

## NEO INDUSTRIAL'S INTERIM REPORT FOR JANUARY–JUNE 2012

The Cable segment recorded a positive result, and Avilon's corporate reorganisation programme was confirmed. Working capital funding continued to be a challenge.

### January–June:

- The Neo Industrial Group's net sales were EUR 57.7 million (67.9 million in 2011), decreasing by 15 percent.
- Its operating result improved by 193 percent to EUR 8.6 million (-9.2 million).
- Its result for the period improved by 114 percent to EUR 1.6 million (-11.7 million).

### April–June:

- The Neo Industrial Group's net sales were EUR 31.4 million (36.3 million), decreasing by 13 percent.
- Its operating result improved by 629 percent to EUR 10.6 million (-2.0 million).
- The Cable segment continued to improve its operating result.
- Avilon's corporate reorganisation programme was confirmed.
- The value of Neo Industrial's share in Finndomo was recorded as a write-off.

### MANAGING DIRECTOR MARKKU E. RENTTO:

The proposals for corporate reorganisation programmes for the Viscose Fibres and Single Family Housing segments were prepared during the first half of the year, and the programme for the Viscose Fibres segment was confirmed. The Cable segment's improved result had a positive effect on the Group's financial performance.

Working capital management was a key challenge for the Cable segment. The growth outlook for the Cable segment is affected by the uncertain European economy. However, underground cabling in Finland and European investments in new energy forms show promise for the future.

In the Viscose Fibres segment, Avilon's corporate reorganisation programme was confirmed in June, which improved the company's debt structure and future prospects. The company continued to make preparations for launching the production of antimicrobial products. Moreover, it entered into a marketing agreement related to the PPV technology marketing and license sales.

In June, Neo Industrial decided to write off its shares in Finndomo Oy and discontinue its Single Family Housing segment, which is reported separately for the last time in this interim report.

	Q2/2012	Q2/2011	Change	HI/2012	HI/2011	Change
Net sales (EUR million)	31.4	36.3	-13%	57.7	67.9	-15%
Operating result (EUR million)	10.6	-2.0	629%	8.6	-9.2	193%
Profit for the period (EUR million)	4.1	-4.2	197%	1.6	-11.7	114%
Earnings per share, EUR	0.50	-0.66		0.13	-1.92	
ROI				5.7%	-15.4%	
Equity ratio				19.3%	23.4%	

### NET SALES AND OPERATING RESULT

The Neo Industrial Group's net sales in January–June 2012 were EUR 57.7 million (67.9 million). The decrease is largely explained by the shutdown at Avilon's production plant in the Viscose Fibres segment. Net sales for the Cable segment were EUR 55.6 million (52.9 million).

The Group's operating result was EUR 8.6 million (-9.2 million). Above all, the positive result was made possible by the confirmation of Avilon's corporate reorganisation programme. In addition, the Cable segment's operating result improved, and Reka Cables' leases for premises were converted into open-ended contracts, which had a positive effect of EUR 0.9 million in IFRS accounting.

The Neo Industrial Group's result for the period was EUR 1.6 million (-11.7 million).

## BALANCE SHEET AND FINANCING

The Group's cash position remained tight. Working capital management presented challenges for the Cable segment. In the Viscose Fibres segment, the shutdown at Avilon's production plant continued throughout the review period, owing to the difficult market situation for fibre products. The resumption of production will require additional working capital financing.

Of Reka Cables' factoring credit facility of EUR 10.5 million (9.5 million on 31 December 2011), EUR 10.0 million (8.1 million) was in use on 30 June 2012. Of its revolving bank credit of EUR 6.5 million (6.0 million), EUR 5.6 million (5.8 million) was in use on 30 June 2012.

Avilon's unsecured debts were cut and converted into shares, which strengthened shareholders' equity in the consolidated balance sheet by EUR 12.6 million.

Avilon's emission allowances totalled 93,000 at the end of the review period. If necessary, emission allowances can be sold to strengthen the company's liquidity.

At the end of the review period, the balance sheet total stood at EUR 85.1 million (128.8 million). On 1 January 2012, the balance sheet total was EUR 97.9 million.

