

REKA

INDUSTRIAL



Reka Industrial Plc

Financial Statement Release
1 January – 31 December 2021

Financial Statement Release 1 January - 31 December 2021

Reka Industrial Plc: Profitable growth

Reka Industrial is advancing the energy transition and the electrification of vehicles. Our sustainability actions are guided by the UN Sustainable Development Goals. Sustainable development is based on energy efficiency, the circular economy, and the production and use of renewable energy. The market is growing and we along with it.

Sustainability and building a sustainable future are a key part of our strategy. We are committed to the UN's Sustainable Development Goals, and we have set environmental targets. We have issued a Green Bond to improve the sustainability of the cable business. We report the results of our bond-financed operations annually in an investor letter, which will be published in March. More information about the Green Bond Framework is available on the company's website.

Reka Industrial is involved in solutions for both the energy industry and the vehicle industry. Our cable industry participates in the solutions of the energy industry: The cable industry takes power where it is needed. Reka Cables develops and manufactures cables for network construction, residential and office construction, and industry. Our rubber industry participates in solutions for the vehicle industry. Reka Rubber is a manufacturer of small and medium-sized series of rubber components for the vehicle and mechanical engineering industries.

The share of electricity in energy use is increasing, especially in vehicles and industry. Wind and solar power will reduce CO2 emissions from energy production, save natural resources and achieve a carbon-neutral future. The operation of electricity networks is an important part of a functioning infrastructure. Our cable industry, which participates in energy industry solutions, is involved in renewable energy projects and the construction of functional infrastructure. Our rubber industry, which participates in solutions for the vehicle industry, is involved in the electrification of the vehicle industry.

January – December 2021:

- **The Group's turnover was EUR 158.1 million (EUR 120.4 million)**
- **EBITDA was EUR 11.3 million (EUR 9.4 million)**
- **The result for the period was EUR 1.0 million (EUR 1.0 million)**
- **Cash flow from operating activities was EUR 8.6 million (EUR 2.1 million)**

Near-term outlook:

In 2022 EBITDA (EUR million) is expected to remain at the same level or improve, provided that predominant conditions due COVID-19 pandemic and the geopolitical situation will not substantially affect to the company's capability to deliver. EBITDA will also be affected to what extent and how quickly we are able to pass on the continuous increase in material costs to sales prices as well as metal price fluctuations.

Managing Director Jukka Poutanen:

Turnover increased significantly in both the cable and rubber industries. About 60% of the turnover increase in the cable business is explained by rising metal prices. In the rubber industry, customer order volumes grew strongly. Reka Rubber was acquired at the end of June 2020, and thus the figures for the rubber business have been taken into account since 1 July 2020.

Due to Reka Cables' good delivery capacity towards the end of the year, the Group's EBITDA in the fourth quarter developed strongly and the EBITDA in 2021 increased to EUR 11.3 million from EUR 9.4 million in the previous year. This is a good achievement, as there is still a clear delay in passing on increased acquisition costs to customer prices in both industries.

The impact of higher metal prices on the value of inventories and the net effect of metal and currency hedging supported the cable industry's EBITDA by approximately EUR 0.5 million, compensating sharply and unprecedentedly high acquisition costs, which can only be passed on to customer prices with a delay.

There have been procurement and delivery capacity challenges in both industries. COVID-19 and supply chain logistics have required a lot of effort to ensure material deliveries. Both material prices and costs of logistics have continued to rise strongly.

The cable industry has succeeded in serving customers reliably despite ongoing procurement challenges.

In the rubber industry, the turnover of Polish production personnel has been high and the increase in production volumes has not been successful. Despite overtime and temporary labour, our delivery capacity has been poor, especially for Polish hose production. The main focus of the remedial measures is now on increasing the production capacity of hose production and streamlining the production process. Changes in production also improve the personnel situation. The prioritized measures will be completed in stages during January-May.

Cable business has made decision to increase production facilities space within Riihimäki factory. The additional space will be available in mid-2023. According to current information, the additional space for the rubber industry in Poland will be available in early April 2022.

Operating cash flow was clearly positive. This also allowed for faster loan amortization than scheduled.

The demand situation in both industries is good. The Nordic cable market is growing and is expected to grow in the coming years. Cable industry's market share in Finland is strong and we aim to increase our market share in the other Nordic countries.

The rubber industry has a strong position in its selected market segments. Order volumes have continued to grow. Especially in construction equipment, the market share continues to grow. Enquiries in the truck industry have grown from before.

Green Bond funded projects have been taken forwards and new ones are ongoing. Investments have been made specially to the projects relating to wind power and decreasing energy consumption. The rubber industry is currently working with customers on prototypes and pre-kits for products needed for electric commercial vehicles. Related volume deliveries will begin in 2023.

Key Figures

	2021	2020	2019
Turnover, EUR million	158.1	120.4	97.5
EBITDA, EUR million	11.3	9.4	4.8
Operating profit, %	3.5	3.8	0.4
Results for the period, EUR million	1.0	1.0	-1.4
IAS 19 corrected ROI, %	14.7	13.5	2.5
IAS 19 corrected Return on Equity, %	12.4	17.9	-16.2
IAS 19 corrected Gearing, %	190.0	238.9	213.8
IAS 19 corrected Equity ratio, %	19.8	17.7	14.8
Earnings per share	0.17	0.16	-0.24
Gross investment, EUR million	4.1	12.7	8.2

The Administrative Court has stated in its' decision in July 2021 that the subsidiary merge carried out in 2015 is not tax neutral. The company has made a discretionary decision to record taxes and tax increases, totaling EUR 1.1 million, retrospectively in equity and the comparative information for previous years has been updated accordingly. An appeal against the negative decision of the Administrative Court has been made to the Supreme Administrative Court.

The Reka Industrial Group (Reka Industrial) uses alternative key figures in its financial reporting in accordance with the guidelines of the European Securities and Markets Authority (ESMA).

The Group joined the pension fund in 2015. Reka Industrial presents alternative key figures so that the effects of IAS 19 recognition of defined benefit pension liabilities are eliminated from the balance sheet items of the key figures to better monitor the development of operations. The entries of the IAS 19 defined benefit plan in the income statement are presented below the operating result as a separate item before the share of the result of associated companies. In this way, the development of Reka Industrial's business can be better monitored.

According to Reka Industrial's interpretation, alternative key figures in accordance with ESMA's guidelines include EBITDA, operating profit, IAS 19 corrected Return on Equity (ROE), IAS 19 corrected Gearing, IAS 19 corrected Equity ratio %, Return on Investment (ROI) and Gross Investments.

The financial statement release is unaudited.

Turnover and operating result

The Reka Industrial Group's (Reka Industrial) turnover in 2021 was EUR 158.1 million (120.4). Its result for the full year was EUR 1.0 million (1.0). EBITDA was EUR 11.3 million (9.4) and operating profit was EUR 5.6 million (4.5).

Major events during the financial period

In January 2021 Reka Cables Ltd made an agreement of EUR 5.0 million loan limit. The limit has been extended to 2022. The limit is fixed term. There are covenant terms associated with the loan limit.

In December 2021 Reka Cables Ltd received a substantial contract for underground power cables from network construction company operating in the Nordics. The total value of the contract is over EUR 7 million which will be invoiced mainly during the first quarter of 2022. Underground power cables are used when building grids that are not vulnerable to weather conditions. In December 2021 Reka Cables Ltd received a substantial contract for underground power cables from network construction company operating in the Nordics.

Balance sheet and financing

At the end of the financial year the interest-bearing liabilities were EUR 27.5 million (33.5), of which other than finance lease liabilities were EUR 20.9 million (25.6).

Reka Cables Ltd has a loan limit of EUR 5.0 million. At the end of the financial year, the loan limit was not used.

Some of the interest-bearing liabilities involve financial covenants. Except for a EUR 0.1 million loan from Poland, covenants were fulfilled at the balance sheet date. More information about the covenants is provided in the notes. In the end of the financial period the balance sheet total stood at EUR 72.2 million (73.2).

The EUR 10 million "Green bond" issued by Reka Industrial in 2019 is denominated in euros and matures on December 6, 2024. The fixed annual interest rate on the bond is 6.00 percent, payable annually on December 6th.

The bond will be used to finance projects that meet the eligibility of the Green Bond Framework document, which are related to Reka Cables Ltd's product range and the improvement of the environmentally friendly operating capacity of Reka Cables Ltd's production facilities and processes. Part of the bond has been used for refinancing in accordance with the terms of the agreement. A separate investor letter is published annually in March.

COVID-19

In 2021, the COVID-19 pandemic did not reduce customer demand. COVID-19 has caused additional costs and delivery delays as personnel has been more than usual on sick leave to eliminate the possible infection risk. The impact of the additional costs of the pandemic on EBITDA in 2021 is estimated at EUR 0.5 million. The additional costs have arisen from increased sick leave, overtime to replace them and additional staff, as well as increased freight costs due to the efforts to minimize delays due to sick leave through express deliveries.

