

# NEO INDUSTRIAL'S INTERIM REPORT FOR JANUARY-MARCH 2012 (Q1/2011)

The Cable segment improved its operating result, but working capital financing remained a challenge for the Group.

- The Neo Industrial Group's net sales decreased by 17 percent to EUR 26.3 million (31.6 million).

- Its operating result improved by 72 percent to EUR -2.0 million (-7.2 million).
- Its profit for the period improved by 67 percent to EUR -2.4 million (-7.5 million).

### MANAGING DIRECTOR MARKKU E. RENTTO:

Despite the improved outlook for the Cable segment, the first quarter of 2012 was challenging for the Neo Industrial Group.

On the positive side, the market for the Cable segment has strengthened and demand has increased particularly in Finland and other Nordic countries, improving the segment's operating profitability. However, raw material prices rose at the same time, which has resulted in an additional need for working capital with increased demand.

The Viscose Fibres segment continues to face challenges. Avilon filed its corporate restructuring program on 7 May 2012, and viscose production is still under shutdown because of unprofitability. However, the segment has continued its development activities and decided to launch the production of antimicrobial special fibres. In addition, it signed a new agreement on the sales and marketing of licences for its PPV technology in the first quarter. In other words, the Viscose Fibres segment is investing in the future.

Finndomo Ltd – which constitutes the Single Family Housing segment and of which Neo Industrial owns 30 percent – is in financial difficulty. Finndomo sold its production plant in Sonkajärvi on 20 April 2012. The company is in the process of preparing its corporate restructuring program.

### **KEY FIGURES**

	Q1/2012	Q1/2011	Change
Net sales, EUR million	26.3	31.6	-17%
Operating result, EUR million	-2.0	-7.2	72%
Profit, EUR million	-2.4	-7.5	<b>67</b> %
Earnings per share	-0.38	-1.26	
ROI, %	0.0	-11.1	
Equity ratio, %	10.3	22.7	

# NET SALES AND OPERATING RESULT

The Neo Industrial Group's net sales in January–March 2012 were EUR 26.3 million (31.6 million). The decrease is largely explained by the shutdown at Avilon's production plant in the Viscose Fibres segment. The Cable segment's net sales were nearly equal to those in the corresponding period of the previous year. The operating result improved to EUR -2.0 (-7.2) million, being negative because of the Viscose Fibres segment. The Group's profit for the period was EUR -2.4 (-7.5) million, excluding the Single Family Housing segment.

### **BALANCE SHEET AND FINANCING**

The Group's cash position remained tight. With increased demand, 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.

Reka Cables' factoring credit facility of EUR 10.5 million (9.5 million on 31 December 2011) was in full use on 31 March 2012 (EUR 6.4 million on 31 December 2011). Of its revolving bank credit of EUR 6.5 million (6.0 million on 31 December 2011), EUR 5.3 million was in use on 31 March 2012 (5.8 million on 31 December 2011).

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. During the corresponding period of the previous year, Avilon sold all of its emission allowances.

At the end of the review period, the balance sheet total stood at EUR 102.5 (117.1) million. On 1 January, the balance sheet total was EUR 97.9 million.



### SEGMENTS

Cable

	Q1/2012	Q1/2011	Change
Net sales, EUR million	24.3	24.5	-1%
Operating result, EUR million	0.1	-0.3	140%

The Cable segment's net sales were EUR 24.3 million (24.5 million). Sales developed favourably in Finland and other Nordic countries, while decreasing slightly in Russia and the Baltic countries.

Production at the Cable segment's power cable plant in Russia was under shutdown throughout the review period because of low market prices. Special cable sales were lower than in the corresponding period of the previous year. Investment decisions in Russia were postponed because of the presidential election, but the outlook for special cables is favourable.

The prices of aluminium and copper began to increase significantly in late 2011 and continued to do so in early 2012. The segment was able to compensate for most of these costs by increasing sales prices gradually.

The Cable segment's operating result was EUR 0.1 million (-0.3 million). Its operating result in Finland increased by EUR 0.9 million from the corresponding period in 2011. In Russia, the segment's result developed unfavourably.

To improve its tight liquidity situation, the segment negotiated regularly with financiers and raw material suppliers, among other parties, to ensure additional funding and better working capital management.

Employees were on temporary layoffs during the review period. From late March, the number of production employees has increased because of higher production volumes.

The order backlog of the Cable segment's production plants in Finland developed favourably during the review period. Capacity utilisation rates at the Hyvinkää and Keuruu plants were at a good level. At the Riihimäki plant, capacity utilisation rates were lower, but the order backlog developed favourably towards the end of the review period.

The interruption insurance compensation for the machinery breakdown in Keuruu in 2011 has still not been established. Reka Cables estimates the compensation at EUR 0.8 million, while the insurance company's estimate is EUR 0.3 million (on the balance sheet date). If the actual compensation turns out to be less than EUR 0.8 million, the difference will be recognised in 2012. Negotiations about the interruption insurance compensation continue.

Net sales for Nestor Cables, an associated company, were EUR 4.9 million (3.3 million). Its operating result improved considerably, but was still slightly negative, standing at EUR -0.1 million (-0.8 million).