## SEGMENTS

Cable	Q2/2012	Q2/2011	Change	H1/2012	H1/2012	Change
Net sales (EUR million)	31.3	28.4	10%	55.6	52.9	5%
Operating result (EUR million)	1.2	-0.5	344%	1.4	-0.9	250%

Sales developed favourably in Finland and other Nordic countries throughout the review period. However, competition remained tough, and price levels were lower than expected in power plant sales in Finland as well as in the Baltic countries in general. Additional sales in the Nordic countries were limited by low inventories of finished products. Net sales for the Cable segment in January–June were EUR 55.6 million (52.9 million).

Net sales for the Cable segment's business operations in Russia met expectations during the review period. The special cables unit recorded a positive operating result. Power cable production remained under shutdown due to low price levels. The operating result for the Cable segment's business operations in Russia was slightly negative.

The Cable segment's operating result for the first half of the year was EUR 1.4 million (-0.9 million) of which EUR 0.9 million resulted from the conversion of Reka Cables' leases for premises into open-ended contracts. This also ensured the availability of premises in the future. The Cable segment's operating result in Finland for the first half of the year was EUR 1.6 million higher than its operating result for the first half of 2011.

The liquidity situation continued to be challenging. Negotiations and arrangements with financiers and raw material suppliers contributed to maintaining a satisfactory level of working capital.

The effects of changes in the prices of copper and aluminium were managed through price hedging. The availability of aluminium presented challenges at times.

Contrary to the first quarter, layoffs were avoided in the second quarter. Due to increased production volumes, the Cable segment has hired new employees since late March.

In Finland, the segment decided to make organisational changes to shift the focus in production and operations planning from plant-specific steering to company-level planning at Reka Cables. A new operations steering team was established to optimise production. These changes were implemented to further improve customer service, increase flexibility and better optimise working capital.

The order backlogs at the Hyvinkää and Keuruu plants were at the expected level at the end of the review period, but the Riihimäki plant had not reached its target.

Negotiations continue with the insurance company about the interruption insurance compensation for the machinery breakdown in Keuruu in 2011. Reka Cables estimates the compensation at EUR 0.8 million, while the insurance company's estimate is EUR 0.3 million.

Net sales for Nestor Cables, an associated company, were EUR 16.3 million (11.9 million) for the review period.

## Viscose Fibres

	Q2/2012	Q2/2011	Change	H1/2012	H1/2011	Change
Net sales (EUR million)	0.1	7.9	-99%	2.1	15.0	-86%
Operating result (EUR million)	9.6	-1.2	904%	7.6	-7.8	197%

Net sales for the Viscose Fibres segment in January–June were 2.1 EUR million (15.0 million), consisting of the sales of fire-retardant fibre to the United States from Avilon's inventory. As a result of the recognition of EUR 10.3 million in debt cuts, the segment recorded a positive operating result of EUR 7.6 million (-7.8 million).

The District Court of Pirkanmaa accepted Avilon's proposal for a corporate reorganisation programme on 28 June 2012. Neo Industrial issued a stock exchange release on the matter on the same day. The reorganisation programme serves to secure favourable conditions for the company in the future. As part of the proposition for a corporate reorganisation programme, creditors were offered an opportunity to convert their receivables into shares in Avilon Ltd. Avilon's debts decreased by a total of EUR 14.5 million, of which EUR 10.3 million was due to cuts in unsecured debts. Debts converted into shares totalled EUR 4.2 million. The Group's equity strengthened by EUR 12.6 million, and 80 percent of unsecured debts were cut.

Avilon's production standstill continued throughout the review period. The world market prices for cotton and its substitute, viscose fibre, remained low during the entire period.

The company's strategy is to focus increasingly on the production of special fibres due to its size and energy and environmental costs, which are higher than those for fibre manufacturers outside the European Union. In addition to fire-retardant fibre for mattresses, the company decided to focus on antimicrobial fibres, because their market prices are higher and more stable than those of basic viscose fibre. Antimicrobial fibres are used in hospital and sports textiles, to name just two examples. For this reason, the company focused mainly on special fibres in sales and marketing. In March, the company decided to invest in converting a post-processing machine at the viscose fibre plant into one suitable for the production of antimicrobial fibres, and the investment project was launched after that.

