

Neomarkka Group

Interim Report

1.1. - 31.3.2008

Neomarkka's industrial investments' result improving, investments in securities making loss

KEY FIGURES	1-3/2008	1-3/2007
Turnover, EUR million, of which	26,3	1,8
- Cable business turnover	27,3	
- Gains and losses from trade of financial assets	- 0,9	1,8
Operating profit, EUR million, of which	1,8	1,3
- Cable business	3,0	
- Trade of financial assets	-1,2	1,3
Profit for the financial year, EUR million	0,6	0,6
Earnings per share, EUR	0,10	0,10
Return on investment, % (ROI)	1,9	1,8
Equity ratio, %	53,1	57,2

Neomarkka has executed the new strategy since June 2007. All financial figures are not fully comparable to the corresponding period of the previous year, because the business operations have changed substantially.

Major events during the period under review

Industrial private equity investments; Cables

During the first quarter Reka Cables managed well. The deliveries to customers from the factory in Russia (started-up 2007) have been as planned and the deliveries from the production facilities in Finland have been even higher than predicted. The prices of the metals (copper and aluminium) have been volatile.

The construction of Reka Cables Ltd's Riihimäki medium- and high voltage factory expansion has proceeded and the first machine installations have been started.

The associated company Nestor Cables Ltd's emphasis during the first quarter was to alter the production facilities suitable for cable business operations, installations of the machinery and equipment and other tasks related to starting-up the operations. The work proceeded well and the first data-communication cables were tested already at the end of the reviewed period. The business operations in process were slightly unprofitable. The loss has been included in the Group result according to share of ownership (30%).

Investments in securities

During the first quarter of the year, the gains and losses

from the financial assets and thus the operating result were unprofitable. The situation in the investment markets was seen also in the development of the value of the bonds issued by Nordea Bank Plc. The profits from the other investments could not cover the decrease of the value of these bonds.

The bonds owned by Neomarkka and issues by Nordea Bank Plc are constructed so that their share of the eQ Active Hedge Fund was, on subscription (in May 2007), double the value of the security, and the difference was financed with loan funding. Thus the return on bonds takes into account the return from the eQ Active Hedge Fund reduced by the costs arising from the loan. Neomarkka had these bonds as nominal value of 20 million euros during the review period. Of that amount half was sold at the end of the period.

Regarding private equity, no changes were made during the period.

Neomarkka shares; prices and volumes traded

Neomarkka Plc's B shares are listed on the OMX Nordic Exchange Helsinki. The closing price at the end of the review period was EUR 8.64 (EUR 8.15) per share. On 31 December 2007 the price was EUR 9.79 per share. The share turnover in the review period was 93,204 (147,160) shares. The lowest B share quotation was EUR 7.90 (EUR 7.78) and the highest quotation was EUR 10.10 (EUR 8.70).

Financial result, balance sheet and financing

The interim report has been drawn up in accordance with the IAS 34 requirements for interim reports. Same principles for drawing up consolidated financial statements has been followed as in the financial statement 2007. The interim report is unaudited.

Financial result

The consolidated turnover totalled EUR 26.3 million in the review period, consisting of the turnover of the cable business and the gains and losses from the trade of financial assets. The turnover of the cable business totalled EUR 27.3 million. The gains and losses from the trade of financial assets totalled EUR -0.9 million (EUR 1.8 million) in the review period.

Operating profit for the review period was EUR 1.8 million (EUR 1.3 million), of which the operating profit of the cable business was EUR 3.0 million. The operating loss of the trade of financial assets was EUR -1.2 million (operating profit EUR 1.3 million). The net result for the review period was EUR 0.6 million (EUR 0.6 million). Earnings per share were EUR 0.10 (EUR 0.10).

Balance sheet and financing

At the end of the review period the balance sheet totalled EUR 113.5 million (EUR 103.7 million).

At the end of the review period, the equity per share was

EUR 10.01 (9.85) and the equity ratio was 53,1% (57,2%).

The growth of cable business requires financing of the working capital. Therefore it has been acquired to Reka Cables a short-term bank account credit limit of EUR 1 million.

The financing of the associated company Nestor Cables Ltd is proceeding as planned. The business operations start-up is financed with both own and foreign capital.

The liquidity situation of the Group is good.

Investments

The investments made in the review period relate to the cable business, totalling EUR 0.8 million. Long-term leases have been recognised as fixed assets under IFRS.

Shareholders' meeting and governance

The Annual General Meeting will be held on 11 June 2008. The Board of Directors proposes the distributable dividend to be EUR 0.50 per share. From the financial year 2006 a dividend of EUR 0.30 per share was paid.