Viscose Fibres

	Q1/2012	Q1/2011	Change
Net sales, EUR million	2.0	7.1	-72%
Operating result, EUR million	-2.0	-6.6	70%

The Viscose Fibres segment's net sales were EUR 2.0 million (7.1 million), mainly consisting of the sales of fire-retardant fibre to the United States from Avilon's inventory, which was produced before the shutdown. Avilon sought to control costs by, for example, continuing the production shutdown, which began in July 2011. The segment's operating result was EUR -2.0 million (-6.6 million).

Having been accepted for corporate restructuring in October 2011, Avilon continued to prepare its draft restructuring program during the review period.

Avilon was not able to restart its Valkeakoski plant due to the low world market price for basic viscose, low demand for fireretardant fibre and lack of funding.

The company's strategy is to focus increasingly on the production of special fibres because of its size and energy and environmental costs, which are higher than those for fibre manufacturers outside the European Union.

Avilon has been seeking a solution to make its production plant profitable by further developing its manufacturing processes and expanding its product range in special products. 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. Antimicrobial products will first be marketed in the United States, the European Union and Turkey. The company manufactured small quantities of antimicrobial fibre for technical testing and to be supplied as samples to customers.

During the review period, the company decided to invest EUR 0.2 million in converting a post-processing machine at the viscose fibre plant into one suitable for the production of antimicrobial fibres. The company aims to complete the investment project during the spring and early summer. In the future, it will also be possible to process other fibres, such as polyester, into antimicrobial fibres. Neo Industrial issued a release on the investment on 27 March 2012.



Moreover, the segment seeks to complement fibre production with technology development as a source of revenue. It continued to engage actively in research and development. The Swedish company Cellmark AB began to market, with exclusive rights, the PPV technology, which is used for converting paper-grade pulp into raw material suitable for viscose production (stock exchange release 7 March 2012). The PPV technology is owned by the Viscose Fibres segment. Moreover, the development plan for the carbamate technology was updated and research and development were continued accordingly.

# Single Family Housing

Finndomo, the company that constitutes Neo Industrial's Single Family Housing segment, filed a petition for corporate reorganisation at the District Court of Northern Savonia on 15 February 2012. The petition was accepted on 2 March 2012, which enables Finndomo to continue the sales and deliveries of prefabricated homes. However, sales decreased from the corresponding period of the previous year.

Finndomo decided to centralise its operations in Sonkajärvi. Clerical employees were laid off, and the company began to sell its production facilities. More about the business in Sonkajärvi is reported under the section Major events after the review period.

No regional building projects were launched during the review period.

The divestment of the company's business operations in Sweden no longer affected its performance.

The figures for Finndomo, which constitutes the Single Family Housing segment, are not yet available and, consequently, are not included in the Neo Industrial Group's result for the review period. Finndomo's net sales were EUR 22.5 million in the first quarter of 2011.

### INVESTMENTS

Investments in the review period totalled EUR 0.2 million (0.5 million) and were related to the Cable segment.

### PERSONNEL

In January–March 2012, the Group employed an average of 602 (607) people. At the end of the review period, the Group had 609 employees (625), of whom 465 (478) represented the Cable segment and 129 (133) represented the Viscose Fibres segment.

Working-time adjustments were carried out in the Cable segment, mainly due to seasonal changes. In the Viscose Fibres segment, most employees were laid off throughout the review period because of the production shutdown.

# ANNUAL GENERAL MEETING AND CORPORATE GOVERNANCE

Neo Industrial PIc's Annual General Meeting (AGM) was held in Helsinki on 29 March 2012. A stock exchange release about the AGM's decisions was issued on the same day.

The AGM approved the Board of Director's proposal that the Board consist of four members. The following members were appointed: Matti Lainema (Chairman), Ilpo Helander (Vice Chairman), Taisto Riski and Raimo Valo. The company's Managing Director is Markku E. Rentto.

KPMG Oy Ab, Authorised Public Accountants, was selected as the company's auditor, with Authorised Public Accountant Lasse Holopainen as responsible auditor.

The members of the Board of Directors and the Managing Director were discharged from liability for 2011.

The AGM approved the Board's proposal that no dividends be paid for 2011.

The AGM authorised the Board to decide on the acquisition of the company's own shares with funds from unrestricted equity, to a maximum of 588,076 B shares. The authorisation is valid until the next AGM.

In addition, the AGM authorised the Board to decide on an issue of new B shares and a transfer of treasury B shares either against or without payment. The Board may also decide on a share issue to the company itself without payment. Moreover, the Board was authorised to issue special rights in accordance with Section 1 of Chapter 10 of the Finnish Limited Liability Companies Act that enable holders to receive new B shares or treasury B shares against payment. The Board is authorised to issue a maximum of 2,000,000 B shares, including new B shares and those held by the company as well as those issued based on special rights. The authorisations are valid for a maximum of 5 years from the time of the AGM's decision.

Established at the Board meeting of 29 March 2012, the Audit Committee consists of Taisto Riski (Chairman) and Raimo Valo.

