

NEOMARKKA PLC INTERIM REPORT I.I. – 30.9.2009

Q3 Turnover at Q2 Level, Operating Result Shows a Loss

KEY FIGURES	7-9/2009	7-9/2008	1-9 /2009	1-9 /2008
Turnover, EUR million, of which	17.7	31.2	52.7	91.0
- Cable business	17.7	31.2	52.7	91.0
- Other operations	0.0	0.0	0.0	0.0
Operating result, EUR million, of which	-1.9	-0.3	-2.8	4.1
- Cable business	-1.2	-0.1	-1.8	4.9
- Other operations	-0.7	-0.2	-1.0	-0.9
Profit or loss for the period, EUR million	-1.2	-0.8	-2,5	0.4
Earnings per share, EUR	-0.19	-0.12	-0.40	0.07

Return on investment (ROI) during the nine months under review was -1.2 % (3.5 %). The equity ratio was 49.1 % (48.7 %).

MAJOR EVENTS DURING THE REVIEW PERIOD

Industrial Investments: Cable Business

Turnover from cable operations in the third quarter was at the same level as in the second quarter, EUR 17.7 million. This was EUR 13.4 million lower than in Q3/2008. The third-quarter operating loss was EUR 1.8 million compared with an operating profit of EUR 4.9 million in Q3/2008.

The result of the period under review was strongly influenced by the ongoing construction sector slump, which held down demand for cables. The volume of industrial investment also continued to be weak. Aluminium and copper prices rose throughout the period but their price level is still significantly lower than last year. Because of tough competition, the increase in raw material prices could not be fully passed on in sales prices.

In Russia the financial crisis has continued to postpone purchasing decisions by customers. At the end of the quarter, cautious signs were visible of a revival in cable demand. Demand from the oil and gas sector was moderate throughout the third quarter. The rouble exchange rate remained weak, at the same level as in the second quarter.

The company continued austerity measures, begun in the spring to improve profitability. Layoffs, begun in the second quarter, were in effect throughout the third quarter.

Reka Cables announced in August that it was continuing to reorganise its production structure by expanding its Keuruu cable plant and concentrating the manufacture of copper wire at Keuruu. Wire production at Keuruu is due to begin in February 2010.

Nestor Cables turnover continued to rise but the result for the period under review was still negative.

OTHER OPERATIONS

Neomarkka operations other than industrial investments consist mainly of investing cash funds. Its holdings in unquoted companies have remained unchanged but their relative share of all investments is small.

The company has invested directly in corporate and government bonds as well as in bonds with a credit default swap agreement. The swap contracts are for under a year and concern financially sound companies. Funds have also been invested in time deposits.

SHARE PRICES

Neomarkka Plc B-shares are quoted on the main market of the Helsinki Stock Exchange, NASDAQ OMX. Their price at the end of the period was EUR 5.61 per share (EUR 9.00 on the same date in 2008). Their price at the end of 2008 was EUR 5.80 per share. B-share turnover in the review period was 175 563 shares (339 309), which was 2.9% (5.6%) of listed B-shares. Their lowest price during the period was EUR 4.45 (EUR 7.90) and their highest EUR 6.70 (EUR 10.50). On 30.9.2009 the market capitalisation of the company was EUR 33.7 million (EUR 54.3m).

RESULT, FINANCIAL POSITION

This report has been drawn up in accordance with IAS 34 requirements for interim reports. The same principles have been followed as in the financial statement for 2008 except for changes in IAS and IFRS standards in effect for financial periods beginning 1 January 2009 and later.

Additionally, changes in the values of derivative instruments are now presented differently in the income statement. Derivatives that protect turnover are entered in Turnover and changes in metal derivatives related to customer orders are entered in Materials (previously in Other operating income and expenses). Also derivatives under 12 months that protect raw material purchases are entered in Materials. Those over 12 months continue to be recorded under Financial income and/or expenses.

Since Neomarkka withdrew from its securities investment segment in 2009, profits and losses from securities investments in the Income Statement have no longer been recorded under Turnover but under Financial items. Investments are presented in the Statement of Financial Position under Other financial assets.

The effects of exchange rate changes on long-term intra-group loans are handled as translation differences in the Consolidated Statement of Comprehensive Income and in the Statement of Shareholders' Equity in accordance with IAS 1. The interim report is unaudited.

RESULT

Consolidated turnover in the review period was EUR 52.7 million (EUR 91m in 2008).

Operating profit in the period was EUR -2.8 million (EUR 4.1m), of which cable operations generated EUR -1.8 million (EUR 4.9m). The remaining loss of EUR 1.0 million came mostly from common administrative costs of the quoted Neomarkka company. The net result of the review period was EUR -2.5 million (EUR 0.4m). Earnings per share were EUR -0.40 (EUR 0.07).

