

**NEO INDUSTRIAL PLC'S INTERIM MANAGEMENT STATEMENT FOR 1 JANUARY TO 28 OCTOBER 2015**

Significantly new orders, turnover increased slightly, operating result was lower than year before.

Neo Industrial's turnover for the period between 1 January and 30 September 2015 was EUR 64.4 million (63.3 million 1.1. – 30.9.2014). Its operating result was -1.4 million (0.9 million). Operating result was burdened by extraordinary costs total EUR 1.1 million. Extraordinary costs contains circa EUR 0.6 million costs due to management changes. Total circa EUR 0.5 million was due to investments in recruiting new production personnel and training as well as larger than normal variations of factories' load and utilisation rates.

Mr. Ralf Sohlström, M.Sc. (El. Eng), was appointed as Managing Director of Reka Cables Ltd, subsidiary of Neo Industrial Plc starting May 1, 2015 and as Managing Director of Neo Industrial Plc starting September 1, 2015.

Neo Industrial Plc's former Managing Director Jari Salo, M.Sc. (Tech.) continues supporting the cable business development as member of the Board of Reka Cables Ltd.

**CABLE SEGMENT**

The Cable segment's turnover for the period between 1 January and 30 September 2015 was EUR 64.4 million (63.3 million). The operating result was EUR -0.2 million (1.7 million). The Cable segment's operating result was burdened by extraordinary costs total EUR 0.8 million.

In the review period (1 January to 30 September 2015), 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 many regional differences. The sales volume to other countries increased.

The raw material prices of aluminium and copper have fluctuated a lot. At the end of the review period the prices of aluminium and copper were lower than on December 31 2014. The world market prices of plastics have also fluctuated during the review period.

Reka Cables Ltd got substantial underground power cable order in January. The value of the order is EUR 6.0 million and the deliveries are made during 2015 and 2016. In September and October Reka Cables Ltd has made several underground power cable delivery agreements, valued total over EUR 35 million. The deliveries of these agreements are made mainly during 2016 and 2017. The underground power cables are used when building grids that are not vulnerable to weather conditions.

Reka Cables Ltd invested EUR 1.5 million in cable manufacturing technology in Hyvinkää Factory during the review period. With the investment the productivity of cable manufacturing is enhanced and developing and manufacturing of new products is enabled.

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

Reka Cables Ltd started in October efficiency improvement program which aims to ensure competitiveness of the company in the long term. As a part of the efficiency improvement program Reka Cables Ltd started the co-determination negotiations to decrease maximum nine permanent officials. The co-determination negotiations concern all permanent officials in Hyvinkää, Riihimäki and Keuruu.

The turnover of Nestor Cables, an associated company of the Cable Segment, were EUR 22.1 million (25.9 million) for the period between 1 January and 30 September 2015. The operating result was positive, but lower than in the previous year.

**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.

## NEAR-TERM OUTLOOK

The construction has been picking up slightly in Nordic countries and in Western Europe. 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. 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.

The information presented in this statement is unaudited.

Hyvinkää, 28 October 2015

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.

[www.neoindustrial.fi](http://www.neoindustrial.fi)

Neo Industrial's strategy is to invest mainly in industrial companies with similar synergic benefits. The aim of investments is with active ownership to develop the purchased companies and establish additional value. Returns are sought through both dividend flow and an increase in value. Neo Industrial's class B shares are listed on the main list of NASDAQ Helsinki Stock Exchange. Neo Industrial's business segment is Cable Industry.