### SHARES AND SHARE CAPITAL

Neo Industrial Plc's share capital is divided into A and B shares. On 31 March 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 (NEOIV) are listed on the main list of NASDAQ OMX Helsinki.



Company shares	31/3/2012	31/3/2011
Company share capital (EUR)	24,082,000	24,082,000
A shares (20 votes per share)	139,600	139,600
B shares (I 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–March 2012, a total of 105,748 (94,506) of Neo Industrial's B shares were traded on NASDAQ OMX Helsinki, representing 1.8 percent (1.6 percent) of the total number of shares. At the end of trading on 31 March 2012, the share price was EUR 2.24 (6.99), and the average share price for the review period was EUR 2.61 (6.74). The lowest quotation in January–March 2012 was EUR 2.20 (5.51), and the highest was EUR 3.36 (7.99). The company's market capitalisation was valued at EUR 13.3 million (41.1 million) on 31 March 2012.

### ACQUISITION OF THE COMPANY'S OWN SHARES

Neo Industrial did not exercise its authorisation to acquire the company's own shares. The Annual General Meeting renewed the authorisation on 29 March 2012.

### **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 12,309 shareholders (12,380). 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 March 2012, the combined holding of the ten largest shareholders was 60.8 percent of the shares and 72.8 percent of the votes. The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,966,660 (2,951,917) of Neo Industrial's B shares on 31 March 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 create pressure in working capital management.

Combined with higher sales volumes, the increases in the prices of copper, aluminium and plastics increase the need for working capital. 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 dollar, seasonal changes in the world market for fibre, the market entry of new products, the corporate restructuring and the working capital funding required for restarting viscose production lines.

In the Single Family Housing segment, the most significant risks are related to the development of demand and the competition situation, the production capacity utilisation rate and fluctuations in the price of raw materials as well as the corporate restructuring.

# MAJOR EVENTS AFTER THE REVIEW PERIOD

The order backlog of the Cable segment developed favourably in April. The Group continued to negotiate with suppliers and financiers in order to secure sufficient working capital. The negotiations have resulted in better payment terms and stronger working capital financing. Working-time adjustments in the Cable segment ended in April.

The Viscose Fibres segment has been preparing an investment of EUR 0.2 million in expanding its range of fibre products to cover antimicrobial products. Avilon submitted its corporate reorganisation plan to the District Court of Pirkanmaa on 7 May 2012, with the aim of having it confirmed by the end of June 2012.

Neo Industrial's associate company Finndomo signed an agreement on selling its prefabricated home business in Sonkajärvi on 20 April 2012 (stock exchange release 20 April 2012). The Neo Industrial Group will provide information on the financial effects of Finndomo on the Group's result once the sale has been confirmed. Finndomo-Rakennus Ltd, the company responsible for Finndomo's regional building projects, was placed in liquidation in the first week of April, and the receiver filed a petition for bankruptcy on 10 April 2012.



# **NEAR-TERM OUTLOOK**

In the Cable segment, the strong order backlog and good demand for ground cable products make the outlook favourable for the rest of the year. The segment expects to record a positive result in 2012.

In the Viscose Fibres segment, antimicrobial post-production will be launched during the summer in Valkeakoski. The schedule for possible revenues related to technologies is difficult to estimate at this point. Unsecured debts will be cut when Avilon's draft corporate restructuring program is confirmed. The effects of the reorganisation on the result will be reported in the second quarter, provided that the planned schedule remains unchanged.

In the Single Family Housing segment, the draft corporate restructuring program for Finndomo is under preparation.

Helsinki, 14 May 2012

Neo Industrial Plc Board of Directors



# CONSOLIDATED INCOME STATEMENT (IFRS)

EUR I,000	1/1-31/3/2012	1/1-31/3/2011
Net sales	26,286	31,615
Change in inventories of finished products and production in progress	1,207	5,095
Production for own use	4	14
Materials and services	-20,294	-33,933
Personnel expenses	-4,578	-5,319
Depreciation and impairment	-1,551	-1,275
Other operating income and expenses	<u>-3,069</u>	<u>-3,409</u>
	-28,280	-38,827
Operating profit	-1,994	-7,212
Financial income	267	179
Financial expenses	-789	-850
Share of the results of associates		-1,669
Profit before taxes	-2,516	-9,552
Taxes	69	2,057
Profit	-2,447	-7,495
Profit attributable to		
Equity holders of the parent	-2,242	-7,531
Minority interests	-204	37
	-2,447	-7,495
Earnings per share attributable to the shareholders of the parent (EUR)		
before and after dilution	-0.38	-1.26
Number of shares	5,929,483	5,928,483
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)		
Profit	-2,447	-7,495
Other comprehensive items		
Translation differences related to foreign units	521	163
Total	521	163
Total comprehensive income	-1,926	-7,332
Total comprehensive income attributable to		
Equity holders of the parent	-1,722	-7,368
Minority interest	-204	37
	-1,926	-7,332



