover increased 16% and the operating result increased by EUR 5.7 million compared to previous year. (The operating result of the comparison period was burdened by non-recurring costs, total EUR 0.8 million.)

According to Managing Director Ralf Sohlström, the turnover and operating results increased due to delivery contracts of underground cables concluded last year as well as active actions taken to increase the utilisation rates and delivery capacities of the factories. The investments agreed upon earlier have been implemented successfully, and the efficiency improvement program started last October has resulted in improved cost-effectiveness of the cable industry and improved productivity of the factories.

The Group's financing debts have reduced significantly and, consequently, the management has been able to focus more on business development.

The market shows signs of recovery and grid builders are expected to continue underground cabling investments to improve the reliability of electricity distribution.

KEY FIGURES (IFRS)

	1-9/2016	1-9/2015	1-12/2015
Turnover, EUR million	74.8	64.4	84.6
Operating result, EUR million	4.9	-1.4	-2.0
Result for the period, EUR million	2.9	-2.7	-3.7
Earnings per share, EUR	0.49	-0.45	-0.62
ROI, %	18.1	-3.9	-6.0
Equity ratio, %	20.5	12.7	1.8

SEGMENTS

The business segment of Neo Industrial is Cable industry.

CABLE SEGMENT

The Cable Segment's turnover for the review period 1.1.-30.9.2016 was EUR 74.8 million (64.4 million during the comparison period 1.1.-30.9.2015). The operating result was EUR 5.5 million (-0.2). The operating result of the comparison period was burdened by non-recurring costs, total EUR 0.8 million.

The sales volumes in the cable market of Nordic countries, the main market area of Reka Cables Ltd, increased clearly from the previous year. The sales volumes in other markets were somewhat lower compared to the previous year.

At the end of the review period the raw material EUR prices of aluminium and copper were slightly higher compared to the price level at the last turn of the year.

The made investments, EUR 1.5 million, were particularly aimed at increasing productivity. The turnover for Nestor Cables Ltd, an associated company of the Cable Segment, was EUR 20.4 million (22.1) during the review period. The operating result was positive but smaller than the year before. The value of the shares of Nestor Cables Ltd in the consolidated balance sheet is zero due to the cumulative results of the previous years, and its share of the 2016 result is not taken into account in the Group's figures.

RISKS AND UNCERTAINTY FACTORS

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

The Group has made financial arrangements since 2014. In addition to ensuring liquidity and sufficient funding by conducting negotiations on financing and payment terms, measures for boosting inventory turnover and freeing up capital assets are taken into action. Due to improved financial situation the management has been able to concentrate on business development.

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 affect significantly the ability to ensure competitive delivery times through sufficient inventories. Also, operation models are being developed in order to balance out the effects of seasonal changes on the load rates of factories.

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

NEAR-TERM OUTLOOK

Construction has been picking up somewhat in Nordic countries and Western Europe. The management believes that grid constructors will continue ground cabling investments to ensure distribution reliability. The turnover of the Cable Segment in 2016 is believed to clearly exceed the turnover of 2015. The Group's operating result is believed to be positive also during the second half of the year and the operating result of the entire year is believed to be clearly positive.

The information presented in this statement is unaudited.

Hyvinkää October 25, 2016

Neo Industrial Plc.
Board of Directors

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

Among other things, such factors include 1) operating conditions, such as continued success in production and the ensuing efficiency benefits, availability and cost of production inputs, demand for new products and changes in circumstances affecting the acquisition of capital under acceptable conditions; 2) sector-specific circumstances, such as the intensity of demand for products, the competition, current and future market prices for the Group's products and related pricing pressures, the financial situation of the Group's customers and competitors and competitors' possible new products; and 3) the general economic situation, such as economic growth in the Group's main market areas and changes in exchange rates and interest rates.