



## NEO INDUSTRIAL PLC: TURNOVER DECREASED, OPERATING CASH FLOW POSITIVE

27.2.2020 10:00:00 EET | Neo Industrial Oyj | Financial Statement Release

January-December 2019:

- The Neo Industrial Group's turnover was EUR 97.5 million (103.8 million).
- The operating result was EUR 0.5 million (1.0 million).
- The Cable segment's operating result was EUR 0.9 million (1.9 million).
- The Group's result for the period was EUR -1.4 million (-0.5 million).
- The operating cash flow was EUR 7.8 (-1.3) million.

### KEY FIGURES

	2019	2018
Turnover, EUR million	97.5	103.8
Operating profit, %	0.5	1.0
Result for the period, EUR million	-1.4	-0.5
ROI, %	4.5	8.4
IAS 19 corrected Return on Equity, %	-8.1	-4.5
IAS 19 corrected Gearing, %	188.2	104.4
IAS 19 corrected Equity ratio, %	16.8	25.5
Earnings per share, EUR	-0.24	-0.09

This financial statement release is unaudited.

MANAGING DIRECTOR JUKKA POUTANEN:

Turnover was lower than in the previous year. Domestic sales decreased. Export sales increased as planned but could not compensate for the domestic decrease. We made a plan to develop and strengthen substantially both domestic and export sales organization. Part of the measures to take were implemented by the end of the year 2019. We are working on with the remaining measures to take.

During the financial year the Group reorganized the ownerships of Cable Segment's production facilities in Keuruu and Riihimäki. It seems more tempting in longer term to buy such assets than handle them according to IFRS 16. The Real estate related acquisitions have been financed through long-term financing.

The proceeds of the "Green bond", launched at the end of the year, will be used for the financing of eligible expenditures as set out in the Green Bond Framework related to the enhancement of the environmental credentials of Reka Cables' portfolios of products; and the improvement of Reka Cables' environmental performance in respect to its production facilities and processes.

### TURNOVER AND OPERATING RESULT

The Neo Industrial Group's (Neo Industrial) turnover in 2019 was EUR 97.5 million (103.8 million). Its result for the full year was EUR -1.4 million (-0.5 million).

## BALANCE SHEET AND FINANCING

At the end of the financial year the interest-bearing liabilities were EUR 25.0 (13.0) million, of which other than finance lease liabilities were EUR 15.6 (9.7) million. In the end of the financial period the balance sheet total stood at EUR 58.9 million (46.3).

The balance sheet increased substantially due IFRS 16 -standard. The balance sheet 31 December 2019 include tangible assets due IFRS 16 EUR 8.2 million and EUR 5.4 million Keuruu plant real estate that was bought end of June 2019.

During the financial year, the stocks were from time to time at a high level. At the end of December, the value of the inventories was EUR 13.8 (16.4) million. The EUR 3.0 million limit loan was not in use at the end of December.

The Group rearranged financing by reducing short-term interest-bearing loans and acquiring long-term funding for the acquisition of Keuruu plant.

The short-term interest-bearing loans have covenants, of which all were not fulfilled at the end of the closing of the financial year. The breakage of the covenant terms did not cause any immediate repayment of the short-term interest-bearing loans in the balance sheet at 31 December 2019. In enclosures of the Group Financial statements more information is available regarding covenants.

At the end of the financial year, Neo Industrial Plc successfully issued EUR 10 million in senior secured green bonds (the Bonds). The tenor of the euro-denominated Bonds is five (5) years, with maturity date falling on the 6th of December 2024. The Bonds carry a fixed annual coupon at 6.00 per cent, payable annually on the 6th of December.

The Bonds are guaranteed by subsidiary Reka Cables Ltd. The net proceeds of the bonds will be used for the financing of eligible expenditures as set out in the Green Bond Framework related to the enhancement of the environmental credentials of Reka Cables' portfolios of products; and the improvement of Reka Cables' environmental performance in respect to its production facilities and processes. Part of the Bonds can be used for refinancing as described in the contract terms.

## MAJOR EVENTS DURING THE FINANCIAL PERIOD

Neo Industrial Plc's subsidiary Reka Cables Ltd is one of two companies to win the public acquisition of substantial contract for underground power cables. Total value of Reka Cable's share will be approximately EUR 20 million and the deliveries will be made during 2020-2021. Underground power cables are used when building grids that are not vulnerable to weather conditions.

Jukka Poutanen was appointed as Neo Industrial Plc and its subsidiary Reka Cables Ltd Managing Director starting August 12, 2019.