# CONSOLIDATED BALANCE SHEET (IFRS)

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Inventories     17.975     17.008       Sales receivables and other receivables     19.829     16.189       Current income tax receivables     25     00       Derivative contracts     25     00       Other financial asses     0     0       Cata and cash equivalents     1.467     1.7393       Total carrent assets     39.301     35.016       Total assets     102.546     97.900       SHAREHOLDERS' EQUITY AND LIABILITIES     5     5       Share capial     24.002     24.002       Premium fund     66     66       Reserve fund     1.121     1.221       Own shares     -1.19     -1.712       Retained earnings     -40.613     -38.417       Other unrestricted equity     28.903     28.903       Equity attributable to shareholders of the parent     11.1876     13.552       Minority interest     -1.28     -1.100       Total shareholders' equity     28.903     28.903       Deferred tax itabilities     3.676     3.607       Provisions     1.282 <td>Total non-current assets</td> <td>63,245</td> <td>62,884</td>	Total non-current assets	63,245	62,884
Sales receivables and other receivables19.82916.189Current income tax receivables415Derivative contracts00Other financial assets00Stath and sale equivalents1.4671.733Total current assets39,30135,016Total current assets39,30135,016Shareholders' equity102,54697,900Shareholders' equity24,08224,082Premium fund6.66Reserve fund1.2211.221Own shares-591-591Tanslation differences-1,191-1,712Reatined earnings-40,61328,903Equity attributable to shareholders of the parent11,87613,552Minority interest-1,286-1,100Total shareholders' equity28,90328,903Equity attributable to shareholders of the parent11,87613,552Minority interest-1,286-1,100Total shareholders in the parent11,8763,676Non-current liabilities3,6763,607Privisions27,95027,950Interest-bearing liabilities27,69227,950Current liabilities-1,286-1,000Other unstructure liabilities27,69227,950Interest-bearing liabilities20,0333Privisions00000Short-term interest-bearing liabilities20,933Current liabilities25,99122,355 <trt>Short-term interest-bearing l</trt>	Current assets		
Current income tax receivables1415Derivative contracts2500Other functial assets00Cash and cash equivalents14.6717.973Total current assets39,30135,016Total current assets39,30135,016SHAREHOLDERS' EQUITY AND LIABILITIES102,54697,900Share capital24.00224.002Premium fund6666Reserve fund1.0211.221Own shares	Inventories	17,975	17,008
Derivative contracts10Other financial assets0Cash and cash equivalents1,437Total current assets39,301Stata39,301Stata102,546Stata assets102,546Share capital24,062Premium fund66Reserve fund1,221Own shares1,910Translation differences1,191Retholders' equity28,903Stata sets-1,191Translation differences-1,191Translation differences-1,191Current inscrited equity28,903Equity attributable to shareholders of the parent11,876Total share bolders' equity28,903Provisions3,676Total shareholders-1,286Non-current liabilities3,676Provisions7,700Total shareholders-1,286Current liabilities27,950Non-interest-bearing liabilities27,950Non-interest-bearing liabilities27,950Non-interest-bearing liabilities27,950Sharekolder i liabilities27,950Non-interest-bearing liabilities2,951Provisions100Sharekolder i liabilities2,951Provisions100Sharekolder i liabilities2,951Provisions100Sharekolder i liabilities2,951Provisions100Sharekolder i liabilities2,951Provisions100Sharekolder i liabilities </td <td>Sales receivables and other receivables</td> <td>19,829</td> <td>16,189</td>	Sales receivables and other receivables	19,829	16,189
Other financial assets00Cach and cash equivalents1,4671,793Total current assets39,30135,016Total assets102,54697,900SHAREHOLDERS' EQUITY AND LIABILITIES24,00224,002Share capital24,00224,002Premium fund6666Reserve fund1,2211,221Own shares.5911,1712Retained earnings.40,61338,417Other unrestricted equity28,90328,903Funduri tributable to shareholders of the parent11,87613,552Minority interest.1,187613,552Functional itabilities3,6767,765Deferred tax liabilities3,6763,667Previsions.1,268.1,426Current liabilities.2,693.1,426Current liabilities.3,676.3,677Provisions.1,061.1,426Current liabilities.3,676.3,677Provisions.1,061.1,426Current liabilities.3,676.3,677Provisions.1,061.1,426Current liabilities.2,693.3,376Provisions.1,061.1,426Current liabilities.2,693.3,376Provisions.1,061.1,426Current liabilities.2,693.3,3176Provisions.1,061.1,061Short-term interest-bearing liabilities.2,693Provisions.1,061.1,061Short-term int	Current income tax receivables	4	15
Cash and cash equivalents1.4671.793Total current assets39,30135,016Total assets102,54697,900SHAREHOLDERS' EQUITY AND LIABILITIES5Shareholders' equity24,06224,062Shareholders' equity24,06224,062Shareholders' equity24,06224,062Shareholders' equity24,06224,062Shareholders' equity24,06224,062Shareholders' equity24,06224,062Own shares-591-1,712Retained earnings-40,613-38,417Other unrestricted equity28,09328,903Equity attributable to shareholders of the parent11,87613,552Non-current liabilities-1,10012,452Non-current liabilities3,6677076Frovisions707756Interest-bearing liabilities20,69314,626Current liabilities20,69321,952Non-interest-bearing liabilities20,69321,952Current liabilities20,69321,953Non-interest-bearing liabilities20,69321,953Non-interest-bearing liabilities20,69321,953Orisions700705705Starte liabilities20,69321,953Orisions700705Orisions700705Orisions700705Orisions700705Orisions700705Orisions700705	Derivative contracts	25	10