The Viscose Fibres segment continued to develop its technology business. It started to market the PPV technology in collaboration with CellMark AB. Furthermore, direct licensing negotiations with several Asian viscose fibre manufacturers were launched. The development of the carbamate technology continued as planned.

### Single Family Housing

Finndomo, the company that constitutes the Single Family Housing segment, filed for corporate reorganisation during the review period. The segment started to centralise the company's operations in its Sonkajärvi plant. Omatalo acquired the industrial premises and business operations of Finndomo's Sonkajärvi plant on 20 April 2012. Employees were transferred to Omatalo as existing employees.

Neo Industrial recorded its EUR 6.4 million share in Finndomo as a write-off in its balance sheet on 28 June 2012 and decided to discontinue its Single Family Housing segment. The segment is reported separately for the last time in this interim report.

## INVESTMENTS

Investments in the review period totalled EUR 0.8 million (3.9 million), of which the Viscose Fibres and Cable segments represented EUR 0.2 million and 0.6 million respectively.

## PERSONNEL

In January–June 2012, the Group employed an average of 619 (606) people. At the end of the review period, the Group had 621 employees (616), of whom 477 (462) represented the Cable segment and 129 (133) represented the Viscose Fibres segment.

Working-time adjustments were carried out in the Cable segment in the first quarter, mainly due to seasonal changes and the tight cash position. In the Viscose Fibres segment, most employees remained laid off throughout the review period due to the production standstill.

## SHARES AND SHARE CAPITAL

Neo Industrial Plc's share capital is divided into A and B shares. On 30 June 2012, 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 represents 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 B shares (NEO IV) are listed on the main list of NASDAQ OMX Helsinki.

Company shares	30/6/2012	30/6/2011
Company share capital (EUR)	24,082,000	24,082,000
A shares (20 votes per share)	139,600	139,600
B shares (1 vote per share)	5,880,760	5,880,760
Total	6,020,360	6,020,360
B shares held by the company	91,727	92,727

In January–June 2012, a total of 155,894 (222,336) of Neo Industrial's B shares were traded on NASDAQ OMX Helsinki, representing 2.6 percent (3.7 percent) of the total number of shares. At the end of trading on 30 June 2012, the share price was EUR 1.72 (8.05), and the average share price for the review period was EUR 2.38 (7.48). The lowest quotation in January–June 2012 was EUR 1.17 (5.51), and the highest was EUR 3.36 (9.43). The company's market capitalisation was valued at EUR 10.3 million (47.3 million) on 30 June 2012.

## ACQUISITION OF THE COMPANY'S OWN SHARES

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

## GROUP STRUCTURE AND SHAREHOLDERS

Neo Industrial Plc is the parent company of the Group, which includes the Neo Industrial wholly owned subsidiaries Novalis Plc and Alnus Ltd as well as Carbatec Ltd and its subsidiaries and associated companies. Carbatec Ltd is Avilon Ltd's parent company. Neo Industrial Plc is domiciled in Hyvinkää.

At the end of the review period, Neo Industrial had 12,261 shareholders (12,325). The largest shareholder, Reka Ltd, held 50.8 percent of the shares and 65.8 percent of the votes. Neo Industrial Plc is therefore part of the Reka Group. Reka Ltd is domiciled in Hyvinkää.

At the end of June 2012, the combined holding of the ten largest shareholders was 61.0 percent of the shares and 72.9 percent of the votes. The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,959,180 (2,953,817) of Neo Industrial's B shares on 30 June 2012.

## 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 notes to the latest financial statements. The company's future risk factors are related to the business development of its portfolio companies.

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.

Combined with higher production volumes, seasonal changes and price fluctuations increase the need for working capital in the Cable segment. In addition, business investments in Russia include a risk related to expected growth.

In the Viscose Fibres segment, the risks are related particularly to the prices of pulp and sodium hydroxide, the exchange rate of the U.S. dollar, seasonal changes in the world market for fibre, the market entry of new products and the working capital funding required for restarting viscose production lines.