The COVID-19 pandemic has been reflected in material procurement in both industries. Most of the materials have been procured on time, but the shortage of raw materials, components and partly containers has brought additional work and challenges to procurement. In the cable industry, there has been a significant increase in material prices. The prices of materials and components in the rubber industry are rising and have rising pressure upwards. Logistics costs have risen clearly.

So far COVID-19 pandemic has not affected to the payment behavior of the customers.

Segments

Reka Industrial's business segments are Cable Industry and Rubber Industry.

Cable segment

	H2/2021	H2/2020	Change	2021	2020	Change
Turnover, EUR million	67.8	55.5	22.1 %	133.8	111.2	20.3 %
EBITDA, EUR million	5.3	6.3	-15.7 %	11.0	10.0	8.1 %

The cable segment's turnover was EUR 133.8 million (111.2). EBITDA was EUR 11.0 million (10.0).

Reka Cables Ltd's domestic sales increased compared to last year. Also export sales volumes grew.

The industry's key raw materials are copper, aluminum and plastics. During the review period, price fluctuations for copper and aluminum have been significant. The prices of plastics have risen strongly, and availability has become more difficult.

On December 31, 2020, the price of copper was EUR 6,308 per tonne and the price of aluminum was EUR 1,612 603 per tonne. At the end of the December 2021, the price of copper was EUR 8,558 and the price of aluminum EUR 2,478.

At its highest point, the daily price of copper during the review period was EUR 9,138 per tonne in October, and at its lowest in January, at EUR 6,430 per tonne. The price of aluminum has been at its highest in October, when it was EUR 2,742 per tonne, and its lowest in January, when it was EUR 1,609 per tonne.

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

Investments fulfilled, EUR 3.6 million (4.9 million in 2020) were targeted at developing new products, increasing the supply capacity for renewable energy, and improving productivity, material- and energy efficiency. Maintenance investments were also made.

Turnover for Nestor Cables Group, an associated company in the segment, was in 2021 EUR 31.7 million (32.0). The operating result was EUR 2.9 million (3.9). Nestor Cables' equity turned positive in 2020. The profit share of EUR 0.3 million in 2021 has been taken into Groups result and in the balance sheet value of the associated company.

Rubber segment (as of 30 June 2020)

	H2/2021	H2/2020	Change	2021	H2/2020
Turnover, EUR million	12.1	9.2	31.5 %	24.6	9.2
EBITDA, EUR million	0.4	0.2	103.5 %	1.5	0.2

The rubber segment's turnover was EUR 24.6 million. EBITDA was EUR 1.5 million. The rubber segment's EBITDA is burdened by staff turnover in Poland, overtime, and express freight, as well as increased logistics costs. The increase in freight costs from the Far East burdened EBITDA by EUR 228 thousand. Reka Rubber was consolidated to the Group as of 30 June 2020.

Despite overtime and temporary labour, delivery capacity has been poor, especially for Polish hose production. Production volumes have been increased, but customer order volumes have grown even faster. To solve the situation and meet customer demand, hose production capacity will be increased and at the same time bottleneck process points will be developed with new technical solutions.

Major events after the review period

Negotiations on the additional space of the rubber industry's Polish unit were completed in early January. The lease for the additional space has been signed and the space will be available in early April. With the arrangement, the hose production capacity and productivity of the Polish production unit can be clearly increased during the first half of the year. Customer demand is still growing, and the change will enable us to better meet the growing volume needs.

In the end of January 2022 cable industry received a strategically significant, renewable energy related cable order from Denmark for the construction of charging infrastructure for electric cars. The value of the order is approximately EUR 0.6 million and deliveries are scheduled for the first half of this year. In addition, the agreement includes an option to double the order quantity this year.

Group structure and shareholders

Reka Industrial Corporation is the parent company in the Group, whose actual business companies are Reka Cables Ltd and Reka Rubber Ltd. Reka Industrial Plc is domiciled in Hyvinkää.

On 31 December 2021, Reka industrial had 10,611 shareholders (10,837). The largest shareholder, Reka Ltd, held 50.2 percent (50.7) of the shares and 65.4 percent (65.8) of the votes. Reka Industrial Plc is therefore part of the Reka Group. Reka Ltd is domiciled in Juupajoki.

On 31 December 2021, the combined holding of the ten largest shareholders was 56.7 percent (56.4 on 31 December 2020) of the shares and 69.9 percent (69.7 on 31 December 2020) of the votes.

On December 31, 2021, the members of the Board, the Managing Director and the CFO owned a total of 2,934,666 (2,963,648) Reka Industrial Plc's B shares directly and through their controlled entities.

Risks and uncertainty factors

Reka 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 development of its business segments.

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 to balance out the effects of seasonal changes on the load rates of factories. In cable business, COVID-19 pandemic has caused extra costs and delivery delays. It is difficult to estimate the effect of the pandemic for the future.

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. Currency hedges are also made for the main selling currencies. Partial price fixing is used with electricity.

The financial situation in euro area and political uncertainties may have effect on purchase amount of the customers in rubber business as well to the start of new projects. The availability of employees poses challenges to the growth of operations. In the Polish plant in particular, staff turnover and the relative share of sick leave are high and require active and multi-channel recruitment and measures to manage absences.

Research and development

The Group invested a total of EUR 1.3 million in research and product development (EUR 1.1 million in 2020). The investments were allocated EUR 0.9 million to the Cable Segment and EUR 0.4 million to the Rubber Segment. The Rubber segment has been included since June 30, 2020. During the financial period, total of EUR 0.2 million (EUR 0.3 million in 2020) of the development costs of new products and product families were activated in the balance sheet.

The focus of product development in the rubber industry was on customer-specific projects such as the development of battery hoses related to the electrification of the commercial vehicle industry. The focus of product development in the cable industry was on the development of cables to renewable energy production as well as fire-protected medium-voltage cables.

Personnel

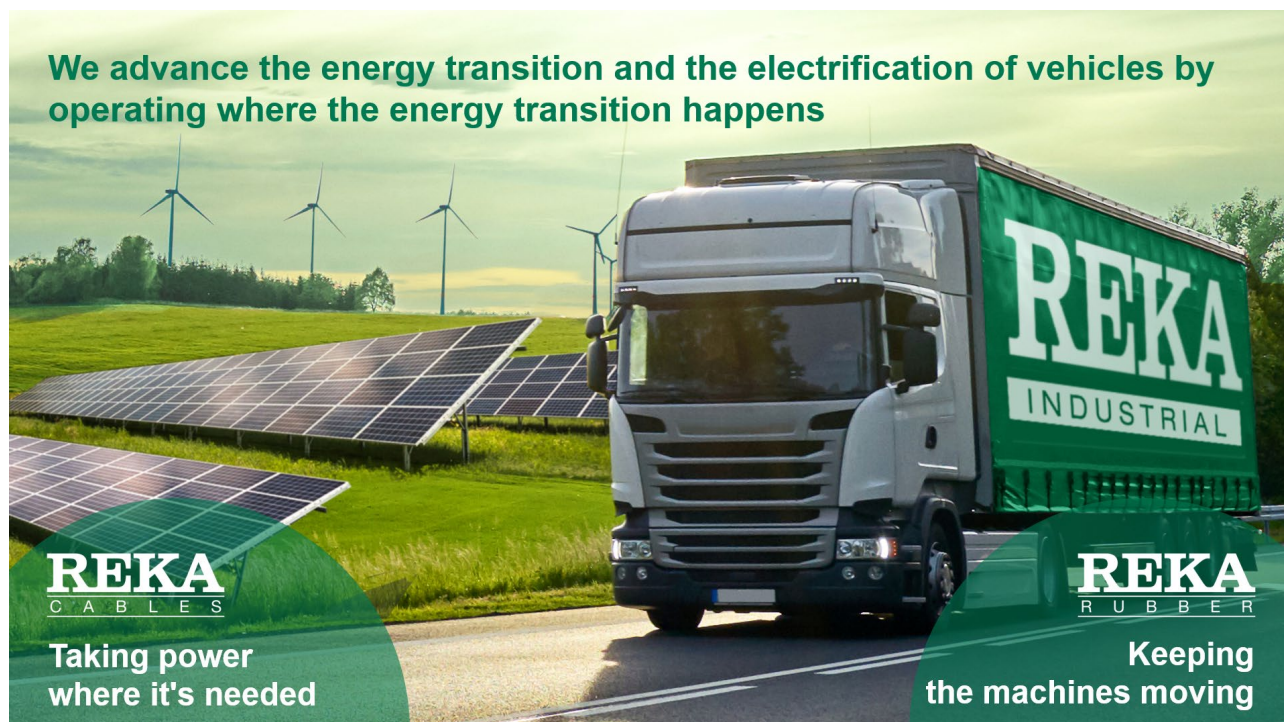
During the financial year, the Group employed an average of 563 people (386 in 2020 and 247 in 2019). On 31 December of 2021, the Group employed 603 (520 in the end of 2020 and 245 in the end of 2019) people, of whom 278 (270 in 2020 and 244 in 2019) worked in the Cable segment, 324 (249 in 2020) in the Rubber segment and 1 (1 in 2020 and 1 in 2019) in Group administration.