Total current assets39,30135,016Total assets102,54697,900SHAREHOLDERS' EQUITY AND LIABILITIESShare capital24,00224,002Premium fund6.666.66Reserve fund11,22111,221Own shares-5.91-5.91Translation differences-1,191-1,172Retained earnings-4.061324,002Other unrestricted equity28,00328,003Equity attributable to shareholders of the parent11,87613,552Minority interest-1,108-1,100Total shareholders' equity28,00324,903Deferred tax liabilities3.6763.607Provisions3.6763.607Interest-bearing liabilities22,69222,990Non-turrent liabilities22,69222,990Non-interest-bearing liabilities20,033.36Current liabilities20,033.36Provisions1,268-1,400Current liabilities22,69222,990Non-interest-bearing liabilities2.03.36Provisions100100Stort emiterest-bearing liabilities2.03.36Provisions2.02.9,9912.32Current liabilities2.03.36Provisions100100Stort emiterest-bearing liabilities2.03.36Provisions143.175Current liabilities2.9,9913.175Provisions14	Other financial assets	0	0
Total assets102,54697,900SHAREHOLDERS' EQUITY AND LIABILITIESShareholders' equity24,002Share capital24,002Premium fund66Reserve fund11,22Own shares-591Tanstaton differences-1,191Tanstaton differences-1,191Cher unserticate equity28,003Equity attributable to shareholders of the parent11,876Other unserticate equity28,003Equity attributable to shareholders of the parent11,876Minority interest-1,206Other unserticate equity28,031Deferred tax liabilities-1,206Deferred tax liabilities-3,676Ovisions-3,676Interest-bearing liabilities-2,692Vorsions-2,692Current liabilities-2,692Current liabilities-2,692Current liabilities-2,692Current liabilities-2,09Current lia	Cash and cash equivalents	1,467	1,793
SHAREHOLDERS' EQUITY AND LIABILITIESShareholders' equityShareholders' equityShareholders' equityShareholders' equity24,00224,002Premium fund66Reserve fund1,2121,212Own shares-1,191-1,172Retained earnings-40,613-38,417Other unrestricted equity28,90328,903Equipt attributable to shareholders of the parent11,867-31,502Inority interest11,876-1,100Tot shareholders' equity10,50012,425Non-current liabilities3,6763,607Provisions3,6763,676Interest-bearing liabilities3,6763,607Provisions22,6501,4261,426Non-interest-bearing liabilities3,6763,676Current liabilities20,6932,75602,7560Current interest-bearing liabilities20,6933,693Provisions10,00100100Short-exerting liabilities20,933,367Provisions20,933,3672,364Current liabilities20,933,367Provisions100100100Short-exerting liabilities20,932,365Provisions100100100Short-exerting liabilities21,932,365Provisions11,932,36514Provisions11,932,36514Provisions11,932,36514Provisions11,	Total current assets	39,301	35,016
Shareholders' equityImage: state of the state	Total assets	102,546	97,900
Share capital24,08224,082Premium fund6666Reserve fund1,2211,221Own shares591-591Translation differences-1,191-1,712Retained earnings-40,613-38,417Other unrestricted equity28,90328,903Equity attributable to shareholders of the parent11,87613,552Minority interest11,87613,552Otal shareholders' equity10,59012,452Non-current liabilities3,6763,607Provisions770756Increst-bearing liabilities27,69227,960Non-interest-bearing liabilities20,093Provisions100100Short-term interest-bearing liabilities20,093Provisions100100Short-term interest-bearing liabilities25,99122,365Derivative contracts41139Accounts payable and other liabilities31,75028,147Tetal liabilities31,75028,147	shareholders' equity and liabilities		
Premium fund6666Reserve fund1.2211.221Own shares-591-591Translation differences-1,191-1,712Retained earnings-40,613-38,417Other unrestricted equity28,90328,903Equity attributable to shareholders of the parent11,87613,552Minority interest10,59012,452Moncturrent liabilities-1,286-1,106Deferred tax liabilities3,6763,607Provisions770756Interest-bearing liabilities22,7,69227,692Current liabilities21,2631,426Provisions1000100Non-interest-bearing liabilities2033Provisions100100Short-term interest-bearing liabilities25,99122,365Derivative contracts41199Accounts payable and other liabilities31,75028,147Total liabilities31,75028,147	Shareholders' equity		
Reserve fund1,2211,221Own shares-591-591Tanslation differences-1,191-1,712Retained earnings-40.613-38,417Other unrestricted equity28,90328,903Equity attributable to shareholders of the parent11,87613,552Minority interest-1,286-1,100Total shareholders' equity10,59012,452Non-current liabilities3,6773,607Provisions3,6753,607Interest-bearing liabilities27,96014,265Current liabilities1,2681,268Current liabilities2033Provisions100100Short-term interest-bearing liabilities20,903Short-term interest-bearing liabilities25,99122,365Derivative contracts14139Accounts payable and other liabilities31,75028,149Total liabilities31,75028,149Accounts payable and other liabilities31,75028,149Total liabilities31,75028,149Accounts payable and other liabilities31,750 <td>Share capital</td> <td>24,082</td> <td>24,082</td>	Share capital	24,082	24,082
Own shares-591-591Translation differences-1,191-1,712Retained earnings-40.613-38,417Other unrestricted equity28,90328,903Equity attributable to shareholders of the parent11,87613,552Minority interest-1,286-1,100Total shareholders' equity10,59012,452Non-current liabilities3,6773,607Provisions3,6763,607Interest-bearing liabilities27,69027,960Non-interest-bearing liabilities1,2681,426Current liabilities2033Provisions100100Short-term interest-bearing liabilities25,99122,365Derivative contracts14139Accounts payable and other liabilities31,75028,149Total liabilities31,75028,149Accounts payable and other liabilities31,75028,149Total liabilities31,75028,149Accounts payable and other liabilities31,75028,149Total liabilities31,75028,149Total liabilities31,75028,149Accounts payable and other liabilities31,75028,149Total liabilities31,75028,149Total liabilities31,75028,149Total liabilities31,75028,149Total liabilities31,75028,149Total liabilities31,75028,149Total liabilities31,75028,149<	Premium fund	66	66
Translation differences1,191-1,712Retained earnings-40,613-38,417Other unrestricted equity28,90328,903Equity attributable to shareholders of the parentH1,876H3,552Minority interest-1,286-1,100Total shareholders' equity10,59912,452Non-current liabilities3,6773,677Provisions770756Interest-bearing liabilities22,7960Non-interest-bearing liabilities20,09Current liabilities20Sort-term interest-bearing liabilities20Provisions100Short-term interest-bearing liabilities25,991Derivative contracts14Accounts payable and other liabilities31,750Total liabilities31,750Total liabilities31,750Counts payable and other liabilities31,750Total liabilities31,750Total liabilities31,750Counts payable and other liabilities31,750Total liabilities31,750	Reserve fund	1,221	1,221