## MAJOR EVENTS AFTER THE REVIEW PERIOD

The Cable segment decided to invest about EUR 1.0 million in increasing its production capacity of fire-retardant special cables in Russia. Its customers mainly represent the oil, gas, chemical and shipbuilding industries.

In July 2012, Avilon signed an agreement on the purchase of the maintenance operations at the Valkeakoski plant from Maintpartner. As part of the transaction, 34 employees in maintenance and power plant operations will transfer to Avilon as existing employees.

In July, Stora Enso Building Solutions Finland acquired the business operations of Finndomo's Hartola plant. The employees were transferred to the new owner as existing employees.

Finndomo continued to prepare its proposal for a corporate reorganisation programme. The proposal must be submitted to the District Court by the end of August 2012.

## **NEAR-TERM OUTLOOK**

The outlook for the autumn is uncertain due to the economic situation in Europe. In the Cable segment, investments in renewable energy create a great number of new opportunities, as does increased cabling as a result of storms. The Cable segment is expected to record a positive operating result in the second half of the year as well.

In the Viscose Fibres segment, Avilon is expected to launch the production of antimicrobial products in August, after the investment in post-processing has been completed. Viscose production will be launched after the operating conditions, right product mix and funding have been secured. In licensing negotiations related to technologies, the first agreement is expected to be concluded in the third quarter of 2012.

Helsinki, 27 July 2012

Neo Industrial Plc  
Board of Directors

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**CONSOLIDATED INCOME STATEMENT (IFRS)**

EUR 1,000	4-6/2012	4-6/2011	1-6/2012	1-6/2011
<b>Net sales</b>	<b>31,412</b>	<b>36,266</b>	<b>57,698</b>	<b>67,881</b>
Change in inventories of finished products and production in progress	1,152	-1,024	2,359	4,070
Production for own use	7	1	11	16
Materials and services	-24,862	-26,939	-45,156	-60,872
Personnel expenses	-4,719	-5,175	-9,297	-10,494
Depreciation and impairment	-1,312	-1,650	-2,862	-2,924
Other operating income and expenses	8,897	-3,436	5,829	-6,845
	-20,835	-38,222	-49,116	-77,049
<b>Operating result</b>	<b>10,576</b>	<b>-1,957</b>	<b>8,582</b>	<b>-9,168</b>
Financial income	964	72	1,232	251
Financial expenses	-1,102	-1,023	-1,891	-1,874
Share of the results of associates	-6,369	-1,893	-6,369	-3,562
<b>Profit before taxes</b>	<b>4,070</b>	<b>-4,802</b>	<b>1,554</b>	<b>-14,353</b>
Taxes	-5	635	64	2,692
<b>Result for the period</b>	<b>4,065</b>	<b>-4,167</b>	<b>1,618</b>	<b>-11,661</b>
<b>Profit or loss attributable to</b>				
Shareholders of the parent	2,993	-3,953	750	-11,485
Minority interests	1,072	-213	868	868
	4,065	-4,167	1,618	-11,661
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	0.50	-0.66	0.13	-1.94
Number of shares	5,929,483	5,929,483	5,929,483	5,929,483

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

EUR 1,000	4-6/2012	4-6/2011	1-6/2012	1-6/2011
<b>Result</b>	<b>4,065</b>	<b>-4,167</b>	<b>1,618</b>	<b>-11,661</b>
<b>Other comprehensive items</b>				
Translation differences related to foreign units	-407	-80	114	83
<b>Total comprehensive income</b>	<b>3,658</b>	<b>-4,247</b>	<b>1,732</b>	<b>-11,578</b>
<b>Total comprehensive income attributable to</b>				
Shareholders of the parent	2,586	-4,033	864	-11,401
Minority interests	1,072	-213	868	-177