The Group paid a total of EUR 20.1 million (15.5 million in 2020 and 10.7 million in 2019) in performance-based salaries and fees in 2021. The Rubber segment has been included since June 30, 2020.

Non - financial information

This section describes Reka Industrial's operations in accordance with the requirements of Chapter 3a of the Accounting Act.

Reka Industrial is advancing the energy transition and the electrification of vehicles. Our sustainability actions are guided by the UN Sustainable Development Goals. Sustainable development is based on energy efficiency, the circular economy, and the production and use of renewable energy. The market is growing and we along with it.



Sustainability and building a sustainable future are a key part of our strategy. We are committed to the UN Sustainable Development Goals, which to support we have set environmental goals. We have launched a Green Bond to improve the sustainability of the cable business. We report the results of our bond-financed operations annually in an investor letter, which will be published in March. More information about the Green Bond Framework is available on the company's website.

Reka Industrial is involved in solutions for both the energy industry and the vehicle industry. Our cable industry participates in the solutions of the energy industry: The cable industry takes power where it is needed. Reka Cables develops and manufactures cables for network construction, residential and office construction, and industry. The production facilities of the cable industry are in Finland.

Our rubber industry participates in solutions for the vehicle industry. Reka Rubber is a manufacturer of small and medium-sized series of rubber components for the vehicle and mechanical engineering industries. The

rubber industry's own production facilities are in Finland and Poland. In addition, rubber products are manufactured through a subcontracting network managed by Reka Rubber in Asia and Europe.

The share of electricity in energy use is increasing, especially in vehicles and industry. Wind and solar power will reduce CO2 emissions from energy production, save natural resources and achieve a carbon-neutral future. Energy use is being electrified, especially in vehicles and industry. The operation of electricity networks is an important part of a functioning infrastructure. Our cable industry, which participates in energy industry solutions, is involved in renewable energy projects and the construction of functional infrastructure. Our rubber industry, which participates in solutions for the vehicle industry, is involved in the electrification of the vehicle industry.

Taxonomy eligibility:

Reka Rubber produces technical rubber products (activity number 3.6, NACE C22.19) for its direct customers. Reka Rubber's Taxonomy eligibility has thus been calculated through customers and their products and solutions, taking into account current and future developments. In terms of Taxonomy, Reka Rubber enables its customers to develop and produce low-emission or zero-emission solutions. In 2021, the Taxonomy eligible net sales were 62% of Reka Rubber's net sales, the Taxonomy eligible operating expenses were 75% of the corresponding total operating expenses and 36% of Reka Rubber's investments.

The Taxonomy eligibility of Reka Cables' operations has been calculated through products and product groups. The role of Reka Cables is an enabler. Products that can be used as part of the European network (activity number 4.9, NACE D35.12 and D35.13) and for the construction of EV-charging stations (activity number 6.15) have been taken into account. In 2021, Reka Cables' estimated Taxonomy eligible net sales were 71% of Reka Cables' net sales, Taxonomy eligible operating expenses were 58% of the corresponding total operative expenses and 45% of Reka Cables' investments.

Estimated Taxonomy eligible items in 2021:

Taxonomy eligibility	Reka Cables-level	Reka Rubber - level	Reka Industrial - Group level
Turnover %	71 %	62 %	70 %
Operating expenses %	58 %	75 %	56 %
Investments	45 %	36 %	43 %

The calculation of the percentage of eligible operating expenses determined in Appendix 1 of the Taxonomy Guidelines has taken into account the share of expenses in the Taxonomy eligible operations of the cable and rubber industries in the total costs in question. Investments related to the Taxonomy-related business of the cable and rubber industries have been taken into account in relation to the Group's total investments.

The Taxonomy eligible items are based on the company's current assessment, which may be revised in the context of a refinement of EU regulations or more detailed review.

The production plants in both the cable and rubber industries in Finland switched to utilizing completely emission-free, CO2-free electricity in 2020. In 2020, solar power plants were also installed at the cable plants in Keuruu and Riihimäki. Solar power plants produce an estimated 130,000 kWh of energy per year. Reka Cables became a carbon neutral (scope 1 and 2) cable producer as of November 1, 2021.

Reka Cables climate risk management is carried out in practice through carbon footprint calculation and the implementation of projects that reduce energy consumption and enable clean energy consumption.

In cooperation with AFRY Finland, Reka Cables has developed a calculator for calculating the carbon footprint of the company's operations. According to the calculations, Reka Cables has been able to reduce the remaining emissions of its own operations to estimated 480 tonnes CO2e in 2021 from 2630 tonnes CO2e in 2019. Reka Cables will compensate for these remaining emissions with a high-quality, transparent and Gold Standard-certified project as well as two puro.earth-certified projects, achieving carbon neutrality (Scopes 1 and 2) from 1 November 2021. The rubber industry is currently developing a calculator in cooperation with AFRY Finland.


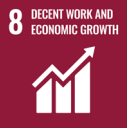




In Reka Cables' production processes, attention has been paid to the efficient use of materials and energy efficiency. Plastics, metals, and packaging materials are sorted and recycled wherever possible. Water and chemicals used in cable production process are both kept in a closed cycle.

Reka Cables Ltd's environmental system is certified in accordance with the ISO 14001 standard. Reka Cables Ltd also has ISO 45001 and ISO 9001 certificates.

Reka Rubber has an ISO 14001 certified environmental system. Reka Rubber has environmental permits that meet the requirements.

Waste from the rubber industry is stored, treated, and utilized in such a way that it does not cause a risk of contamination of water, groundwater, soil, air, or other risk of environmental contamination. The operation complies with the environmental permits of the operating countries. Recoverable waste is delivered for utilization. Rubber waste is delivered to a pyrolysis plant in Finland, which uses the waste e.g., for the manufacture of coatings.

As part of the Green Bond Framework in the cable business, Reka Industrial has identified areas of particular importance to the company in terms of sustainable development; Sustainable Development Goals (SDGs).

SDGs	How Reka Industrial contributes to achieving these goals
 <p>Affordable and clean energy</p>	<p>Reka Industrial currently designs and manufactures power cables that establishes the national power grid. Some of the products are specifically adopted to accommodate renewable energy such as for wind farms.</p>
 <p>Decent work and economic growth</p>	<p>Reka Industrial provides a safe working environment and protects labor rights for all its employees. To achieve this goal Reka Industrial invests in technologies that improve working environments and increases productivity. Additionally, business partners must share the same values with their employees.</p>
 <p>Industry, innovation, and infrastructure</p>	<p>To increase energy efficiency, Reka Industrial provides products which reduce carbon emissions through the reduction of grid losses. It also supports the current modern infrastructure via products that help create smart grids. Moreover, Reka Industrial enhances sustainable industrialization by investing in Smart Drum Management technology to improve efficiency.</p>
 <p>Sustainable cities and communities</p>	<p>Reka Industrial supports biodiversity conservation and sustainable management of the living natural resources and land use. The products such as underground transmission cables are aimed to reduce soil use and the impact on terrestrial biodiversity. Also, Reka Industrial participates in providing cables to increase clean transportation methods in cities and communities.</p>
 <p>Responsible consumption and production</p>	<p>In cable production Reka Industrial uses the most environmentally friendly and recyclable materials. Furthermore, the products are circular economy adapted and eco-efficient. For example, Reka produces cables which are highly resilient to extreme weather and easily recyclable. To minimize the environmental impact, Reka Industrial invests in production technology in order to reduce waste and one of its main principles is to avoid toxic substances to escape from production into the environment.</p>
 <p>Partnerships for the goals</p>	<p>Reka Industrial collaborates with machinery and raw material suppliers to improve energy efficiency and minimizing the usage of raw materials. It is an important aspect for Reka Industrial to create sustainable solutions and products.</p>

Reka Industrial and its subsidiaries take care of the working conditions of their personnel and the rights of their employees, as well as respect for human rights. Reka Industrial requires similar values and measures from its partners. The realization of partners' values is monitored through audits, self-assessments by suppliers and certificates issued by third parties. During COVID-19 pandemic, physical audits have had to be reduced in some places, but only temporarily. Customers and partners in Reka Industrial's divisions also audit our production and operations.