Retained earnings40.613-38.417Other unrestricted equity28.90328.903Equity attributable to shareholders of the parent11.87613.552Minority interest-1.226-1.100Total shareholders' equity10.59012.452Non-current liabilities3.6763.607Provisions770756Interest-bearing liabilities27.69227.960Non-interest-bearing liabilities1.2681.426Current liabilities2033Provisions100100Sont-terrst interest-bearing liabilities2033Provisions100100Short-term interest-bearing liabilities25.99122.365Derivative contracts14139Accounts payable and other liabilities31.75028.149Total liabilities31.75028.149Total liabilities31.75028.149	Own shares	-591	-591
Other unrestricted equity28,90328,903Equity attributable to shareholders of the parent11,87613,552Minority interest-1,286-1,000Total shareholders' equity10,59012,452Non-current liabilities3,6763,677Deferred tax liabilities3,6763,677Provisions770756Interest-bearing liabilities27,69227,960Non-interest-bearing liabilities2033Provisions10000Sort-term interest-bearing liabilities20,991Sort-term interest-bearing liabilities21,991Derivative contracts21,991Accounts payable and other liabilities31,750Total liabilities31,750Total liabilities31,750Total liabilities31,750Total liabilities31,750Total liabilities91,955Statificies91,955	Translation differences	-1,191	-1,712
Equity attributable to shareholders of the parentII,876II,876I3,552Minority interest-1,286-1,100Total shareholders' equityI0,590I2,452Non-current liabilities3,6763,607Peferred tax liabilities3,6763,607Provisions770756Interest-bearing liabilities27,69227,960Non-interest-bearing liabilities1,2681,426Current liabilities233Provisions10010033Provisions100100100Short-term interest-bearing liabilities25,99122,365Derivative contracts31,75028,149Accounts payable and other liabilities31,75028,149Total liabilities91,95585,447	Retained earnings	-40,613	-38,417
Minority interest-1,266-1,100Total shareholders' equity10,59012,452Non-current liabilities3,6763,607Deferred tax liabilities3,6763,607Provisions770756Interest-bearing liabilities27,69227,960Non-interest-bearing liabilities1,2681,426Current liabilities2033Provisions100100Short-term interest-bearing liabilities20,99133Provisions100100Short-term interest-bearing liabilities25,99122,365Derivative contracts31,75028,149Accounts payable and other liabilities31,75028,149Total liabilities31,75028,149Total liabilities91,95585,447	Other unrestricted equity	28,903	28,903
Total shareholders' equity10,59012,452Non-current liabilities3,6763,607Deferred tax liabilities3,6763,607Provisions770756Interest-bearing liabilities27,69027,960Non-interest-bearing liabilities1,2681,426Current liabilities2033Provisions100100Short-term interest-bearing liabilities25,99122,365Derivative contracts14139Accounts payable and other liabilities31,75028,149Total liabilities91,95585,447	Equity attributable to shareholders of the parent	11,876	13,552
Non-current liabilitiesImage: state of the st	Minority interest	-1,286	-1,100
Deferred tax liabilities3,6763,607Provisions770756Interest-bearing liabilities27,69227,960Non-interest-bearing liabilities1,2681,426Current liabilities2033Current income tax liabilities2033Provisions100100Short-term interest-bearing liabilities25,99122,365Derivative contracts14139Accounts payable and other liabilities31,75028,149Total liabilities91,95585,447	Total shareholders' equity	10,590	12,452
Provisions770756Interest-bearing liabilities27,60227,960Non-interest-bearing liabilities1,2681,426Current liabilities2033Current income tax liabilities2033Provisions100100Short-term interest-bearing liabilities25,99122,365Derivative contracts14139Accounts payable and other liabilities31,75028,149Total liabilities91,95585,447	Non-current liabilities		
Interest-bearing liabilities27,69227,960Non-interest-bearing liabilities1,2681,426Current liabilities2033Current income tax liabilities2033Provisions100100Short-term interest-bearing liabilities25,99122,365Derivative contracts14139Accounts payable and other liabilities31,75028,149Total liabilities91,95585,447	Deferred tax liabilities	3,676	3,607
Non-interest-bearing liabilities1,2681,426Current liabilities11Current income tax liabilities2033Provisions100100Short-term interest-bearing liabilities25,99122,365Derivative contracts14139Accounts payable and other liabilities31,75028,149Total liabilities91,95585,447	Provisions	770	756
Current liabilities20Current income tax liabilities20Provisions100Short-term interest-bearing liabilities25,991Derivative contracts14Accounts payable and other liabilities31,750Total liabilities91,95585,447	Interest-bearing liabilities	27,692	27,960
Current income tax liabilities2033Provisions100100Short-term interest-bearing liabilities25,99122,365Derivative contracts14139Accounts payable and other liabilities31,75028,149Total liabilities91,95585,447	Non-interest-bearing liabilities	1,268	1,426
Provisions100Short-term interest-bearing liabilities25,99122,365Derivative contracts14139Accounts payable and other liabilities31,75028,149Total liabilities91,95585,447	Current liabilities		
Short-term interest-bearing liabilities25,99122,365Derivative contracts14139Accounts payable and other liabilities31,75028,149Total liabilities91,95585,447	Current income tax liabilities	20	33
Derivative contracts14139Accounts payable and other liabilities31,75028,149Total liabilities91,95585,447	Provisions	100	100
Accounts payable and other liabilities31,75028,149Total liabilities91,95585,447	Short-term interest-bearing liabilities	25,991	22,365
Total liabilities91,95585,447	Derivative contracts	14	139
	Accounts payable and other liabilities	31,750	28,149
Shareholders' equity and liabilities 102,546 97,900	Total liabilities	91,955	85,447
	Shareholders' equity and liabilities	102,546	97,900