FINANCIAL POSITION

In the consolidated statement of financial position, total assets at the end of the period were EUR 92.7 million (EUR 117.1m). At the end of the period, net assets per share were EUR 7.55 (EUR 9.49) and the equity ratio was 49.1% (48.7%). For financing of working capital, Reka Cables has revolving bank credit of EUR 6.0 million and factoring credit of EUR 7.5 million. The Group's liquidity is good.

INVESTMENTS

Investments made in the review period were in the cable business and totalled EUR 2.0 million (EUR 16.1m). Long-term leases have been recognised as fixed assets in line with IFRS.

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SHAREHOLDERS' MEETING AND GOVERNANCE

Neomarkka's annual general meeting on 10 June 2009 confirmed the number of board members as six and reappointed the following directors: Matti Lainema as chairman; Pekka Soini as vice-chairman; Ilpo Helander, Taisto Riski, Risto Kyhälä and Matti Lappalainen as members.

In accordance with the Board's proposal, the meeting authorised the board to buy back shares and to decide on distributing new B-shares and transferring existing B-shares held by the company, with or without payment. The meeting also authorised the board to decide on a script issue to the company itself.

During the third quarter, the company did not exercise its right to buy back shares.

Neomarkka Plc's book entry account with Euroclear Finland Oy holds company B-shares for which no registration has been demanded although the ten-year period for their registration came to a close of 29.9.2007. The meeting decided that ownership of the shares and the rights carried by them have been forfeited and that they will pass to the company in 2016, when the new Finnish Companies Act has been in force for ten years. The company's authorised public accountants are Ernst & Young Oy. The responsible auditor is Heikki Ilkka.

The Board has appointed its members Taisto Riski, Pekka Soini and Ilpo Helander as members of its audit committee.

The managing director of Neomarkka Plc is Markku E. Rentto.

PERSONNEL

The Group employed an average 505 people (367). On 30 September 2009 Group personnel numbered 517, of whom 514 were in the cable business.

GROUP STRUCTURE AND SHAREHOLDERS

Neomarkka Plc is the parent company of a group that includes wholly-owned subsidiaries Novalis Plc and Alnus Ltd and their subsidiaries. The domicile of the parent company is Hyvinkää.

At the end of the review period, Neomarkka Plc had 12 685 shareholders (12 705). Its largest shareholder Reka Ltd held 50.76% of shares (unchanged) and 65.77% of votes (unchanged) at the end of the period. Neomarkka Plc is thus part of the Reka Group. Reka Ltd's domicile is Hyvinkää.

At the end of the period, the combined holdings of the ten largest shareholders were 60.60% (60.05%) of all shares and 72.61% (72.18%) of all votes.

MAJOR EVENTS AFTER THE REVIEW PERIOD

Company management is not aware of events after the review period that have a significant effect on business operations.

NEAR-TERM RISKS AND HEDGING MEASURES

Neomarkka's main financial risks are currency, interest rate, commodity, liquidity, credit and investment market risks. Financial risks and measures to offset them are described in more detail in the notes to the financial statement for 2008.

With the strategy revision of 2007, future risk factors are tied to the development of business operations by portfolio companies. At present there is only one portfolio business line, cables.

The main risks in the business of Reka Cables and OAO Expokabel relate to changes in market conditions, fluctuating raw material prices and exchange rate movements. Reka Cables has carried out extensive risk analysis to chart these risks and hedge them.

The company believes that the Russian cable market will grow and develop, and has made substantial investments to exploit business opportunities there. The investments contain the risk that growth in Russia will not live up to expectations.

Nestor Cables faces cable business risks and start-up risks.

NEAR-TERM PROSPECTS

The near-term outlook for the cable sector is weak. The upcoming winter and the generally low level of construction will curb demand for the rest of the year. In the Russian market the sales outlook, particularly on the power network side, is distinctly better than in the previous quarter. However the result from cables for the rest of the year is expected to be negative.

