

NEO INDUSTRIAL PLC'S INTERIM MANAGEMENT STATEMENT FOR 1 JANUARY TO 30 OCTOBER 2013

Neo Industrial's net sales for the period between 1 January and 30 September 2013 were EUR 68.3 million (83.9 million in 2012). Its operating result was 0.1 million (0.3 million), including a gain of EUR 0.4 million from the sale of the Group's operations in Russia. The comparative figures for 2012 have been adjusted to exclude the discontinued Viscose Fibres segment. The Cable segment is now Neo Industrial's only segment.

Cable segment's Russian cable manufacturing companies OAO Expokabel and ZAO Reka Kabel were sold in May.

The divestment of the Russian cable manufacturing companies improved Neo Industrial's liquidity situation, but its working capital situation continued to be challenging due to higher-than-expected increase in stock levels in the summer.

CABLE SEGMENT

The Cable segment's net sales for the period between 1 January and 30 September were EUR 68.3 million (83.9 million). Its operating result was 1.4 million (2.3 million).

During the review period (from 1 January to 30 October 2013), demand in the Nordic cable market, the main market of Reka Cables Ltd, was weaker than in the corresponding period of the previous year. Projects have been delayed in the Nordic countries as well as in Central Europe. This is also recognized as harder competition in the Baltic markets. Projects have been postponed in Russia, too. On the other hand, new projects have been received from other CIS countries.

Excluding the early part of the year, the prices of copper and aluminium, metals used as raw materials, have been on lower level than in the previous year. The prices of plastics have varied heavily and are on higher level than in the beginning of the year.

In February, Reka Cables signed a short-term financing agreement of EUR 2.0 million for working capital financing, which created better conditions for increasing delivery capacity for the high season in spring. The short-term loan was repaid and a short-term financing agreement lasting to the end of November has been signed in the Cable segment.

During the review period (from 1 January to 30 October 2013), the sales of medium-voltage and high-voltage cables, as well as ground and installation cables, were lower than in the previous year because of the delayed projects and weaker electrical wholesale market.

The insurance company has paid EUR 0.2 million in compensation for the breakdown at Reka Cables' Keuruu plant in 2011. The parties disagree on the amount of compensation due, with Reka Cables estimating the damage at EUR 0.8 million. Negotiations with the insurance company continue.

The sale of the Cable segment's Russian companies has no effect on Reka Cables' operation. The company continues to sell and market cables in Russia and other CIS countries through its subsidiary in Russia. Its cables are manufactured in Finland.

Net sales for Nestor Cables, an associated company, were EUR 21.3 million (23.5 million) for the period between 1 January and 30 September 2013. The company's operating result was positive.

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 segment company. The uncertainty of the international economy and financial markets poses a risk to the Group's financial arrangements.

The Group's liquidity situation is tight. The fluctuation of raw material prices and currencies as well as seasonal market changes present challenges in working capital management.

The Cable segment's challenges include ensuring favourable operating conditions so that the Group will be able to secure additional funding to replace the remaining maturing loans and renegotiate payment terms or liquidate capital from its operations in other ways. Measures are in progress to ensure funding.

In the Cable segment, the most significant risks are related to market development, working capital management and fluctuations in the prices of raw materials and currencies. During considerable seasonal changes, suppliers' terms of payment have an essential effect on the company's ability to ensure competitive delivery times through sufficient inventories.

The bankruptcy estate of Kuitu Finland Ltd brought an action against Neo Industrial on 9 April. The action is related to the transaction of the industrial premises of Avilon Fibres, Neo Industrial's subsidiary. The action demands that Neo Industrial pays the remaining amount (EUR 5.0 million) as a one-off payment plus penalty interest, legal expenses and an adjustment (EUR 309,000) based on the building cost index, contrary to the 25-year payment plan stated in the agreement. Neo Industrial considers the action to be unfounded and seeks to come to an agreement with the bankruptcy estate of Kuitu Finland. The provisions in Neo Industrial's consolidated financial statements for 2012 include the discounted balance sheet value (EUR 2.7 million) of the instalments of Avilon Fibres' industrial premises for the price remaining unpaid. In the parent company's financial statements (FAS), the instalments are not discounted, for which reason the related provision is EUR 5 million. If the action is successful, the Group will have to pay the amount demanded as a one-off payment, contrary to the 25-year payment plan stated in the sales agreement. Neo Industrial has given a reply to this action.

NEAR-TERM OUTLOOK

The outlook for the Cable segment weakened during the spring and early summer. Construction has not picked up in Finland and Sweden, contrary to what was expected in early 2013. Ground cabling volumes in Finland are likely to be lower than expected as the projects will be postponed. The lower-than-expected volumes in Reka Cables' main markets in the Nordic countries create pressures for more intense price competition. Many significant investments and ground cabling projects have been postponed in the Nordic countries until 2014 because of the economic uncertainty.

The demand has decreased and the Cable segment's operational result will be negative in the last quarter. In spite of the challenging market situation, the Cable segment is expected to record positive operational result for the second half of the year, and further, for the whole year 2013.

The information presented in this statement is unaudited.

In accordance with Section 5c of Chapter 2 of the Securities Markets Act, Neo Industrial will publish interim management statements for the first three and nine months of the year instead of interim reports.

Hyvinkää, 30 October 2013

Neo Industrial Plc
Board of Directors

Further information:
Jari Salo, Managing Director, tel. +358 20 720 9196
Sari Tulander, CFO, tel. +358 20 720 9192

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.

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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 NASDAQ OMX Helsinki Stock Exchange. Neo Industrial's business segment is Cable industry.