# 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 interst	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										
Profit					163		-7,478	-7,315	37	-7,278
Dividends paid										
Acquisition of own shares										
Minority interest										
Shareholders' equity 31/3/2011	24,082	66	1,221	-599	-1,076	21,327	-18,969	26,05 I	610	26,661
EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Other unrestricted equity	Retained profit	Total	Minority interst	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					521		47	568	18	585
Profit							-2,243	-2,243	-204	-2,447
Dividends paid										
Acquisition of own shares										
Minority interest										
Shareholders' equity 31/3/2012	24,082	66	1,221	-591	-1,191	28,903	-40,613	11,876	-1,286	10,590

# CONSOLIDATED CASH FLOW STATEMENT (IFRS)

EUR 1,000	1/1-31/3/2012	1/1-31/3/2011
Cash flows from operating activities		
Payments received from operating activities	23,638	36,012
Payments paid on operating activities	-26,314	-41,686
Paid interests and other financial expenses	-835	-515
Interests received and other financial income	112	92
Direct taxes paid	-5	-1
Net cash provided by operating activities	-3,404	-6,097
Investments in tangible fixed assets	-276	-373
Investments in intangible fixed assets	-3	-164
Loans granted	0	-2,182
Net cash provided by investing activities	-279	-2,719
Cash flows from financing activities		
Acquisition of own shares	0	0
Increase in Ioans	3,590	7,669
Decrease in loans		0
Payments of finance lease activities	-257	-257
Net cash provided by financing activities	3,333	7,412
Change in cash and cash equivalents	-349	-1,404
Cash and cash equivalents at beginning of the period	1,793	2,734
Exchange rate differences	23	П
Cash and cash equivalents at the end of the period	1,467	1,341



# NOTES

# 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 derivates and segment-specific currency hedging are now recognised under each segment. Other derivatives are recognised in other operations and eliminations. In addition, segment-specific statements present the operating profit 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