Neo Industrial Plc sold its shares of Riihimäen Kaapelitehdas Ltd to Riihimäen Tilat ja Kehitys Ltd in August. Selling price was EUR 2.0 million.

Sale of shares was part of total arrangement where Riihimäen Tilat ja Kehitys Ltd bought altogether 68.05 % and Neo Industrial Plc's subsidiary Reka Cables Ltd 20.2 % shares of Riihimäen Kaapelitehdas Ltd. Third owner is Reka's Pension fund, whose ownership decreased to be under 12 % after arrangement.

At the end of the financial year, Neo Industrial Plc successfully issued EUR 10 million in senior secured green bonds.

The IFRS 16 standard, implemented on January 1 2019, increased the Group Balance Sheet substantially. The Group included January 1 2019 EUR 13.5 million of tangible assets, including the lease agreement relating Keuruu plant. At the end of the financial year the Group balance sheet include tangible assets due IFRS 16 EUR 8.2 million and EUR 5.4 million regarding Keuruu plant real estate bought end of June.

## SEGMENTS

Neo Industrial's business segment is Cable Industry.

### CABLE SEGMENT

	H2/2019	H2/2018	Change	2019	2018	Change
Turnover, EUR million	48,0	49,2	-2,4%	97,4	103,8	-6,2%
Operating result, EUR million	0,1	0,5	-80,0%	0,9	1,9	-52,6%

The Cable segment's turnover was EUR 97.4 million (103.8). Operating profit was EUR 0.9 million (1.9 million).

The turnover and the operating result of the cable segment were lower than in the previous year. Domestic sales decreased. Particularly part of the underground power cable projects were postponed to year 2020. Export sales increased as planned but could not compensate for the domestic decrease.

The cable segment made a plan to develop and strengthen substantially both domestic and export sales organization. Part of the measures to take were implemented by the end of the year 2019. The remaining measures to take are estimated to be carried out in the beginning of the year 2020.

The industry's key raw materials are copper, aluminum and plastics. At the beginning of the year the price of copper was EUR 5,251 and the price of aluminum was EUR 1,632 per tonne. At the end of the December 2019, the price of copper was EUR 5,481 and the price of aluminum EUR 1,603.

At its highest point, the daily price of copper during the review period was EUR 5,787 per tonne in April 2019, and at its lowest in August, at EUR 5,051 per tonne. The price of aluminum has been at its highest in March 2019, when it was EUR 1,694 per tonne, and its lowest in June, when it was EUR 1,523 per tonne.

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

IFRS 16 Leases, which entered into force on 1 January 2019, is tempting to acquire assets for yourself instead of leases. As a first step Neo Industrial's cable segment bought in the end of June one of the premises that is used in Keuruu plant. In addition, the arrangement carried out at the end of August is the first step of Neo Industrial's cable segment towards production premises in Riihimäki. Reka Cables Ltd acquired 20.2 % share of Riihimäen Kaapelitehdas Ltd. Reka Cables Ltd plans to increase the ownership in future years.

Investments fulfilled, EUR 8.2 million (2.4 million in 2018) were targeted at real estates, developing new products and improving productivity, material- and energy efficiency.

Turnover for Nestor Cables Group, an associated company in the Cable segment, was EUR 31.5 million (36.0 million). The operating result was positive but 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 AFTER THE REVIEW PERIOD

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.

#### 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 2020, Neo Industrial's net result is expected to be positive.

#### DIVIDEND POLICY

Neo Industrial aims to distribute at least 30 percent of its net earnings as dividends.

#### ANNUAL GENERAL MEETING 2020

Neo Industrial Plc's Annual General Meeting will be held in Helsinki on 25 March 2020 at 1.00 p.m. A separate invitation will be published on 27 February 2020.

#### DISCLOSURE PROCEDURE OF FINANCIAL REVIEW

Neo Industrial follows the disclosure procedure enabled by Standard 5.2b published by the Finnish Financial Supervision

Authority, and discloses relevant information related to its Financial Statement Release with this Stock Exchange Release. Neo Industrial's Financial Statement Release is attached to this release and is also available on company's website at [www.neoindustrial.fi](http://www.neoindustrial.fi)

Espoo, 27 February 2020

Neo Industrial Plc  
Board of Directors

Further information:  
Jukka Poutanen, Managing Director, tel. +358 40 833 9007

[www.neoindustrial.fi/en](http://www.neoindustrial.fi/en)

### **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**

- [Download announcement as PDF.pdf](#)
- [Neo Industrial Oyj\\_Financial statement release\\_2019\\_final.pdf](#)