**CONSOLIDATED BALANCE SHEET (IFRS)**

EUR 1,000	30/6/2012	31/12/2011
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	3,478	3,477
Other intangible assets	10,442	10,618
Tangible assets	28,240	39,690
Holdings in associates	-	6,369
Receivables	126	122
Deferred tax assets	2,719	2,610
<b>Total non-current assets</b>	<b>45,005</b>	<b>62,884</b>
<b>Current assets</b>		
Inventories	19,139	17,008
Sales receivables and other receivables	19,289	16,189
Tax receivables from the profit	12	15
Derivative contracts	46	10
Cash and cash equivalents	1,596	1,793
<b>Total current assets</b>	<b>40,082</b>	<b>35,016</b>
<b>Total assets</b>	<b>85,087</b>	<b>97,900</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	24,082	24,082
Premium fund	66	66
Reserve fund	1,221	1,221
Own shares	-591	-591
Translation differences	-1,597	-1,712
Retained profit	-30,134	-38,417
Other unrestricted equity	23,131	28,903
<b>Equity attributable to shareholders of the parent</b>	<b>16,178</b>	<b>13,552</b>
Minority interests	251	-1 100
<b>Total shareholders' equity</b>	<b>16,429</b>	<b>12,452</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	3,660	3,607
Provisions	786	756
Interest-bearing liabilities	24,756	27,960
Non-interest-bearing liabilities	3,925	1,426
Derivative contracts	295	913
<b>Current liabilities</b>		
Tax liabilities from the profit	24	33
Provisions	100	100
Short-term interest-bearing liabilities	17,180	22,365
Derivative contracts	73	139
Accounts payable and other liabilities	17,860	28,149
<b>Total liabilities</b>	<b>68,659</b>	<b>85,447</b>
<b>Shareholders' equity and liabilities</b>	<b>85,088</b>	<b>97,900</b>

## 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	Total	Minority interest	Total shareholders' equity
Shareholders' equity 31/12/2010	24,082	66	1,221	-599	-1,239	21,327	-11,491	33,366	573	33,939
Translation differences										
Result for the period					83		-11 485	-11 402	-177	-11 579
Dividends paid										
Acquisition of own shares				8				8		8
Change in minority interests						7 575	182	182	78	260
Share of changes in associates							7 575	7 575		7 575
Shareholders' equity 30/6/2011	24 082	66	1 221	-591	-1 156	28 902	-22 795	29 729	475	30 204

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Other unrestricted equity	Retained profit	Total	Minority interest	Total shareholders' equity
Shareholders' equity 31/12/2011	24 082	66	1 221	-591	-1 712	28 903	-38 416	13 552	-1 100	12 452
Translation differences					115		-42	73		73
Result for the period							750	750	868	1,618
Dividends paid										
Acquisition of own shares										
Change in subsidiaries' equity						2,286		2,286		2,286
Change in minority interests						-483		-483	483	
Share of changes in associates						-7,575	7,575			
Shareholders' equity 30/6/2012	24,082	66	1,221	-591	-1,597	23,131	-30,134	16,178	251	16,429

## CONSOLIDATED CASH FLOW STATEMENT (IFRS)

EUR 1,000	1-6/2012	1-6/2011
<b>Cash flows from operating activities</b>		
Payments received from operating activities	59,973	66,163
Payments paid on operating activities	-60,811	-75,532
Paid interests and other financial expenses	-969	-1,125
Interests received and other financial income	84	225
Direct taxes paid	-19	-31
<b>Net cash provided by operating activities</b>	<b>-1,742</b>	<b>-10,300</b>
<b>Cash flows from investments</b>		
Investments in tangible fixed assets	-841	-626
Investments in intangible fixed assets	-	-6,360
Investments in other financial assets	-	-600
Loan repayments	-	2,458
<b>Net cash provided by investing activities</b>	<b>-841</b>	<b>-5,128</b>
<b>Cash flows from financing activities</b>		
Sale of own shares	-	8
Increase in loans	3,485	15,527
Decrease in loans	-1,000	-1,117
Payments of finance lease activities	-100	-516
<b>Net cash provided by financing activities</b>	<b>2,385</b>	<b>13,902</b>
<b>Change in cash and cash equivalents</b>	<b>-198</b>	<b>-1 525</b>
Cash and cash equivalents at the beginning of the period	1,793	2,734
Exchange rate differences	1	11
<b>Cash and cash equivalents at the end of the period</b>	<b>1,596</b>	<b>1,220</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Accounting policies

This unaudited report has been prepared in accordance with IAS 34 requirements for interim reports. This interim report has been prepared in accordance with the same principles as the financial statements for 2011.