We develop procedures and tools to further develop safety. We offer comprehensive occupational health care that differs slightly by country and industry. Other employee benefits have also been developed taking into account the different values of employees, therefore the cable and rubber industries have different solutions.

Reka Cables is part of the Europacable Industry Charter, where participants commit to common principles and goals for the development and manufacture of ethical, responsible, and high-quality cables. In Finland, Reka Rubber is part of the Chemical Industry's Responsible Care program, which includes the sustainable use of natural resources, sustainable and safe production, and products, taking care of the well-being of the work community, and open interaction and cooperation.

Reka Industrial does not accept corruption or bribery in any form. The company has zero tolerance for corruption and bribery. This applies to all countries, activities, and roles. Violation of the company's values will result in the immediate termination of the employment relationship or the termination of the partnership. Training for the entire organization is planned for 2022. There were no notifications in the notification channel in 2021. In 2021, one incident against the company's values occurred, which we investigated, and the investigation was completed.

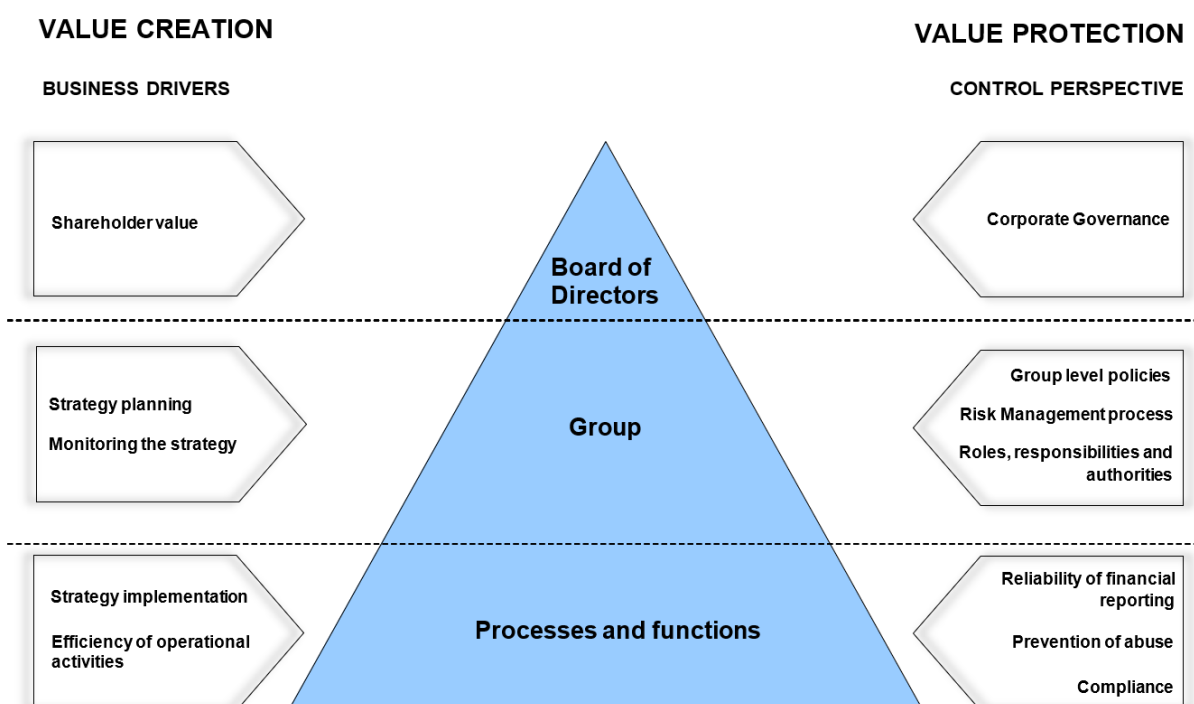
The Reka Industrial Group has an external notification channel, provided by an external partner, for all countries. Anyone can report anonymously when they detect grievances or suspect abuse to the notification channel.

Working capital management and ensuring the adequacy of human resources are particularly important in both the cable and rubber industries. On-time delivery capacity requires the right materials and resources, at the right time. Part of the production is stock-controlled, some is order-controlled. In addition, getting material and logistics costs at a customer price is a requirement for profitable business. Material risks are managed through active sourcing and, where possible, a multi-vendor model. The availability of employees poses challenges to the growth of operations. In the Polish plant in particular, staff turnover and the relative share of sick leave are high and require active and multi-channel recruitment and measures to manage absenteeism.

Comprehensive risk management is an ongoing process that is integrated into Reka Industrial's strategy process, operations, day-to-day decision-making, and internal control. The purpose of risk management is to identify potential events that, if materialized, will affect the organization, and to manage risk in accordance with the organization's willingness to take risks. Risk management allows management and the board to obtain reasonable assurance about the management of factors that threaten the achievement of the organization's objectives.

Reka Industrial's internal control aims to ensure that the company's operations are as efficient and profitable as possible, and that the information that it provides is trustworthy and that regulations and operating principles are followed.

Reka Industrial's internal control framework is integrated into the Group's Corporate Governance system.



Picture / Reka Industrial Plc's internal control and control system framework

In addition to financial indicators, businesses monitor the development of occupational accidents and the number of sick leave that may result from them. Production methods are being developed to prevent occupational accidents. The environmental impact of our own operations (scope 1 and 2) is being monitored increasingly.

The plant's risk assessment procedures map out machine-, condition-, method- and task-specific risks. In addition, there is an incident reporting policy through which employees can report incidents and safety notes. Concrete measures have been taken based on both risk assessments and employee reports. Occupational health and safety activities are mainly carried out by our own personnel. In Finland, the key role in the operating model is played by the occupational health and safety committee and occupational health and safety representatives. In Poland, there is no separate committee, but the designated persons are responsible for training and carrying out modifications. Of the partners, the most used occupational health care supports operations by industry and country. Other partners will also be used when needed. In the rubber industry, every new employee goes through safety training before starting work. The cable industry also has a safety package for new employees. The whole staff is also being trained through various forums.

We follow the UN Sustainable Development Principles and the Corporate Governance Code for Listed Companies. Our Group has guidelines for all companies approved by Reka Industrial's Board of Directors, which include the principles of internal control and risk management, information security policy, data protection policy, security policy, disclosure policy, management guidelines, guidelines to the Managing Director, as well as more detailed instructions related to the above (appendices to the ground rules). In addition, the companies have industry-specific guidelines for both their own and partners' interfaces.

Decisions of general meetings

Reka Industrial's Annual General Meeting was held on 8 April 2021, in Hyvinkää.

The AGM approved the financial accounts for the 2020 accounting period and granted the Company's Board and the Managing Director discharge from liability for the 2020 accounting period.

The AGM resolved, in accordance with the Board's proposal, that for the 2020 accounting period a dividend of 0,05 per share will be paid. The AGM resolved to pay the dividend on 10 May 2021 to shareholders who on the record date of the dividend payment, 12 April 2021, are registered in the Company's shareholder register maintained by Euroclear Finland Ltd.

In accordance with the Board's proposal, the Annual General Meeting decided to approve the company's 2020 remuneration report. According to the Companies Act, the decision is advisory.

The AGM approved the proposed annual remuneration of EUR 25,000 for the members of the Board of Directors, EUR 32,000 for the chairman of the Board and EUR 2,500 for the committee members. No separate meeting fees to be paid. The AGM approved that the members of the Board are compensated for their travel expenses.

Circa 40 per cent of the annual remuneration will be paid with the shares of the company. Conversion into the shares will be carried out based on the average share price of the company's class B-share in April 2021 and the shares will be handed over in May 2022.

The AGM resolved that the auditors' fees be paid as per invoice based on competitive bidding of accounting services.

The AGM approved, in accordance with the shareholders' proposal, that the number of members of the Board shall be five (5) and re-elected the following persons to the Board: Markku E. Rentto, chairman; Ari Järvelä, deputy chairman and Matti Hyytiäinen and Olli-Heikki Kyllönen as members of the Board. The Annual General Meeting approved, in accordance with the shareholders' proposal, Leena Saarinen as a new member of the Board. No deputy members were elected.

The AGM elected, in accordance with the shareholders' proposal, Authorized Public Accountants KPMG Ltd, with Authorized Public Accountant Jukka Rajala as responsible auditor, as the Company's auditor for a term that expires at the end of the Annual General Meeting of 2022.

