

Neo Industrial Plc: 1-3/2019 Turnover Lower but Operating Result at Previous Year's Level

Neo Industrial's turnover on the review period of January 1 - March 31, 2019 was EUR 19.6 million (EUR 22.9 million during the comparison period of January 1 - March 31, 2018) and operating result was EUR -1,2 million (EUR -1,2 million). Turnover decreased by EUR 3.3 million during the first quarter and operating profit remained at the same level as in the corresponding period last year.

The figures in parentheses refer to the corresponding period a year earlier. The figures presented in the report are unaudited.

CEO Ralf Sohlström commented on the first quarter as follows:

“Due to seasonal fluctuations, January and February turnover were exceptionally low this year. The number of new orders has strengthened since March and the start of the season, and the capacity of the factories is now well in use. The reorganization of domestic sales was successfully implemented during the early part of the year, and we believe that the area sales organization will have a positive impact on sales. In addition, we launched new products and services in the beginning of the year, of which the piloting of the smart drum management system is currently underway. Export sales is performing well, and the company delivers cables to several wind power projects in Sweden and Norway. ”

KEY FIGURES (IFRS)

	1-3/2019	1-3/2018	1-12/2018
Turnover, EUR million	19.6	22.9	103.8
Operating result, EUR million	-1.2	-1.2	1.0
Result for the period, EUR million	-1.2	-1.6	-0.5
Earnings per share, EUR	-0.20	-0.26	-0.09

SEGMENTS

Neo Industrial's business segment is Cable Industry.

CABLE SEGMENT

The Cable segment's turnover between January 1 - March 31, 2019 was EUR 19.6 million (EUR 22.9 million during the comparison period of January 1 - March 31, 2018). Its operating result was EUR -1.1 million (EUR -1.1 million).

During January 1 - March 31, 2019 Reka Cables' sales volumes on its main market area in the Nordic countries decreased from previous year. Sales volumes in other market areas were also lower during the review period than in the previous year.

At the end of March 2019, prices for aluminum and copper were almost at the same level in euro terms compared to the year-end price level.

Investments made, EUR 0.3 million (EUR 0.7 million in the comparison period January 1 - March 31, 2018), were particularly targeted at improving productivity.

Turnover for Nestor Cables Ltd, an associated company, was EUR 5.4 million (EUR 5.7 million) between January 1 - March 31, 2019. The operating result was negative and lower than year before. The company's value on the consolidated balance sheet is zero and the result of the company is not included in the Group figures.

MAJOR EVENTS

No major events have taken place in Neo Industrial's business operations during or after the review period.

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.

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. 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 aluminum) 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. Partial price fixing is used with electricity.

The Group has carried out and is carrying out the simplifications of the Group structure with mergers. Tax authority has questioned the tax neutrality of the subsidiary merge carried out in 2015. Neo Industrial has filed for changes in its tax assessment notice. Neo Industrial has the opinion that the merge is universal succession and therefore tax neutral. The difference of opinion of the Neo Industrial and tax authority is EUR 1.2 million.

NEAR-TERM OUTLOOK

For the financial year 2019, Neo Industrial's operating result without items affecting comparability is expected to increase from the year 2018.

Hyvinkää, 26 April 2019
Neo Industrial Plc
Board of Directors

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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 main list of NASDAQ Helsinki Stock Exchange. Neo Industrial's business segment is Cable Industry.

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.