Helsinki 12.11.2009
Neomarkka Plc
Board of Directors

SUMMARISED FINANCIAL STATEMENT AND NOTES

CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000	1.7. - 30.9.2009	1.7. - 30.9.2008	1.1. - 30.9.2009	1.1. - 30.9.2008
TURNOVER	17,736	31,178	52,707	90,981
Change in inventories of finished products and production in progress	-663	-1,700	-67	4,245
Production for own use	18	58	26	116
Materials and services	-11,497	-21,750	-31,767	-69,845
Personnel expenses	-3,358	-3,916	-11,028	-11,269
Depreciation and impairment	-1,034	-972	-3,500	-2,776
Other operating income and expenses	-3,057	-3,171	-9,122	-7,402
	-19,591	-31,451	-55,458	-86,931
Operating result	-1,855	-273	-2,751	4,050
Financial income	900	314	1,998	1,192
Financial expenses	-138	-457	-1,464	-3,341
Share of the result of associates	0	-279	-202	-566
Profit or loss before taxes	-1,092	-695	-2,418	1,335
Taxes	-106	-105	-46	-908
Profit or loss for the period	-1,198	-800	-2,464	427
Profit or loss attributable to				
Equity holders of the parent	-1,162	-710	-2,389	420
Minority interest	-36	-90	-75	7
	-1,198	-800	-2,464	427
Earnings per share (belonging to equity holders of the parent) (EUR)				
Before dilution	-0.19	-0.12	-0.40	0.07
After dilution	-0.19	-0.12	-0.40	0.07
Number of shares	6,014,476	6,020,360	6,014,476	6,020,360
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)				
Profit or loss	-1,198	-800	-2,464	427
Other comprehensive items				
Translation differences related to foreign units	73	-8	-730	12
Direct book entry to equity	-38		-48	91
Total	35	-8	-778	103
Total comprehensive income	-1,163	-808	-3,242	530
Total comprehensive income attributable to				
Equity holders of the parent	-1,127	-808	-3,153	523
Minority interest	-36	0	-89	7
	-1,163	-808	-3,242	530

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR 1,000	30.9.2009	31.12.2008
ASSETS		
Non-current assets		
Goodwill	3,517	4,587
Other intangible non-current assets	6,565	6,461
Tangible non-current assets	31,359	33,753
Holdings in associates	202	202
Receivables	338	414
Deferred tax assets	1,616	947
Total non-current assets	43,596	46,365
Current assets		
Inventories	16,897	17,903
Available-for-sale financial assets	3,733	3,733
Sales receivables and other receivables	16,278	13,831
Tax receivables from the profit	98	1,975
Other financial assets	4,970	0
Cash and cash equivalents	7,092	22,319
Total current assets	49,068	59,761
Total Assets	92,664	106,125
SHAREHOLDERS' EQUITY AND LIABILITIES		
Capital and reserves attributable to equity holders of the parent		
Share capital	24,082	24,082
Premium fund	66	66
Reserve fund	1,221	1,221
Translation differences	-2,413	-1,683
Retained profit	1,111	5,090
Other unrestricted equity	21,327	21,327
Total equity attributable to equity holders of the parent	45,394	50,103
Minority interest	57	159
Total shareholders' equity	45,452	50,262
Non-current liabilities		
Deferred tax liabilities	2,936	4,056
Provisions	629	802
Interest-bearing liabilities	19,533	21,193
Current liabilities		
Tax liabilities from the profit	817	497
Reserves	163	163
Short-term interest-bearing liabilities	8,682	11,950
Accounts payable and other liabilities	14,452	17,202
Total liabilities	47,212	55,863
Shareholders' equity and liabilities	92,664	106,125

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS)

EUR 1,000	Share capital	Premium fund	Reserve fund	Translation differences	Other unrestricted equity	Retained profit	Total	Minority	Shareholders' equity total
Shareholders' equity 31.12.2007	24,082	66	1,221	-145	21,327	13,056	59,607	68	59,675
Total comprehensive income				12		370	382	7	389
Dividends paid						-3,010	-3,010		-3,010
Acquisition of own shares							0		0
Other changes							0	11	11
Shareholders' equity 30.9.2008	24,082	66	1,221	-133	21,327	10,416	56,979	86	57,065

EUR 1,000	Share capital	Premium fund	Reserve fund	Translation differences	Other unrestricted equity	Retained profit	Total	Minority	Shareholders' equity total
Shareholders' equity 31.12.2008	24,082	66	1,221	-1,683	21,327	5,091	50,104	159	50,263
Total comprehensive income				-730		-2,438	-3,167	-76	-3,243
Dividends paid						-1,504	-1,504		-1,504
Acquisition of own shares						-38	-38		-38
Other changes							0	-26	-26
Shareholders' equity 30.9.2009	24,082	66	1,221	-2,413	21,327	1,111	45,394	57	45,452

STATEMENT OF CASH FLOWS (IFRS)