The AGM authorized, in accordance with the Board of Director's proposal, the Board of Directors to decide on the acquisition of the Company's own shares with assets from the Company's unrestricted equity. The shares will be acquired through trading arranged by Nasdaq Helsinki in accordance with its rules, and the consideration to be paid for the shares to be acquired must be based on market price. The Company may

acquire B class shares directly by a contractual trade with other parties than the biggest shareholder, provided that the number of class B shares to be acquired via contractual trade is at least 15,000 and that the consideration to be paid for the shares is equal to the prevailing market price in Nasdaq Helsinki at the time of the acquisition. When carrying out acquisitions of the Company's own shares, derivatives, stock lending and other agreements customary to the capital markets may be entered into within the limits set by law and regulations.

The authorization entitles the Board of Directors to also decide on a directed acquisition in a proportion other than that of the shares held by the shareholders, provided the Company has a weighty reason for this as defined in the Finnish Companies Act.

The maximum number of class B shares to be acquired together with the number of shares previously held as pledged by the company, may not exceed a total of 588,076. The amount corresponds to approximately 9.77 per cent of all the shares in the Company and in total 10.0 per cent of the Company's class B shares. The Board of Directors is entitled to decide on all other matters pertaining to acquiring of the Company's own shares.

The authorization is proposed to remain in force until the next Annual General Meeting, however not later than October 8, 2022. The authorization replaces the authorization given by the previous Annual General Meeting on June 24, 2020, to repurchase and pledge the company's own shares.

In accordance with the Board's proposal, the Annual General Meeting authorized the Board to decide on handover of own shares. The amount of shares to be handed over in total can be maximum 588,076 B shares, which corresponds to approximately 9.77 per cent of all the shares of the Company and in total 10.0 per cent of the Company's class B shares, depending on the situation on the date of the notice. The authorization entitles the Board of Directors to decide on all other conditions for the handover of shares, including the right to deviate from the shareholders' pre-emptive subscription right.

The authorization is valid until the next Annual General Meeting. The authorization replaces the authorization given by the previous Annual General Meeting on June 24, 2020, for the handover of own shares.

Audit Committee

The duties of the Audit Committee include monitoring the company's financial position, overseeing financial reporting, assessing the adequacy and appropriateness of internal control and risk management, assessing compliance with laws and regulations, and communicating with the auditor, and reviewing the auditor's reports. The Audit Committee reports to the Board. The members of Reka Industrial Plc's Audit Committee are Marjo Matikainen-Kallström until April 8, 2021, and Ari Järvelä and Leena Saarinen as of April 8, 2021. In 2021 Audit Committee reviewed business risks, balance sheet values, financing and liquidity, and test calculation procedures. The management of internal audit measures focused on ensuring continuity and managing process and ICT risks.

Corporate governance statement

The Corporate Governance Statement of Reka Industrial Plc has been prepared in accordance with recommendation 51 of the Finnish Corporate Governance Code. The statement has been issued separately from the annual report and will be published at the same time with the financial statements and the board of directors' report. The report will be available on Reka Industrial's website at www.rekaindustrial.fi. The Finnish Corporate Governance Code is available at www.cgfinland.fi.

Shares and share capital

Reka Industrial Plc's share capital is divided into A- and B-shares. Of the shares, 139,600 are Series A shares with 20 votes per share and 5,880,760 are Series B shares with one vote per share. The total share capital of all the company's shares at the end of 2021 was EUR 24,081,440 and the number of shares was 6,020,360. The total number of votes of the company's shares was 8,672,760, of which 2,792,000 were A-shares and 5,880,760 were B shares.

On 31 December 2021 the total number of shares includes 79,253 B-shares held by Reka Industrial Plc. The holding presents 1.3 percent of the company's share capital and 0.9 percent of the votes. The company held no A-shares. The Articles of Association do not contain redemption provisions. There are no shareholder agreements. Reka Industrial Plc's B-shares (REKA) are listed on the exchange list of NASDAQ Helsinki.

Company shares	31/12/2021	31/12/2020	31/12/2019
Company share capital (EUR)	24,081,440	24,081,440	24,081,440
A-shares (20 votes per share)	139,600	139,600	139,600
B-shares (1 vote per share)	5,880,760	5,880,760	5,880,760
Total	6,020,360	6,020,360	6,020,360
B-shares held by the company	79,253	53,572	68,610

Key figures per share, share price and trading volume

A total of 1,477,487 (1,821,180 in 2020) of the company's B shares were traded on NASDAQ Helsinki Ltd, corresponding to 25.1 (31.0) percent of the number of shares and EUR 5.7 (5.1) million. The share price on December 31, 2021, was 3.87 EUR (December 31, 2020, 3.52 EUR) and the average exchange rate for the financial year was 3.84 EUR (2.79). The lowest share price for the year was 3.19 EUR (1.81) and the highest was 4.75 EUR (4.10). The market value of the company's share capital on December 31, 2021, was EUR 23.0 million (December 31, 2020, EUR 20.9 million and December 31, 2019, EUR 12.2 million).

Key figures per share (A and B shares)	31/12/2021	31/12/2020	31/12/2019
Equity per share, EUR	1.68	1.65	0.96
Earnings per share (EPS), EUR	0.17	0.16	-0.24
Dividend/share, EUR	0.09	0.05	0.00
Dividend/earnings, %	54.36 %	31.13 %	0.00 %
Effective dividend yield, %	2.33 %	1.42 %	0.00 %
Price/earnings (P/E)	23.4	21.9	neg.
Share performance, EUR			
-average share price	3.84	2.79	2.12
-lowest price	3.19	1.81	1.72
-highest price	4.75	4.10	2.50
-price at the end of the period	3.87	3.52	2.04
Trading, number of shares	1,477,487	1,821,180	961,796
%	25.1	31.0	16.4
Adjusted weighted average number of shares during the period	6,020,360	6,020,360	6,020,360
A-shares	139,600	139,600	139,600
B-shares	5,880,760	5,880,760	5,880,760
Adjusted number of shares at the end of the period	6,020,360	6,020,360	6,020,360
A-shares	139,600	139,600	139,600
B-shares	5,880,760	5,880,760	5,880,760

The Administrative Court has stated in its' decision in July 2021 that the subsidiary merge carried out in 2015 is not tax neutral. The company has made a discretionary decision to record taxes and tax increases, totaling EUR 1.1 million, retrospectively in equity and the comparative information for previous years has been updated accordingly. An appeal against the negative decision of the Administrative Court has been made to the Supreme Administrative Court.

Acquisition and transfer of the company's own shares

On 31 December 2021, the company held a total of 79,253 own B-shares. Reka Industrial did not exercise its authorization to acquire the company's own shares.

Reka Industrial Plc has used the authorization to transfer treasury B-shares against or without payment. In the financial period of 2021 Reka Industrial Plc has paid remuneration to the Board of Directors and Managing Director with shares, totaling to 9,320 shares.

Dividend Policy

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

Profit distribution proposal

The parent company's distributable funds are EUR 1,925,208.23, of which the result for the period is EUR 613,394.92. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share be paid for 2021, a total of approximately EUR 0.5 million. A dividend of EUR 0.05 per share was paid for the financial year 2020.

Near-term outlook

In 2022 EBITDA (EUR million) is expected to remain at the same level or improve, provided that predominant conditions due COVID-19 pandemic and the geopolitical situation will not substantially affect to the company's capability to deliver. EBITDA will also be affected to what extent and how quickly we are able to pass on the continuous increase in material costs to sales prices as well as metal price fluctuations.

Annual General Meeting 2022

Reka Industrial Plc's Annual General Meeting will be held in Hyvinkää on 6 April 2022 at 2.00 pm. A separate notice will be published in March.

Hyvinkää, 24 February 2022

Reka Industrial Plc
Board of Directors

Further Information:

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

Consolidated income statement (IFRS)

EUR 1,000	Note	1.1.-31.12.2021	1.1.-31.12.2020
TURNOVER	1.1.	158,144	120,436
Change in inventories of finished products and production in progress		2,508	2,439
Production for own use		14	268
Other operating income	1.2.	536	1,180
Materials and services		-115,913	-87,667
Personnel expenses	1.3.	-23,870	-18,261
Depreciation and impairment	1.4.	-5,688	-4,908
Other operating expenses	1.5.	-10,153	-8,954
		-152,566	-115,903
Operating result		5,578	4,533
Financial income	1.7.	282	124
Financial expenses	1.7.	-4,067	-3,246
IAS 19 defined benefit plans	1.8.	-725	-895
Share of the result of associated companies		335	371
Result before taxes		1,403	888
Taxes	1.9.	-417	70
Result for the period		986	957
Profit or loss attributable to			
Shareholders of the parent		986	957
Non-controlling interests		0	0
		986	957
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	1.10.	0.17	0.16
Number of shares		5,941,107	5,966,788

Consolidated statement of comprehensive income (IFRS)