As announced in its financial statements release on 28 February 2012, Neo Industrial has changed its segment reporting practices. Consequently, customer-specific commodity derivatives and segment-specific currency hedging are now recognised under each segment. Other derivatives are recognised in eliminations and other operations. In addition, segment-specific statements present the operating result before and after open hedging instruments. The Group issued a stock exchange release on the effects of these changes on the comparison information on 11 May 2012.

### SEGMENT INFORMATION

30/6/2012 EUR 1,000	Cable	Viscose Fibres	Single Family Housing	Eliminations and other operations	Group Total
<b>Net sales</b>	55,601	2,085		12	57,698
<b>Operating profit before change in the value of open derivatives</b>	1,350	7,648		-508	8,490
Change in the value of open derivatives	-10			102	92
<b>Operating profit after change in the value of open derivatives</b>	1,340	7,648		-406	8,582
Share of the results of associates			-6,369		-6,369
Unallocated items				-595	-595
<b>Result for the period</b>					1,618
<b>Assets</b>					
Segment's assets	63,952	15,619		5,517	85,087
Unallocated assets					
<b>Total assets</b>	63,952	15,619		5,517	85,087
<b>Liabilities</b>					
Segment's liabilities	40,003	15,308			55,312
Unallocated liabilities				13,347	13,347
<b>Total liabilities</b>	40,003	15,308		13,347	68,659
<b>Assets less liabilities</b>	23,949	310		-7,830	16,428
<b>Investments</b>	602	161		34	797
<b>Depreciation</b>	2,172	676		15	2,862
<b>30/6/2011 EUR 1,000</b>	<b>Cable</b>	<b>Viscose Fibres</b>	<b>Single Family Housing</b>	<b>Eliminations and other operations</b>	<b>Group Total</b>
<b>Net sales</b>	52,903	14,997			67,900
<b>Operating profit before change in the value of open derivatives</b>	-707	-7,762		-173	-8,642
Change in the value of open derivatives	-107			-420	-527
<b>Operating profit after change in the value of open derivatives</b>	-814	-7,762		-593	-9,169
Share of the results of associates			-3,562		-3,562
Unallocated items				1,069	1,069
<b>Result for the period</b>					-11,662
<b>Assets</b>					
Segment's assets	79,952	27,315	11,664		118,931
Unallocated assets				9,878	9,878
<b>Total assets</b>	79,952	27,315	11,664	9,878	128,809
<b>Liabilities</b>					
Segment's liabilities	58,266	36,116			94,381
Unallocated liabilities				4,223	4,223
<b>Total liabilities</b>	58,266	36,116		4,223	98,605
<b>Assets less liabilities</b>	21,687	-8,800	11,664	5,654	30,205
<b>Investments</b>	112	3,794		3,024	6,930
<b>Depreciation</b>	-2,328	-586		-10	-2,924

<b>Cable segment's net sales by product group, EUR million</b>	<b>1-6/2012</b>	<b>1-6/2011</b>
LV energy	19.4	18.2
Power cable	36.2	34.7
<b>Total</b>	<b>55.6</b>	<b>52.9</b>

<b>Cable segment's net sales by sales area, EUR million</b>	<b>1-6/2012</b>	<b>1-6/2011</b>
EU countries	46.9	43.9
Non-EU countries	8.7	9.0
<b>Total</b>	<b>55.6</b>	<b>52.9</b>

The Cable segment's largest customers are the Onninen Group and SLO, each of which represents more than 10 percent of the segment's net sales.

<b>Viscose Fibres segment's net sales by sales area, EUR million</b>	<b>1-6/2012</b>	<b>1-6/2011</b>
EU countries	0.1	3.4
Non-EU countries	2.0	11.6
<b>Total</b>	<b>2.1</b>	<b>15.0</b>

The Viscose Fibres segment's largest customers were Wm T Burnett and Milliken & Co, each representing more than 10 percent of the segment's net sales.