The Board of Directors of Neomarkka Plc since 1 June 2007 consists of the following persons: Jorma Wüதாகორ்பი as chairman of the Board, Matti Lainema as vice chairman and as members Hannu Anttila, Ilpo Helander, Taisto Riski and Pekka Soini.

Hannu Anttila and Taisto Riski, members of the Board of Directors, are the members of the Audit Committee.

The Managing Director of Neomarkka Plc is Markku E. Rentto.

Personnel

The Group employed an average of 296 people (5). Group personnel numbered 302 on 31 March 2008, of which 299 were in the cable business.

Group structure and shareholders

Neomarkka Plc is the parent company in a Group that includes the fully owned subsidiaries Novalis Plc and Alnus Ltd with their subsidiaries. The domicile of the parent company is Hyvinkää.

At the end of the review period, Neomarkka Plc had 12,850 (13,538) shareholders. The biggest shareholder Reka Ltd, had a 50.76 % (32.49%) interest at the end of the review period, with 65.77 % (53.09 %) of all votes. Neomarkka Plc is thus part of the Reka Group. Reka Ltd's domicile is Hyvinkää.

At the end of the review period, the aggregate ownership of the ten largest shareholders was 60.62 % (58.95 %) of all shares and 72.60 % (71.45 %) of all votes.

Major events after the review period

The opening of the associated company Nestor Cables Ltd was held 22 April. The installations of the machinery and equipment have proceeded and the target is to finalise the installations during the second quarter. The deliveries to the customers have been started.

The construction of the Riihimäki factory expansion has

been nearly completed. The installations of machinery have continued. Major part of the investment will be ready during the second quarter. Some installation work will be done during July and August.

Due to the increase in the turnover of Reka Cables the factoring limit has been increased by EUR 2 million to finance the increase in the working capital.

Regarding investments in securities, assets have been invested in interest and short-term investments. Neomarkka has informed that it will detach from the bonds issued by Nordea Bank Plc on 30 June 2008. At the end of the reviewing period Neomarkka had those bonds with nominal value of EUR 10 million.

Assessment of uncertainty factors and business risks

The main financial risks of Neomarkka are currency, interest rate, commodity, liquidity, credit and investment market risks. These financial risks and their hedging measures are explained further in the notes to the financial statement for year 2007.

In accordance with the updated strategy in 2007, future risk factors are more closely tied to trends in the business operations of a small number of portfolio companies and to normal business risks. The previous strategy based Neomarkka's risk on a widely distributed market risk. The distributed market risk means that changes in the value of investment underlying the eQ Actove Hedge Fund will have a substantial impact on Neomarkka's financial result.

The most significant risks at Reka Cables are the fluctuation in raw material costs and more rapid changes in the volume of orders than in the past. In order to be aware of the risks and prepare for them, Reka Cables Ltd has carried out an extensive risk-charting process.

The company believes that the cable markets in Russia will grow and develop and has invested heavily in exploiting the business opportunities there. These investments include a risk that the growth in Russia will not take place according to expectations.

Nestor Cables Ltd's business carries cable business risks and the risks involved in starting up a new company.

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.

Prospects for the near future

The outlook for the cable industry is positive. The overall market situation is expected to remain good, providing that no significant negative changes take place in the overall economic situation on the main markets of the Nordic countries and Russia. Though the prices of the key raw materials are expected to be quite volatile. The production facilities in Russia (start-up in 2007) and the expansion of the Riihimäki production facilities give cause to believe that the turnover of industrial activities will exceed EUR 120 million and that there will be increase in profitability.

The unstable situation at the investment in securities market is expected to continue.

The Annual General Meeting will be held on 11 June 2008 in Hyvinkää. The summons to the Annual General Meeting will be published separately.

Helsinki, 8 May 2008

Neomarkka Plc
Board of Directors

CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000	I.I.-31.3.2008	I.I.-31.3.2007
Industrial business turnover	27,273	0
Gains and losses from the trade of financial assets	- 939	1,798
Turnover	26,334	1,798
Change in inventories of finished products and production in progress	3,377	0
Production for own use	42	0
Materials and services	-21,713	0
Personnel expenses	-3,504	-133
Depreciation and impairment	-874	-3
Other operating income and expenses	-1,879	-329
	-24,551	- 465
Operating profit	1,783	1,333
Financial income	5	0
Financial expenses	-708	-484
Share of the result of associates	-86	0
Profit before taxes	994	849
Taxes	-409	-221
Profit for the financial year	585	628
Earnings per share after and before dilution, EUR	0.10	0.10
Number of shares	6,020,360	6,020,360

CONSOLIDATED BALANCE SHEET (IFRS)