Result		986	957
Other comprehensive items that may subsequently reclassified to statement of income			
Translation differences related to foreign units		-22	-50
Change in the value of open customer derivatives		139	391
Taxes of items that may subsequently reclassified to statement of income		-28	-78
Total		89	263
Other comprehensive items that are not subsequently reclassified to statement of income			
Items related to remeasurements of net defined benefit liability		-406	3 566
Taxes of items that are not subsequently reclassified to statement of income		81	-713
Total		-325	2,853
Other comprehensive items total		-236	3,116
Total comprehensive income		750	4,073
Total comprehensive income attributable to			
Shareholders of the parent		750	4,073
Non-controlling interests		0	0
		750	4,073

Consolidated balance sheet (IFRS)

EUR 1,000	Note	31/12/2021	31/12/2020
ASSETS			
Non-current assets			
Goodwill	2.2.	3,252	3,252
Other intangible assets	2.2.	5,352	5,991
Tangible assets	2.1.	23,556	23,097
Right-of-use assets	2.1.	4,175	5,637
Holdings in associates	2.3.	1,636	1,302
Receivables	2.4.	2,326	2,320
Derivative contracts	2.14.	75	138
Deferred tax assets	2.4.	2,525	2,498
Total non-current assets		42,897	44,235
Current assets			
Inventories	2.5.	23,302	19,918
Sales receivables and other receivables	2.6.	4,535	5,517
Tax receivables from the profit for the financial year		249	202
Derivative contracts	2.14.	487	463
Cash and cash equivalents	2.7.	767	2,815
Total current assets		29,339	28,915
Total Assets		72,237	73,150
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital		24,082	24,082
Premium fund		66	66
Reserve fund		1,221	1,221
Own shares		-287	0
Translation differences		-117	-94
Retained profit		-15,312	-15,809
Other unrestricted equity		436	436
Equity attributable to shareholders of the parent		10,090	9,905
Non-controlling interest		0	0
Total shareholders' equity	2.8.	10,090	9,905
Non-current liabilities			
Deferred tax liabilities	2.4.	1,601	1,656
Provisions	2.9.	3,428	3,446
Financial liabilities	2.10.	14,422	18,363
Lease liabilities	2.10.	4,751	6,224
IAS19 pension liability		4,979	3,666
Other liabilities		20	37
Derivative contracts	2.14.	1	2
Current liabilities			
Tax liabilities from the profit		112	70
Provisions	2.9.	214	104
Financial liabilities	2.10.	6,525	7,225
Lease liabilities	2.10.	1,804	1,679
Derivative contracts	2.14.	25	203
Accounts payable and other liabilities	2.12.	24,267	20,572
Total liabilities		62,148	63,248
Total shareholders' equity and liabilities		72,237	73,150

Consolidated statement of changes in shareholders' equity (IFRS)

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Pension liability IAS 19	Fair value fund	Other un-restricted equity	Retained profit	Shareholder's equity to the shareholders of the parent	Non-controlling interests	Total shareholders' equity
Shareholders' equity 31/12/2019	24,082	66	1,221	0	-45	-1,893	4	436	-16,909	6,963	0	6,963
Retrospective error correction, subsidiary merger tax									-1,163	-1,163	0	-1,163
Shareholders' equity 1/1/2020	24,082	66	1,221	0	-45	-1,893	4	436	-18,072	5,800	0	5,800
Comprehensive income												
Result for the period									957	957	0	957
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						3,566				3,566		3,566
Taxes of net defined liability						-713				-713		-713
Derivatives							391			391		391
Taxes of derivatives							-78			-78		-78
Translation differences					-50					-50		-50
Total comprehensive income					-50	2,853	313		957	4,073	0	4,073
Transactions with the owners												
Payments by own shares									32	32		32
Total transactions with the owners									32	32	0	32
Shareholders' equity 31/12/2020	24,082	66	1,221	0	-94	960	317	436	-17,083	9,905	0	9,905

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Pension liability IAS 19	Fair value fund	Other un-restricted equity	Retained profit	Shareholder's equity to the shareholders of the parent	Non-controlling interests	Total shareholders' equity
Shareholders' equity 31/12/2020	24,082	66	1,221	0	-94	960	317	436	-17,083	9,905	0	9,905
Comprehensive income												
Result for the period									986	986	0	986
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						-406				-406		-406
Taxes of net defined liability						81				81		81
Derivatives							139			139		139
Taxes of derivatives							-28			-28		-28
Translation differences					-22					-22		-22
Total comprehensive income					-22	-35	111		986	749	0	749
Other change									-7	-7		-7
Transactions with the owners												
Dividends paid									-298	-298		-298
Acquisition of own shares				-287						-287		-287
Payments by own shares									28	28		28
Total transactions with the owners				-287					-271	-558	0	-558
Shareholders' equity 31/12/2021	24,082	66	1,221	-287	-116	925	428	436	-16,665	10,090	0	10,090

Consolidated cash flow statement (IFRS)

EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
Cash flows from operating activities		
Payments received from operating activities	161,770	124,480
Payments paid on operating activities	-148,976	-118,905
Paid interests and other financial expenses	-3,931	-3,137
Interests received and other financial incomes	38	1
Direct taxes paid	-257	-313
Net cash provided by operating activities	8,644	2,126
Cash flows from investments		
Acquisition of subsidiaries and new business	0	-6,236
Investments in tangible assets	-3,352	-4,125
Sales of tangible assets	-18	2,321
Sales of intangible assets	10	0
Investments in other assets	0	-2,300
Net cash provided by investing activities	-3,360	-10,341
Cash flows from financing activities		
Acquisition of own shares	-287	0
Increase in loans	3,832	11,326
Decrease in loans	-9,081	-5,494
Payments of finance lease activities	-1,490	-1,585
Dividends paid	-298	0
Net cash provided by financing activities	-7,324	4,248
Change in cash and cash equivalents at the end of the period	-2,040	-3,967
Cash and cash equivalents at beginning of the period	2,815	6,784
Exchange rate differences	-8	-1
Cash and cash equivalents at the end of the period	767	2,815

Notes to the consolidated financial statements

General information

Reka Industrial Plc is the parent company of the Group, which includes Reka Industrial wholly owned subsidiaries Reka Rubber and Alnus Ltd with its subsidiaries and associated companies.

In addition to Finland, the Group operates in Poland, Sweden, Denmark, Norway, and Russia.

The parent company is domiciled in Hyvinkää. Reka Industrial Plc's address is Kankurinkatu 4-6, 05800 Hyvinkää. Reka Industrial Plc's B shares are listed on NASDAQ Helsinki.

The Reka Industrial Group is part of the Reka Group. Reka Ltd, the parent company of the Reka Group, is domiciled in Juupajoki. Reka Ltd's address is Salokunnantie 590, 35550 Salokunta.

Principles for consolidated financial statements

Principles of preparation

Adherence to IFRS standards

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the IAS standards as well as SIC and IFRIC interpretations effective on 31 December 2021. International financial standards refer to standards and the related interpretations that are laid down in the Finnish Accounting Act and regulations based on the Finnish Accounting Act and that have been approved in accordance with the EU Regulation (EC) No 1606/2002. The notes to the consolidated financial statements also comply with Finnish accounting and companies' laws that supplement IFRS regulations.

Retrospective error correction

The Administrative Court has stated in its' decision in July 2021 that the subsidiary merge carried out in 2015 is not tax neutral. A total of EUR 1.3 million has been taken into account in the figures for the financial year following the decision of the Administrative Court. According to the Administrative Court, the company has made an error in the tax treatment of the subsidiary merger. Tax and tax increase a total of EUR 1.1 million have been recorded in equity and other expenses in total EUR 0.2 million have been recorded through the income statement under financial expenses and taxes. All payments to the tax authority had been made by the end of 2021.

The company has made a discretionary decision to record taxes in the 2021 financial statements in accordance with the decision Administrative Court. An appeal against the negative decision of the Administrative Court was made to the Supreme Administrative Court in August, as the matter is significant in principle.

New and amended standards and interpretations applied in the financial year ended 31 December 2021

IFRIC agenda decision 03/2021; Configuration or Customisation Costs in a Cloud Computing Arrangement. In a cloud service arrangement that is a service contract, deployment costs often need to be recognized as an expense when the deployment service is received. Deployment costs are capitalized in the balance sheet and amortized over a longer period of time when the deployment service performed by the cloud service provider, typically customisation, is inseparable from the service that provides access to the program; or when the expenditure relates to the creation of a separate intangible asset. The change in application of accounting principles has to some extent affected the choices as to whether the implemented solution was made as a cloud service or as a solution assigned to own servers, and the accounting policies have been revised to reflect the change in accounting policy.

The following amendments to the standard that have entered into force have not had an effect on the consolidated financial statements.