Change in non-current assets

<b>EUR 1,000</b>	<b>1-6/2012</b>	<b>1-6/2011</b>
Book value at the beginning of the period	39,690	43,719
Investments	757	491
Decrease	-9,965	-
Depreciation	-2,315	-2,547
Translation differences	73	91
<b>Book value at the end of the period</b>	<b>28,240</b>	<b>41,754</b>

Other leases

Minimum lease payments based on non-cancellable other leases:

<b>EUR 1,000</b>	<b>2012</b>	<b>2011</b>
Within 1 year	1,141	817
1-5 years	95	204
<b>Total</b>	<b>1,236</b>	<b>1,021</b>

Contingent liabilities

<b>EUR 1,000</b>	<b>30/6/2012</b>	<b>31/12/2011</b>
Debts secured against business mortgages, securities or guarantees		
Loans from financial institutions	14,498	15,735
Loans to others	11,433	12,178
Granted business mortgages	41,820	41,820
Book value of pledged securities	25,885	25,885
Granted guarantees	25,931	27,913
Other collateral		
Guarantees and payment commitments	3,573	2,353
Mortgages	5,400	4,700

## NOTES

### Valid derivative contracts

EUR 1,000	Positive current values	Negative current values	Current net values 30/6/2012	Current net values 31/12/2011	Nominal values 30/6/2012	Nominal values 31/12/2011
<b>Financial derivatives</b>						
Option contracts		-295	-295	-913		
<b>Currency derivatives</b>						
<b>Raw material options</b>						
Metal derivatives	43	-83	-40	-128	3,927	3,354
Total derivatives	43	-378	-335			
<u>Long-term derivatives deducted</u>						
Metal derivatives						
Short-term share		-295				

### Commitments

The factoring credit was secured by a total of EUR 12.1 million of sales receivables on 30 June 2012 (EUR 7.4 million on 31 December 2011). The factoring credit stood at EUR 10.0 million on 30 June 2012 (EUR 6.4 million on 31 December 2011).

### Investment commitments

Investment commitments for tangible fixed assets amounted to EUR 0.4 million on 30 June 2012 (0.8 million).

Neo Industrial Plc and therefore also the Neo Industrial Group belong to the Reka Group. Reka Ltd has a 50.8 percent holding of shares and 65.8 percent holding of votes.

### Related-party transactions

#### Transactions with the Reka Group

EUR 1,000	1-6/2012	1-6/2011
Sales	12	19
Other purchases	-871	-860
Interest revenues	18	
Loan receivables	493	
Sales receivables and other receivables at the end of the period	312	1,460
Finance leases (activated on the balance sheet)		-15,180
Other debts at the end of the period	-49	-1

#### Other related party transactions

EUR 1,000	1-6/2012	1-6/2011
Interest revenues		72
Loan receivables		150
Sales receivables and other receivables at the end of the period		21

Other related parties consist of companies that are connected to the company through an owner that has significant controlling power. Transactions with other related parties consist of transactions with SAV-Rahoitus Plc. Loan receivables consist of short-term loan agreements that were made in 2009 after comparing different options of investing cash funds to gain higher revenues than those from fixed-term deposits. The loans had collateral.

**Calculation of key figures**

Return on investment (ROI) %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{[\text{Balance sheet total – obligatory provisions and non-interest bearing liabilities}] \text{ (average)}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity + minority interest minus deferred tax liabilities}}{\text{Balance sheet total – advances received}} \times 100$
Earnings per share (EPS), EUR	=	$\frac{\text{Profit for the period belonging to equity holders of the parent}}{\text{Number of shares adjusted for share issues (average)}}$
Equity/share, EUR	=	$\frac{\text{Shareholders' equity - minority interest minus deferred tax liabilities}}{\text{Number of shares adjusted for share issues at the end of the financial period}}$

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 or changes in exchange rates and interest rates.

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

Neo Industrial Plc is a Finnish industrial investment and development company. Its strategy is to invest in synergistic companies, develop them through active ownership and improve the return on invested capital through dividend streams and increase in value. Neo Industrial's B share is listed on the main market of NASDAQ OMX Helsinki. Neo Industrial's business segments are Cable (Reka Cables, Expokabel, Nestor Cables) and Viscose Fibers (Avilon).

**NEO**  
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