EUR 1,000	31.3.2008	31.12.2007
ASSETS		
Non-current assets		
Goodwill	4,527	4,527
Other intangible non-current assets	3,387	3,479
Tangible non-current assets	23,814	23,916
Holdings in associates	966	1,004
Deferred tax assets	312	204
Total non-current assets	33,006	33,130
Current assets		
Inventories	21,644	16,815
Financial assets recognised at fair value through profit and loss	24,637	37,034
Available-for-sale financial assets	4,001	4,001
Sales receivables and other receivables	26,801	12,154
Cash in hand and at bank	3,386	3,268
Total current assets	80,469	73,271
Total assets	113,475	106,401
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	24,082	24,082
Premium fund	66	66
Reserve fund	1,221	1,221
Translation differences	-112	-145
Retained profit	13,124	11,971
Other unrestricted equity	21,327	21,327
Profit for the financial year	585	1,153
Total shareholders' equity	60,293	59,675
Long-term liabilities		
Deferred tax liabilities	1,071	2,091
Provisions	556	540
Interest-bearing liabilities	23,534	22,512
Short-term liabilities		
Tax liabilities from the profit	268	198
Short-term interest-bearing liabilities	5,390	4,999
Accounts payable and other liabilities	22,363	16,386
Total liabilities	53,182	46,726
Shareholders' equity and liabilities	113,475	106,401

BALANCING ACCOUNT OF SHAREHOLDERS' EQUITY (IFRS)

EUR 1,000	Share capital	Premium fund	Reserve fund	Translation differences	Other unrestr. equity	Retained profit	Shareholders' equity total
Shareholders' equity							
31.12.2006	24,082	66	1,221		21,327	13,777	60,473
Changes							0
Profit for the financial year						628	628
Total returns and costs during the period						628	628
Dividends paid						-1,806	-1,806
Shareholders' equity 31.3.2007	24,082	66	1,221	0	21,327	12,599	59,295

EUR 1,000	Share capital	Premium fund	Reserve fund	Translation differences	Other unrestr. equity	Retained profit	Shareholders' equity total
Shareholders' equity							
31.12.2007	24,082	66	1,221	-145	21,327	13,124	69,675
Changes				33			33
Profit for the financial year						585	585
Total returns and costs during the period				33		585	618
Dividends paid						-1,806	-1,806
Shareholders' equity 31.3.2008	24,082	66	1,221	-112	21,327	13,709	60,293

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

EUR 1,000

I.I.-31.3.2008 I.I.-31.9.2007

Operating activities

Payments received from operating activities	24,587	9,821
Payments paid on operating activities	-23,472	-10,655
Paid interests and other financial expenses	-667	-531
Interests received and other financial incomes	445	0
Direct taxes paid	-699	0
Total operating activities	194	-1,365

Investing activities

Acquisition of subsidiaries and new business	0	0
Investments in tangible assets	-660	0
Total investing activities	-660	0

Financing activities

Increase in loans	963	0
Decrease in loans	-249	0
Payments of financial leases	-128	0
Dividends paid	-2	-1,786
Total financing activities	584	-1,786

Cash flow for the period

Liquid funds at beginning of the period	3,268	3,324
Liquid funds at end of period	3,386	173

NOTES TO THE ACCOUNTS

The interim report has been drawn up in accordance with the IAS 34 requirements for interim reports. The interim report is unaudited.

Principles for drawing up interim reports

Neomarkka has followed same principles for drawing up interim reports as in the financial statement 2007.

Segment information

31.3.2008 EUR 1,000	Investment in securities	Industrial investments; cables	Others & elim.	Total
Industrial business turnover		27,273		27,273
Gains and losses from the trade of financial assets	-939			-939
Internal sales				0
Turnover	-939	27,273		26,334
Segment operating profit	-1,215	2,996		1,781
Unallocated items			2	2
Operating profit	-1,215	2,996	2	1,783
Share of the result of associates		-86		-86
Unallocated items				-1,112
Profit for the financial year				585
Segment assets	39,900	69,832	3,496	113,228
unallocated assets			247	247
Total assets	39,900	69,832	3,743	113,475
Segment liabilities	471	23,616		24,087
unallocated assets			29,095	29,095
Total liabilities	471	23,616	29,095	53,183
Assets - liabilities	39,429	46,216	-25,352	60,293
Investments	0	69	702	771
Depreciations	-5	-829	-40	-874