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 Leases (effective from 1 April 2021 for financial years starting at the latest, on or after 1 January 2021)

The amendments allow the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the Covid-19 pandemic and only if certain conditions are met.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases (effective for financial years beginning on or after 1 January 2021) Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

COVID-19

In 2021, the COVID-19 pandemic did not reduce customer demand. COVID-19 has caused additional costs and delivery delays as personnel has been more than usual on sick leave to eliminate the possible infection risk. The impact of the additional costs of the pandemic on EBITDA in 2021 is estimated at EUR 0.5 million. The additional costs have arisen from increased sick leave, overtime to replace them and additional staff, as well as increased freight costs due to the efforts to minimize delays due to sick leave through small and express deliveries.

The pandemic has reflected material procurement in both industries. Most of the materials have been able to be procured in time, but the shortages of raw materials, components and partly containers have brought additional work and challenges to sourcing. In the cable segment, material prices have even risen significantly in some cases. There is upward pressure on the prices of materials and components in the rubber segment. Logistic costs have risen clearly.

So far COVID-19 pandemic has not affected to the payment behaviour of the customers.

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent assets and liabilities and the recognition of income and expenses in profit or loss. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

The most important items, which require management estimates and assumptions, and which may include uncertainty, are impairment testing of goodwill, customer relationship appreciation, deferred tax assets of unused tax losses and interest expenses, discount rate and definition of length in lease periods in IFRS 16 handling, processing of pensions and related contracts, effects on provisions given, handling of rental loss provision and net realisable value of inventories. Detailed descriptions of decisions based on management's judgement and management's use of estimates are presented later at each item of the financial statements.

The Group's management makes judgements concerning the adoption and application of the accounting policies for the financial statements. The management has used its judgement in selecting and applying the accounting policies, for example, classification of leases and processing of pension agreements.

On 31 December 2020, Reka Industrial Group companies entered into an arrangement to eliminate the defined benefit plan in accordance with IAS 19. The aim is to implement a defined contribution plan for pensions. Achieving the target will take longer than expected and thus the year 2021 has still been treated on a defined benefit basis.

Any assumptions and estimates related to the comparison period are based on the circumstances and outlook that prevailed at the reporting date of that period.

Valuation principles

The consolidated financial statements have been prepared based on original cost, except for the following items, which have been recognized at fair value: derivative contracts, cash and cash equivalents and other financial assets.

All open customer-specific hedge changes are booked to equity. Other changes with derivatives are recognized through the income statement. Derivatives that hedge net sales are included in net sales. Changes in metal derivatives targeted at customer orders and changes in raw-material purchase hedging for periods less than 12 months are included in material purchases. Longer-term raw-material purchase hedging is included in financial income or expenses. Customer-specific commodity derivatives and segment-specific currency hedging have been recognized under each segment. Other derivatives are recognized in other operations and eliminations.

Segment information

Currently, Reka Industrial Group's industrial business segments are cable industry and rubber industry. Reka Rubber was merged with the Group on June 30, 2020. All other functions are recognized in other operations and eliminations.

In accordance with IFRS 8, segment-specific reporting is based on the management's internal reporting. Instead of the previously monitored operating result, the level to be monitored in the segments will be EBITDA from 2020 onwards. The comparative information has been changed accordingly. Turnover by product group and sales area are presented as complementary information. Customer-specific commodity derivatives and segment-specific currency hedging have been recognized under each segment. Other derivatives, the numbers of companies not belonging to Cable or Rubber segment and unallocated items after operating result as well financial liabilities related to acquiring businesses are recognized in other operations and eliminations.

31/12/2021

EUR 1,000	Cable	Rubber	Other operations and eliminations	Group
Turnover	133,780	24,596	-232	158,144
EBITDA	10,984	1,507	-1 225	11 ,266
Unallocated items			-10 280	-10,280
Result before taxes				1 ,403
Result for the period				986
Assets				
Segment's assets	51,462	17,319	3,456	72,237
Total assets	51,462	17,319	3,456	72,237
Liabilities				
Segment's liabilities	33,566	10,816	17,766	62,148
Total liabilities	33,566	10,816	17,766	62,148
Assets - liabilities	17,896	6,503	-14,310	10,090
Investments	3,556	370	185	4,111
Depreciations			5,688	5,688

31/12/2020	Other operations			
EUR 1,000	Cable	Rubber	and eliminations	Group
Turnover	111,212	9,224	0	120,436
EBITDA	10,035	245	-840	9,440
Unallocated items			-8,483	-8,483
Result before taxes				888
Result for the period				957
Assets				
Segment's assets	53,011	13,952	6,187	73,150
Total assets	53,011	13,952	6,187	73,150
Liabilities				
Segment's liabilities	33,910	10,257	17,918	62,085
Total liabilities	33,910	10,257	17,918	62,085
Assets - liabilities	19,101	3,695	-11,731	11,066
Investments	4,888	128	7,650	12,665
Depreciations			4,908	4,908

Cable segment's turnover by product group, EUR million

	1-12/2021	1-12/2020
LV energy	32.6	23.6
Power cable	101.2	87.6
Total	133.8	111.2

Cable segment's turnover by sales area, EUR million

	1-12/2021	1-12/2020
EU-countries	123.8	102.7
Non-EU-countries	10.0	8.6
Total	133.8	111.2

Rubber segment's turnover by product group, EUR million

	1-12/2021	7-12/2020
Moulded	9.3	3.4
Hoses	12.2	4.4
Other	3.2	1.4
Total	24.6	9.2

Rubber segment's turnover by sales area, EUR million

	1-12/2021	7-12/2020
EU-countries	22.1	8.2
Non-EU-countries	2.5	1.0
Total	24.6	9.2

Taken all market areas into the consideration the largest customer Group's share of the Group's turnover was 24.5 %. Other individual customer's share of the Group's turnover was under 10 %.

On 31 December 2021, non-current assets other than financial instruments and deferred taxes were EUR 40.4 million (41.7). Of which EUR 38.6 million are located in Finland and EUR 1.8 million in Poland.

IAS 19 defined benefit pension arrangements related items

The entries in the income statement for IAS 19 defined benefit plans are placed below the operating result as a separate item before the share of the result of associated companies.

EUR 1,000	2021	2020
Pension cost - Defined benefit plans	-852	-1,048
Interest expense - Defined benefit plans	-55	-71
Taxes - Defined benefit plans	181	224
Total	-725	-895

Changes in tangible non-current assets:

EUR 1,000	2021	2020
Acquisition costs 1/1	57,794	41,101
Increase	3,426	2,437
Increase through acquisitions	0	15,014
Decrease	0	-740
Transfers between items	0	-19
Exchange differences	-2	0
Acquisition costs 31/12	61,217	57,794
Accumulated depreciation and impairment 1/1	34,697	24,778
Depreciation through acquisitions	0	7,221
Depreciation	2,959	2,695
Accumulated depreciation and impairment 31/12	37,659	34,697
Book value 1/1	23,097	16,321
Book value 31/12	23,556	23,097

Change in Right of Use assets:

EUR 1,000	2021	2020
Acquisition costs 1/1	11,669	12,355
Increase	420	970
Increase through acquisitions	0	239
Reclassification	0	-996
Decrease	0	-900
Exchange differences	1	0
Acquisition costs 31/12	12,089	11,669
Accumulated depreciation and impairment 1/1	6,032	4,162
Depreciation	1,869	1,711
Depreciation through acquisitions	0	108
Impairment	13	51
Accumulated depreciation and impairment 31/12	7,915	6,032
Book value 1/1	5,637	8,193
Book value 31/12	4,175	5,637

Derivative financial instruments valid on the closing date of the financial period:

EUR 1,000	Positive current values	Negative current values	Current net values 2021	Current net values 2020	Nominal values 2021	Nominal values 2020
Currency derivatives						
Forward exchange agreements	43	-23	21	-147		
Raw material options						
Metal derivatives	518	-3	515	544	6,938	4,437
Total derivatives	561	-26	536	396	6,938	4,437

Raw-material derivatives and currency derivatives have been valued using third-party market value reports (hierarchy level 2).

Contingent liabilities

EUR 1,000	31/12/2021	31/12/2020
Loans from financial institutions	9,847	13,952
Bond	7,156	7,093
Granted business mortgages	26,800	23,800
Granted real estate mortgages	19,093	19,093
Book value of pledged securities	35,134	35,134
Guarantees	2,168	0
Guarantees and payment commitments	6	6

The amount of corporate mortgages on December 31, 2021, was EUR 27.8 million. One million euros of corporate mortgages are held by the financier but available to the company if necessary.

Investment commitments

On December 31, 2021, the investment commitments for tangible fixed assets amounted to EUR 4.7 million (EUR 1.5 million).

Commitments to rental agreements less than 12 months or low value were on December 31, 2021, total EUR 0.6 million.

