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Category: Interim report (Q1 and Q3)

NEO INDUSTRIAL 1-9/2017: Growth of turnover continued, Q3 operating result improved from previous year

Review period July – September 2017

- Turnover grew 9.2 per cent and was EUR 26.9 (7-9/2016: 24.6) million.
- The operating result was EUR 1.6 (1.1) million, being 5.9 (4.5) per cent of turnover.
- The result for the review period was EUR 0.7 (0.6) million.
- The Cable Segment's operating result was EUR 1.7 (1.3) million.
- Neo Industrial keeps its financial guidelines unchanged.

Review period January – September 2017

- Turnover grew 13.5 per cent and was EUR 84.9 (1-9/2016: 74.8) million.
- The operating result was EUR 3.9 (4.9) million, being 4.6 (6.6) per cent of turnover.
- The result for the review period was EUR 1.8 (2.9) million.
- The Cable Segment's operating result was EUR 4.7 (5.5) million.

Near-term outlook

Construction continues to be on a good level in our main market areas. The management believes that grid constructors will continue ground cabling investments to ensure distribution reliability. The turnover is believed to increase clearly in 2017 compared to previous year. Increases in raw material prices were incorporated into sales prices with delay and therefore the operating result is expected to remain in the previous year's level in 2017.

Key Figures

	7-9/2017	7-9/2016	1-9/2017	1-9/2016
Turnover, EUR million	26.9	24.6	84.9	74.8
Operating result, EUR million	1.6	1.1	3.9	4.9
Result for the period, EUR million	0.7	0.6	1.8	2.9
Earnings per share, EUR	0.11	0.1	0.31	0.49
ROI, %			26.1	13.3
IAS 19 corrected Equity ratio, %			25.1	21.5

Managing Director Ralf Sohlström:

Brisk construction, ground cabling and wholesale trade have kept the demand of cables on a good level in our main market area, the Nordic countries. The orders mentioned in the half-year report that were delayed because of delayed launches of ground cable projects have been delivered in the third quarter. The price increases implemented at the beginning of the third quarter improved profitability, which is reflected in the improvement in operating result from the previous quarter. The price increase in metal raw material prices has further increased the need for new price increases since the beginning of the fourth quarter.

In Sweden, cable deliveries to the new distribution channel have been successfully launched, and sales volume in the other Nordic countries has also increased since last year. The LiteRex installation cable product family launched in the spring has received a particularly good reception in the export market.

Segments

The business segment of Neo Industrial is Cable industry.

Cable Segment business review

The Cable Segment's turnover for the period between July - September 2017 increased 9.2% from last year and its operating result increased EUR 0.4 million.

Turnover was increased by price increases during the review period, seasonal deliveries as well as active construction. Sales of new products also increased turnover slightly. The price increases at the beginning of the third quarter improved profitability compared to the corresponding period of the previous year and the previous quarter.

The industry's key raw materials are copper, aluminum and plastics. At the beginning of the year the price of copper was EUR 5375 and the price of aluminum was EUR 1630. At the end of the review period, the price of copper was EUR 5530 and the price of aluminum EUR 1806.

At its highest point, the daily price of copper during the review period was EUR 5835 in September, and at its lowest in June, at EUR 4951. The price of aluminum has been at its highest in March, when it was 1842 Euros, and its lowest in August, when it was 1609 Euros.

In purchasing metals, partial price hedging is utilized through commodity derivatives.

Financing position

During 2016 short-term debt financing was arranged as a long-term debt. Following the reorganization of loans, the liquidity is better and the debt ratio is reasonable at 78%.

The made investments, EUR 2.2 million, were targeted at product development and improving productivity.

Personnel

The average number of personnel grew by 6 per compared to the same period last year. At the end of the review period, the Group employed 265 people. The number of staff has decreased since June, when summer workers were taken off the staff count.

Associated company Nestor Cables Ltd

Nestor Cables Ltd's net sales for January-September 2017 were EUR 22.0 million (20.4). The operating result was positive and better than the previous year. In the Group, the book value of the shares of the associated company is zero and the profit share has not been taken into account in the Group's figures.

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.

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 affect significantly 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 aluminium) 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.

Near-term outlook

Construction continues to be on a good level in our main market areas. The management believes that grid constructors will continue ground cabling investments to ensure distribution reliability. The turnover is believed to increase clearly in 2017 compared to previous year. Increases in raw material prices were incorporated into sales prices with delay and therefore the operating result is expected to remain in the previous year's level in 2017.

The information presented in this release is unaudited.

Hyvinkää, October 24, 2017

Neo Industrial Plc
Board of Directors

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