31/3/2012	Cable	Viscose Fibres	Single Family Housing	Eliminations and other operations	Group total
EUR 1,000					
Net sales	24,304	1,976		7	26,286
Segment's operating profit before change in the value of open derivatives	159	-1,996		-283	-2,120
Change in the value of open derivatives	-36			162	126
Operating profit after change in the value of open derivatives	122	-1,996		-121	-1,994
Share of the results of associates			-		-
Unallocated items				-453	-453
Profit					-2,447
Assets			*)		
Assets Segment's assets	73,048	17,754	6,369		97,170
Unallocated items	73,070	17,754	0,307	5,376	5,376
Total assets	73,048	17,754	6,369	5,376	102,546
	75,040	11,154	0,007	5,570	102,540
Liabilities					
Segment's liabilities	46,253	29,665			75,918
Unallocated items				16,037	16,037
Total liabilities	46,253	29,665		16,037	91,955
Assets – liabilities	26,794	-11,911	6,369	-10,662	10,591
	235				2/2
Investments		224		34	269
Depreciation	-1,211	-334		-6	-1,551

\*) The figures for the Single Family Housing segment are from 2011, because more recent figures are not yet available.

31/3/2011	Cable	Viscose Fibres	Single Family Housing	Eliminations and other operations	Group total
EUR 1,000					
Net sales	24,485	7,130			31,615
Segment's operating profit before change in the value of open derivatives					
	-183	-6,570		-221	-6,974
Change in the value of open derivatives	-123			-115	-238
Operating profit after change in the value of open derivatives	201	(		22/	
	-306	-6,570		-336	-7,212
Share of the results of associates			-1,669		-1,669
Unallocated items				1,386	1,386
Profit					-7,495
Assets					
Segment's assets	82,472	19,856	3,000		105,327
Unallocated items				12,255	12,255
Total assets	82,472	19,856	3,000	12,255	117,582
Liabilities					
Segment's liabilities	62,992	26,434	0		90,920
Unallocated items				1,494	
Total liabilities	62,992	26,434	0	1,494	90,920
Assets – liabilities	19,480	-6,579	3,000	10,760	26,661
Investments	72	420	0	42	534
Depreciation	-1,004	-266	0	-4	-1,274



Cable: net sales by product group (EUR million)	1-3/2012	I_3/2011
LV energy	9.8	10.4
Power cable	14.5	14.1
Total	24.3	24.5
Cable: net sales by sales area (EUR million)	1-3/2012	1-3/2011
EU countries	20.5	20.1
Non-EU countries	3.8	4.4
Total	24.3	24.5

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

Viscose Fibres: net sales by sales area (EUR million)	1-3/2012	1-3/2011
EU countries	0.1	1.5
Non-EU countries	1.9	5.6
Total	2.0	7.1

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

EUR 1,000	1-3/2012	I-3/2011
Book value at the beginning of the period	39,690	43,719
Investments	259	372
Decrease	0	0
Depreciation	-1,292	-1,271
Translation differences	288	82
Book value at the end of the period	38,945	42,902

# CONTINGENT LIABILITIES

31/3/2012	31/12/2011
15,237	15,735
41,820	41,820
12,133	12,178
25,885	25,885
27,370	27,913
2,823	2,353
0	0
4,700	4,700
	15,237 41,820 12,133 25,885 27,370 2,823 0

Commitments

The factoring credit was secured by a total of EUR 12.8 million of sales receivables on 31 March 2012 (7.4 million on 31 December 2011). The factoring credit stood at EUR 10.5 million on 31 March 2012 (EUR 6.4 million on 31 December 2011).

#### INVESTMENT COMMITMENTS

Investment commitments for tangible fixed assets amounted to EUR 0.3 million on 31 March 2012 (0.1 million on 31 December 2011).



# NOTES

### **Derivative contracts**

EUR 1,000	Positive current values	Negative current values	Current net values 31/3/2012	Current net values 31/12/2011	Nominal values 31/3/2012	Nominal values 31/12/2011
Financial derivatives						
Option contracts		-675	-675	-913		
Currency derivatives						
Forward exchange agreements						
Raw material options						
Metal derivatives	25	-14	П	-128	1,183	3,354
Total derivatives	25	-689	-664			
Long-term derivatives deducted						
Short-term share	25	-689				

# RELATED-PARTY EVENTS

Neo Industrial PIc 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 EVENTS

#### Transactions with the Reka Group

EUR 1,000	1-3/2012	I-3/2011
Sales	7	5
Other purchases	-431	-429
Interest revenues	9	5
Loan receivables	493	0
Sales receivables and other receivables at the end of the period	549	I 495
Finance leases (activated on the balance sheet)	-9,736	-10,567
Other debts at the end of the period	-13	-5
Transactions with other related parties		
EUR 1,000	1-3/2012	1-3/2011
Interest revenues	0	50
Loan receivables	0	١,200
Sales receivables and other receivables at the end of the period	0	50

The Managing Director of Neo Industrial has significant controlling power in SAV Rahoitus Plc.

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 in 2011 consisted of transactions with SAV Rahoitus Plc.



#### **Calculation of key figures**

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

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 segments are Cable (Reka Cables, Expokabel, Nestor Cables), Viscose Fibers (Avilon) and Single Family Housing (Finndomo).



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