Related-party events

The Group's related parties include the subsidiaries and associated companies, other companies belonging to the Reka Group, Reka Pension Fund, the Group's Board of Directors and their close family members as well as management group and their close family members. Also related parties include companies, that have ownership connection through the owner who has significant decision power, or that belong to the related-party companies via the management or board members. Reka Industrial's management group consists of Managing Director and CFO.

Reka Industrial Plc, and therefore also the Reka Industrial Group, belong to the Reka Group. Reka Ltd has a 50.16 percent holding of shares and a 65.36 percent holding of votes.

Related-party transaction

Transactions with the Reka Group

EUR 1,000	1-12/2021	1-12/2020
Other purchases	-997	-619
Other income	31	13
Guarantee commissions	-153	-63
Acquisitions	0	-7,500
Sales receivables and other receivables at end of the period	663	1,031

Reka Industrial Plc bought June 2020 all shares of Reka Rubber from the biggest shareholder of Reka Industrial, Reka Ltd. The purchase price, EUR 7.5 million, was paid by cash. According to the third-party expert fairness opinion, acquired by the independent committee of the Board of Directors, the price paid for the shares is fair from financial point of view for Reka Industrial Plc.

At the end of June 2019, the Cable segment acquired the production property located in Keuruu from Reka Ltd. Until the acquisition, the Cable segment was tenant on the property in question. Reka Ltd has guaranteed Reka Industrial Group's financing and other agreements. Reka Industrial pays a guarantee commission on the guarantees.

The Reka Industrial Group uses the Reka Group level finance and supporting systems as well as related licenses and virtual servers.

Transactions with Reka Pension fund:

EUR 1,000	1-12/2021	1-12/2020
Purchase of real estate	0	2,258
Paid pension expenses	-2,277	-2,179
Rental expenses	-240	-123
Financial income	130	0
Guarantee capital investment	2,300	2,300
Other debts at the end of the period	0	213
Other receivables at the end of the period	92	0

Reka Group's pension insurances were transferred into Reka's Pension Fund on 31 December 2015. Because of the transfer, pension liabilities of Reka Industrial Group have been processed in IFRS through benefit-based calculation.

On 31 December 2020, Reka Industrial Group companies entered into an arrangement to eliminate the defined benefit plan in accordance with IAS 19. The aim is to implement a defined contribution plan for pensions. Achieving the target will take longer than expected and thus the year 2021 has still been treated on a defined benefit basis.

In 2021, defined benefit plans (arising from the pension plan) IFRS entries in accordance with IAS 19 increased expenses in the income statement by EUR -1.0 (-0.9) million and increased liabilities through comprehensive income by EUR -0.0 (2.9) million.

In 2019 Reka Cables Ltd made a guarantee capital investment of EUR 2.3 million in Reka Pension Fund. The guarantee capital investment supports the solvency of the pension fund. The interest on the guarantee capital investment is 4 % p.a.

Transactions with associated companies:

EUR 1,000	1-12/2021	1-12/2020
Sales of goods and services		
Nestor Cables Ltd	37	74
Other sales		
Nestor Cables Ltd	99	0
Leasing rents		
Riihimäen Kaapelitehdas Ltd	1,051	1,031
Liabilities to associated companies		
Nestor Cables Ltd	58	0

Riihimäen Kaapelitehdas Ltd is a limited liability company that owns a property in Riihimäki where Reka Cables Ltd is the tenant. The other owners of Riihimäen Kaapelitehdas Ltd are Riihimäen Tilat ja Kehitys and Reka Pension Fund.

Management fringe benefits and other related party transactions:

EUR 1,000	2021	2020
Salaries and other short-term fringe benefits	785	711
Pension benefits, defined contribution plans	112	92
Total	897	803

The Group's Board of Directors and management group have been defined as key management personnel of the company. The members of the Board are paid an annual remuneration in accordance with the decision of the Annual General Meeting. Travel expenses are paid according to the invoice. The members of the Board have no pension agreements with the company. Some of the fees may be paid in shares as decided by the Annual General Meeting. Payments in shares are always announced separately.

The Annual General Meeting in 2021:

- Confirmed the annual remuneration (12 months) of the members of the Board of Directors at EUR 25,000 and the annual remuneration of the Chairman of the Board at EUR 32,000 and the annual remuneration of committee members at EUR 2,500. No separate meeting fees are paid. The members of the Board are compensated for their travel expenses.
- Circa 40 per cent of the annual remuneration will be paid with the shares of the company. Conversion into the shares will be carried out based on the average share price of the Company's class B share in April 2021, and the shares will be handed over in May 2022.

Due to Reka Industrial's ownership structure company's member of the Board of Directors can be member of the Board of Directors in subsidiaries and get compensation. In addition, the Board of Directors can decide of separate remuneration, when member of the Board of Directors is taking additional measures and time for implementing company's important project (financing, acquisition, contract).

The remuneration of the members of the Management Team in accordance with the target bonus agreements is included in the breakdown below.

Transactions with other related parties:

EUR 1,000	1-12/2021	1-12/2020
Other purchases	8	12
Rental incomes	84	18

Other related parties consist of companies that have an ownership relationship through the owner who has significant decision power, or that belong to the related-party companies via the management or board members or their close family members.

The Group has no other significant transactions, receivables or liabilities or guarantees with related parties.

Calculation of key financial indicators:

IAS 19 corrected Return on equity (ROE) %	=	$\frac{\text{IAS 19 corrected Result for the period}}{\text{Shareholders' equity excluding effects of IAS 19 bookings (average)}} \times 100$
IAS 19 corrected Equity ratio, %	=	$\frac{\text{Shareholders' equity} + \text{non-controlling interest excluding effects of IAS 19 bookings}}{\text{Balance sheet total} - \text{advances received excluding effects of IAS 19 bookings}} \times 100$
IAS 19 corrected Gearing, %	=	$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents, liquid financial and investment securities}}{\text{Shareholders' equity} + \text{non-controlling interest excluding effects of IAS 19 bookings}} \times 100$
Return on investment (ROI) %	=	$\frac{\text{Profit before taxes} + \text{interest and other financial expenses}}{[\text{Balance sheet total} - \text{obligatory provisions and non-interest-bearing liabilities}] \text{ (average)}} \times 100$
Operating profit	=	the net amount formed when from the net sales are deducted the purchase costs adjusted by the change in the stocks of non-finished and finished goods as well as expenses for production for personal use. Also deducted from the net sales are expenses arising from employee benefits without IAS 19 defined benefit pension arrangements related items, depreciation, amortization and any impairment losses.
Gross investments	=	New investments made to tangible and intangible assets and Right of Use assets
EBITDA	=	the net amount that is formed when depreciation and any impairment losses are added to the operating result
Earnings per share (EPS) EUR	=	$\frac{\text{Profit for the period attributable to equity holders of the parent company}}{\text{Number of shares adjusted for share issues (average)}}$
Equity per share, EUR	=	$\frac{\text{Shareholders' equity} - \text{non-controlling interest}}{\text{Number of shares adjusted for share issues at the end of the period}}$
Dividend per share, EUR	=	$\frac{\text{Dividend for the period}}{\text{Number of shares adjusted for share issues at the end of the period}}$
Dividend per earnings, %	=	$\frac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$
Effective dividend yield, %	=	$\frac{\text{Dividend/share}}{\text{Share price adjusted for share issues at the end of the period}} \times 100$
Price/earnings (P/E)	=	$\frac{\text{Share price adjusted for share issues at the end of the period}}{\text{Dividend/share}}$
Market capitalisation	=	(Number of B shares - own B shares) x share price at the end of the period + number of A shares x average share price

Reconciliation of IAS 19 adjusted Alternative Performance Measures to figures reported in Financial Statements:

EUR 1,000	2021	2020	2019
Result for the period in the Financial Statements	986	957	-1,440
IAS 19 eliminations	725	895	-2
Result for the period in IAS 19 adjusted Performance Measures	1,711	1,852	-1,443
IAS 19 effect on non-interest-bearing liabilities	4,979	3,666	3,870
IAS 19 effect on Shareholders' equity	-3,983	-2,933	-2,731
IAS 19 effect on Balance sheet total	996	733	1,138
Shareholders' equity in financial statements	10,090	11,066	6,962
IAS 19 eliminations	3,983	2,933	2,731
Shareholders' equity in IAS 19 adjusted Performance Measures	14,073	13,999	9,694
Balance sheet total in Financial Statements	72,237	73,150	58,942
IAS 19 eliminations	-996	-733	-1,138
Balance sheet total in IAS 19 adjusted Performance Measures	71,241	72,417	57,804

Disclaimer

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 Reka Industrial Plc

Reka Industrial is involved in the transition of both the energy and transport industries. As an industrial family company, we are committed to developing the performance and sustainability of the companies we own. The market is growing and we along with it. Reka Industrial class B shares are listed on the Nasdaq Helsinki Ltd.