

## **NEO INDUSTRIAL PLC'S INTERIM MANAGEMENT STATEMENT FOR 1 JANUARY TO 8 MAY 2013**

Neo Industrial's net sales for the period between 1 January and 31 March 2013 were EUR 20.9 million (24.3 million in 2012). Its operating result was -0.8 million (-0.1 million). 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.

Carbatec Ltd and Aylon Fibres Ltd, which constituted the Viscose Fibres segment, filed for bankruptcy on 6 March 2013. Due to changed circumstances, the Board of Directors decided not to carry out the demerger of Neo Industrial Plc as planned.

On 3 April, Neo Industrial signed an agreement on the sale of its Russian cable manufacturing companies OAO Expokabel and ZAO Reka Kabel.

Neo Industrial's liquidity situation continued to be challenging.

### **CABLE SEGMENT**

In the Cable segment, the operating result for the first months of the year is typically low due to seasonal change, with low net sales in relation to operating costs. The high season runs from the spring until late in the autumn. Delayed spring weather in Finland and Sweden had a negative effect on ground cabling in April, but volumes are expected to increase significantly in May and June.

The Cable segment's net sales for the period between 1 January and 31 March were EUR 20.9 million (24.3 million). Its operating result was -0.4 million (0.1 million).

In the review period (1 January to 8 May 2013), demand in the cable market in the Nordic countries, the main market of Reka Cables Ltd, was weaker than in the corresponding period of the previous year. Sales volumes met expectations in the Baltic countries and Russia.

The prices of copper and aluminium, metals used as raw materials, decreased in the review period. The prices of plastics increased slightly.

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 spring high season. However, the Cable segment's liquidity situation continued to be challenging throughout the review period.

The sales of medium-voltage and high-voltage cables met expectations. The sales of ground and installation cables were lower than in the previous year because of delayed spring weather and a weaker electrical wholesale market.

At the end of March, the insurance company 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 operating result of the Cable segment's production plants in Russia was better than expected but still negative. The segment's investment in increasing its production capacity of fire-retardant special cables progressed as planned.

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

Net sales for Nestor Cables, an associated company, were EUR 3.3 million (5.0 million) for the period between 1 January and 31 March 2013. The company's operating result was negative.

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

The bankruptcy estate of Kuitu Finland Ltd brought an action against Neo Industrial on 9 April. The action is related to the transaction of Aivilon Fibres Ltd's industrial premises. The action demands that Neo Industrial pay the remaining amount (EUR 5.0 million) as a one-off payment plus penalty interest, an adjustment (EUR 309,000) based on the building cost index and any legal expenses. Neo Industrial considers the action to be unfounded and seeks to come to an agreement with the bankruptcy estate of Kuitu Finland Ltd. Negotiations are in progress. The provisions in Neo Industrial's consolidated financial statements (IFRS) for 2012 include the discounted balance sheet value (EUR 2.7 million) of the instalments of Aivilon Fibres Ltd's 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. The action includes a risk that Neo Industrial will have to pay the guarantee liability as a one-off payment, contrary to the 25-year payment plan stated in the agreement.

The continuity of the Cable segment's operations requires that the Group be able to secure additional funding to replace maturing loans and renegotiate payment terms or liquidate capital from its operations in other ways during 2013. 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 a material effect on the company's ability to ensure competitive delivery times through sufficient inventories.

#### NEAR-TERM OUTLOOK

The global economy is currently causing significant uncertainty, which may affect Neo Industrial's business operations. Even though the result for the first months of 2013 was slightly lower than expected, the Cable segment's operating result for the first half of the year is predicted to be at the previous year's level.

The sale of OAO Expokabel and ZAO Reka Kabel, the Cable Segment's cable manufacturing companies in Russia, is progressing as planned. Signed on 3 April 2013, the transaction is expected to be completed in May.

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.

Helsinki, 8 May 2013  
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.