

## Neo Industrial Plc: Turnover to the growth

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January-March 2020:

- The Neo Industrial Group's turnover was EUR 26.0 million (19.6 million).
- The operating result was EUR -0.4 million (-1.2 million).
- The Cable segment's operating result was EUR -0.1 million (-1.1 million).
- EBITDA was EUR 0.8 million. Comparable EBITDA 1-3 2019 was EUR -0.1 million.
- The Group's result for the period was EUR -0.7 million (-1.2 million).
- The operating cash flow was EUR -4.3 (-0.8) million.

The business review is unaudited.

Neo Industrial Plc's subsidiary Reka Cables Ltd received in January 2020 a substantial contract for underground power cables from Scandinavia. The total value of the contract is approximately EUR 9 million. The deliveries will be made during 2020-2022.

### Managing director Jukka Poutanen:

The turnover of Reka Cables Ltd increased substantially from last year. The operating result improved but remained still negative after first quarter due to the fall of metal prices in March.

We also follow the EBITDA key figure and therefore we added it to the key figures to be reported.

The strong growth employed working capital and affected to the operating cash flow.

Green Bond funded projects have been launched and new ones are under preparation. The first Green Bond investor letter was published in March.

### Key figures

	1-3/2020	1-3/2019	1-12/2019
Turnover, EUR million	26.0	19.6	97.5
Operating result, EUR million	-0.4	-1.2	0.5
EBITDA, EUR million	0.8	-0.1	4.9
Result for the period, EUR million	-0.7	-1.2	-1.4
Net cash provided by operating activities, EUR million	-4.3	-0.8	7.8

### Segments

Neo Industrial's business segment is the Cable Industry.

### Cable segment

The Cable segment's turnover January - March 2020 was EUR 26.0 million (EUR 19.6 million January - March 2019). Operating result was EUR -0.1 million (EUR -1.1 million).

Domestic sales volumes increased compared to previous year. Also the export sales volumes increased.

The industry's key raw materials are copper, aluminum and plastics. In the beginning of the year the price of copper was EUR 5,481 and the price of aluminum was EUR 1,603 per metric ton. At the end of March 2020, the price of copper was EUR 4,380 per metric ton and the price of aluminum EUR 1,359 per metric ton.

During the review period, the daily price of copper was at its highest in January at EUR 5,649 per metric ton, and at its lowest in March at EUR 4,283 per metric ton. The price of aluminum has been at its highest in January, when it was EUR 1,631 per metric ton, and its lowest in March, when it was EUR 1,352 per metric ton.

In purchasing metals, partial price hedging is utilized through commodity derivatives. The fair value of open hedges 31.3.2020 was EUR -0.5 (EUR 0.0) million.

Turnover for Nestor Cables Group, an associated company in the Cable segment, was EUR 6.7 million (5.4 million). The operating result was positive and better than year before. The company's value on the consolidated balance sheet is zero due earlier year's cumulative results and the 2020 result of the company is not included in the Group figures.

### **Balance sheet and financing**

At the end of March 2020 other interest-bearing liabilities than leases were EUR 17.3 (11.1) million, of which EUR 12.4 (4.1) million were long-term. Regarding short-term interest-bearing liabilities EUR 3.0 million is related to financing sales receivable.

### **Personnel**

During January - March 2020 the Group employed an average of 255 (251) people. At the end of March 2020, the Group employed 259 (252) people.

### **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 merger is universal succession and therefore tax neutral. The difference of opinion of the Neo Industrial and tax authority is EUR 1.2 million.

### **Major events after the review period**

After the review period there has not been any major events.

### **Near-term outlook**

For the financial year 2020, Neo Industrial's net result is expected to be positive, provided that predominant conditions due COVID-19 pandemic will not substantially affect to the company's capability to deliver.

Hyvinkää, 23 April 2020

Neo Industrial Plc  
Board of Directors

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In the business review used alternative key figure EBITDA can be calculated by adding depreciation to the operating result. Operating profit calculation formula is stated in the financial statements.

## **Disclosure regulation**

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 change in exchange rates and interest rates.

Figures in brackets refer to the same period a year earlier, unless otherwise stated.

## **About Neo Industrial Oyj**

Neo Industrial Plc is a Finnish company that focuses on building a sustainable future by developing and renewing modern society's networks. We own emerging private companies in the cable industry, to whom we are a long-term and responsible partner. Our goal is to be a conglomerate in the future, that creates new opportunities responsibly for a smart and energy-efficient society. Neo Industrial Plc's class B shares are listed on the main list of NASDAQ Helsinki Stock Exchange.

## **Attachments**

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