NOTES TO THE ACCOUNTS

31.3.2007 EUR 1,000	Investment in securities	Industrial investments; cables	Others & elim.	Total
Industrial business turnover				0
Gains and losses from the trade of financial assets	1,798			1,798
Internal sales				0
Turnover	1,798			1,798
Segment operating profit	1,333			1,333
Unallocated items				0
Operating profit	1,333			1,333
Share of the result of associates				0
Unallocated items				0
Profit for the financial year	628			628
Segment assets	103,722			103,722
unallocated assets				0
Total assets	103,722			103,722
Segment liabilities	44,427			44,427
unallocated assets				0
Total liabilities	44,427			44,427
Assets - liabilities	59,295			59,295
Investments	0			0
Depreciations	-3			-3

Changes in tangible non-current assets

EUR 1,000	I-3/2008	I-12/2007
Book value at beginning of period	23,916	51
Investments	771	11,061
Investments through company acquisitions	0	17,114
Decreases	0	-2,489
Depreciations	-873	-1,821
Impairments	0	0
Foreign exchange differences and other changes	0	0
Book value at end of period	23,814	23,916

NOTES TO THE ACCOUNTS

Contingent liabilities

EUR 1,000	31.3.2008	31.12.2007
Debts, on behalf of corporate mortgages are given		
Loans from financial institutions	8,400	7,891
Granted corporate mortgages	15,000	15,000
Debts, on behalf of securities or guarantees are given		
Loans from financial institutions	13,033	13,033
Book value of pledged securities	26,987	26,987
Granted guarantees	13,033	13,033
Other collateral		
Guarantees	120	120
Payment commitments:		
Reka Kaapeli Ltd has made a commitment to the raw material acquisitions of its subsidiary ZAO Reka Cables.		

Investment commitments

Investment commitments on tangible current assets on 31 March 2008 totalled EUR 6.3 million (31 March 2007 EUR 0.0 million). The investment commitments are related to the extension of the cable production plant in Riihimäki.

Derivative contracts

EUR 1,000	31.3.2008	31.12.2007
Nominal values		
Interest derivatives		
Interest rate ceiling derivatives	9,800	9,800
Foreign exchange derivatives		
Currency options	9,000	0
Commodity derivatives		
Price hedging for metals	1,714	1,119
Fair values		
Interest derivatives		
Interest rate ceiling derivatives	11	27
Foreign exchange derivatives		
Currency options	-36	0
Commodity derivatives		
Price hedging for metals	304	-36

The loans of the Group have been partly hedged with interest rate ceiling derivatives. An interest rate ceiling of 4.5 % has been acquired for the EUR 3 million loan for three years and of 4.7% for the EUR 6.8 million loan for three years. The original interest rate base for the hedged EUR 3 million loan is the 6-month Euribor and that for the EUR 6.8 million loan the 12-month Euribor.

NOTES TO THE ACCOUNTS

Related party events (Reka Group)

EUR 1,000	I-3/2008	I-3/2007
Sales to Reka Group	39	0
Dividends to Reka Group	0	-587
Acquisition of Reka Cables Ltd	0	0
Other purchases from Reka Group	-207	0
Sales receivables and other receivables at end of period	321	0
Non-current debts (financial leases) at end of period	-6,458	0
Other debts at end of period	-350	0
Guarantees given	0	0
Guarantees received	1,548	0

Guarantees received include the guarantee given by Reka Ltd for a Reka Cables Ltd's loan from the Nordic Investment Bank. This guarantee will continue. No costs will be incurred by Reka Cables Ltd through the guarantee.

Financial assets recognised at fair value through profit and loss

EUR 1,000	Book value 31.3.2008	Book value 31.12.2007
Hedge funds or securities based on hedge funds		
Ind eQ Active 4024 bonds / Nordea	0	5,254
Ind eQ Active 4025 bonds / Nordea	9,997	15,756
Total	9,997	21,010
Money market funds and deposit		
Nordea Pro Euro Korko Kasvu	2,707	4,143
Interest rate warrants	1,850	1,853
Certificate of deposits	10,071	10,076
Total	14,628	16,073
Derivatives		
Interest derivatives; interest rate ceilings	11	27
Total	11	27
Total financial assets recognised at fair value through profit and loss	24,636	37,109

Available-for-sale financial assets

EUR 1,000	Book value 31.3.2008	Book value 31.12.2007
Private equity		
Oulun Puhelin Holding Plc	3,081	3,081
Satakunnan Teletieto Ltd	920	920
Total available-for-sale financial assets	4,001	4,001

NOTES TO THE ACCOUNTS

Calculation of Key Figures

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



Business -ID: FI06934947

Neomarkka Plc
Aleksanterinkatu 48 A
FI-00100 Helsinki
Phone: +358 207 209 190
Fax: +358 9 6844 6531
www.neomarkka.fi

Parent company:
Reka Ltd
Niinistökatu 8-12
FI-05800 Hyvinkää