EUR 1,000	I.I. - 30.9.2009	I.I. - 30.9.2008
Operating activities		
Payments received from operating activities	52,134	117,945
Payments paid on operating activities	-54,469	-102,515
Paid interests and other financial expenses	-2,305	-2,808
Interests received and other financial incomes	521	545
Direct taxes paid	1,394	-1,502
Total operating activities	-2,725	11,666
Investing activities		
Acquisition of subsidiaries and new business	-11	-7,110
Change in acquisition price of subsidiaries	1,200	0
Investments in tangible non-current assets	-2,291	-7,362
Loan notes	-4,970	0
Repayment of loan receivables	0	20,000
Proceeds from sale of intangible assets	84	0
Total investing activities	-5,988	5,528
Financing activities		
Acquisition of own shares	-33	0
Increase in loans	1,142	7,084
Decrease in loans	-5,509	-1,307
Payments of financial leasing	-562	-464
Dividends paid	-1,504	-2,956
Total financing activities	-6,465	2,357
Cash flow for the period	-15,178	19,551
Liquid funds at beginning of the period	22,319	3,086
Exchange rate differences	-48	22
Liquid funds at end of period	7,092	22,659

NOTES

This report has been drawn up in accordance with IAS 34 requirements for interim reports.

PRINCIPLES USED

The interim report applies the same principles as in the financial statement for 2008 except for changes in IAS and IFRS standards in effect for financial periods beginning 1 January 2009 and later. Additionally, changes in the value of derivative instruments are now presented differently in the consolidated income statement. Derivatives that protect turnover are entered in Turnover and the changes in metal derivatives related to customer orders are entered in Materials (previously in Other operating income and expenses). Also derivatives under 12 months that protect raw material purchases are entered in Materials. Those over 12 months continue to be recorded under Financial income and/or expenses.

Since Neomarkka withdrew from its securities investment segment in 2009, profits and losses from securities investments in the Income Statement have no longer been recorded under Turnover but under Financial items. Investments are presented in the Statement of Financial Position under Other financial assets.

The change in the IAS 1 standard affects the consolidated income statement, the consolidated statement of changes in shareholders' equity and the presentation of equity in the consolidated statement of financial position. According to the new IFRS 8 standard, segment reporting is based on the management's internal reporting. The accounting principles have not changed but assets and liabilities can be allocated more precisely. The distribution of turnover by product group and by sales area are presented as additional information. The reference data has been changed to correspond to changes that came into effect on 1 January 2009.

Changes have also been made in IAS 23, IAS 27, IFRS 2 and IAS 32 standards with effect from financial periods beginning 1 January 2009, but these have no significant impact on the Group's figures.

Segment information

9/30/2009 EUR 1,000	Industrial Investment; Cable business	Other operations	Eliminations and balancing	Group total
Turnover	52,707	61	-61	52,707
Segment operating profit	-1,745			-1,745
Unallocated items		-1,006		-1,006
Operating profit	-1,745	-1,006		-2,751
Share of the result of associates	-202			-202
Unallocated items			489	489
Profit or loss for the period				-2,464
Assets				
Segment assets	77,936		0	77,936
Unallocated items		15,462	-734	14,728
Total assets	77,936	15,462	-734	92,664
Liabilities				
Segment liabilities	52,368			52,368
Unallocated items		12,166	-17,322	-5,156
Total liabilities	52,368	12,166	-17,322	47,212
Assets - liabilities	25,568	3,296	16,588	45,452
Investments	2,034		0	2,034
Depreciations	-3,499		0	-3,499

NOTES

Segment information

9/30/2008 EUR 1,000	Industrial Investment; Cable business	Other operations	Eliminations and balancing	Group total
Turnover	90,980	66	-66	90,980
Segment operating profit	4,921	0		4,921
Unallocated items		-937	66	-871
Operating profit	4,921	-937		4,050
Share of the result of associates	-566			-566
Unallocated items			-3,057	-3,057
Profit or loss for the period				427
Assets				
Segment assets	91,444		0	91,444
Unallocated items		25,690	0	25,690
Total assets	91,444	25,690	0	117,134
Liabilities				
Tax liabilities	26			26
Long term debt	11,826	12,467		24,293
Short term debt	44,768	622	-9,639	35,751
Segment liabilities	56,620			56,620
Unallocated items		13,089	-9,639	3,450
Total liabilities	56,620	13,089	-9,639	60,070
Assets - liabilities	34,824	12,601	9,639	57,064
Investments	5,653	0	0	5,653
Depreciations	-3,499	-1	0	-3,500

Cable business turnover per product group	1-9/2009	1-9/2008
EUR million	20.4	29.4
LV energy	32.3	61.3
Power cable	0.0	0.3
Others	52.7	91.0

Cable business turnover per sales area	1-9/2009	1-9/2008
EUR million	47.2	78.6
EU-countries	5.5	12.4
Non-EU-countries	52.7	91.0

The three largest customer groups for cable are Onninen, Rexel and Sonepar, each of which accounts for more than 10% of turnover.

NOTES

Change in non-current assets

EUR 1,000	1-9/2009	1-12/2008
Book value at the beginning of the period	33,753	23,916
Investment	1,367	14,784
Increase through company acquisition	101	4,942
Decrease	0	-5,471
Depreciations	-2,985	-3,449
Impairments		0
Translation differences	-877	-969
Book value at the end of the period	31,359	33,753

Contingent liabilities

1 000 EUR	30.9.2009	31.12.2008
Debts, on behalf corporate mortgages are given		
Loans from financial institutions	3,536	8,467
Granted corporate mortgages	15 000	15 000
Debts, on behalf of securities or guarantees are given		
Loans from financial institutions	11,333	11,900
Book value of pledged securities	25,787	26,987
Granted guarantees	11,333	11,900
Other collaterals		
Bond guarantees	0	1,326
Gaurantees and payment commitments	608	1,058

Payment commitments

Sales receivables, which were EUR 5.3 million on 30.9.2009 (EUR 3.9m on 31.12.2008), are surety for factoring credit, which was EUR 4.7 million on 30.9.2009 (EUR 3.5m on 31.12.2008).

Investment commitments

Investment commitments on tangible non-current assets were EUR 0.6 million on 30.9.2009 (EUR 0.9m on 30.9.2008).

NOTES

Derivative contracts

EUR 1,000	30.9.2009	31.12.2008
<u>NOMINAL VALUES</u>		
Interest derivatives	0	0
Interest rate swaps	0	14,590
Interest rate ceiling derivatives	9,800	9,800
Foreign exchange derivatives		
Currency options	1,500	2,500
Credit derivatives		
Credit default swaps	20,000	0
Raw material derivatives		
Price hedging for metals	3,508	3,655
<u>FAIR VALUES</u>		
Interest derivatives	0	0
Interest rate swaps	0	-315
Interest rate ceiling derivatives	0	28
Foreign exchange derivatives		
Currency options	-37	-21
Credit derivatives		
Credit default swaps	18	0
Raw material derivatives		
Price hedging for metals	375	-1,433

The Group's loans are partly hedged with interest rate ceiling derivatives.

The nominal and fair values of these derivatives are given above. The derivative contracts will expire in June 2010.

Related party events (Reka Group)

EUR 1,000	1-9/2009	1-9/2008
Sales to Reka Group	26	91
Dividends to Reka Group	-614	-1,528
Other purchases from Reka Group	-899	-796
Sales receivables and other receivables at end of period	999	348
Non-current debts (financial leases) at end of period	-8,675	-8,155
Other debts at end of period	-23	-34
Guarantees received	0	1,327

OAO EXPOKABEL

In 2009 Neomarkka increased its holding in OAO Expokabel with a public purchase offer. Before the offer it owned 81.27% and afterwards 83.34%. Below is the updated purchase price allocation after the public purchase offer.

Purchase price allocation	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
EUR 1,000			
Net assets acquired			
Intangible assets	0	3,995	3,995
Tangible assets	175	4,892	5,067
Inventories	685	0	685
Current receivables	244	0	244
Cash in hand and at bank	133	0	133
Short-term liabilities	-884	0	-884
Deferred tax liability	0	-2,133	-2,133
Net assets acquired			7,107
Goodwill arising on acquisition			236
Total consideration, satisfied by cash			7,343
Net cash flow arising on acquisition:			
Cash consideration, expert fees and taxes			-7,343
Cash and cash equivalents acquired			133
Net cash flow arising on acquisition			-7,210

Available-for-sale financial assets	Book value 6/30/2009	Book value 12/31/2008
EUR 1,000		
Available-for-sale financial assets		
Oulun Puhelin Holding Plc	2,813	2,813
Lännen Teletieto Ltd	920	920
Total available-for-sale financial assets	3,733	3,733

Calculation of key figures

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

Comments made in this report that do not refer to actual facts that have already taken place are future estimates. Such estimates include expectations concerning market trends, growth and profitability, and statements that include the terms 'believe', 'assume', 'will be', or a similar expression. Since these estimates are based on current plans and estimates, they involve risks and uncertainty factors which may lead to results differing substantially from current statements. Such factors include 1) operating conditions, e.g. continued success in production and consequent efficiency benefits, availability and cost of production inputs, demand for new products, changing circumstances in respect of the acquisition of capital under acceptable conditions; 2) circumstances in the sector 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 competing products and 3) the general economic situation such as economic growth in the Group's main geographical market areas or changes in exchange rates and interest rates.