

Reka Industrial Plc: Profitable growth

January – December 2020

- The Group's turnover was EUR 120.4 million (EUR 97.5 million)
- EBITDA was EUR 9.4 million (4.8 million)
- Operating result was EUR 4.5 (0.4) million
- The result for the period was EUR 1.0 (-1.4) million

Near-term outlook: In 2021 EBITDA (EUR million) is expected to remain at the same level or improve, provided that predominant conditions due COVID-19 pandemic will not substantially affect to the company's capability to deliver.

Managing Director Jukka Poutanen:

The turnover of Reka Cables Ltd increased clearly from last year, even though COVID-19 pandemic restricted the growth during the second quarter of the year.

The COVID -19 pandemic has not affected to the market demand in the cable business.

Cable industry's EBITDA improved significantly even though COVID-19 pandemic caused extra costs and delivery delays. In the first half of the year fluctuations in aluminium and copper prices weighed on operating profit. In the second half of the year, metal prices rose and levelled off. On an annual basis, metals supported EBITDA by EUR 0.6 million.

The strong growth of the cable industry and the preparation for supply chain disruptions tied up working capital and affected the operating cash flow. The Group's operating cash flow was still positive.

As a result of purchase of Reka Rubber, implemented in June, the company formed new business, rubber industry, adjacent to cable industry. This is step from Investment company to an industrial conglomerate. At the preliminary purchase price allocation there is no goodwill. COVID-19 pandemic has affected the rubber industry's volumes, but the customer demand is recovering.

The Extraordinary General meeting accepted the name change from Neo Industrial to Reka Industrial in November 2020.

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 first Green Bond investor letter was published in March 2020. The next investor letter will be published in March 2021.

Key Figures

	2020	2019
Turnover, EUR million	120.4	97.5
EBITDA, EUR million	9.4	4.8
Operating profit, %	3.8	0.4
Results for the period,	1.0	-1.4
ROI, %	10.8	2.4
IAS 19 corrected Return on Equity, %	16.1	-14.3
IAS 19 corrected Gearing, %	219.1	188.2
IAS 19 corrected Equity ratio, %	19.3	16.8
Earnings per share	0.16	-0.24

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 items included in the operating result of the income statement have been changed in the 2020 reporting and the comparative information has been changed accordingly. 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.

On 31 December 2020, Reka Industrial Group companies entered into an arrangement to eliminate the defined benefit plan in accordance with IAS 19 by entering into an agreement with Reka Ltd whereby Reka Industrial Group companies pay a fixed (24%) pension contribution and are not liable for any other obligations arising from the operations, liabilities or financial situation of Reka Pension Fund. According to the management of Reka Industrial Group, this is a defined contribution plan, in which case a change will be made in 2021 IFRS reporting.

The company itself monitors the EBITDA ratio and thus it has been added to the reported alternative key figures. The comparative information has been added accordingly.

The financial statement release is unaudited.

Turnover and operating result

The Reka Industrial Group's (Reka Industrial) turnover in 2020 was EUR 120.4 million (97.5). Its result for the full year was EUR 1.0 million (-1.4 million).

Balance sheet and financing

At the end of the financial year the interest-bearing liabilities were EUR 33.5 (25.0) million, of which other than finance lease liabilities were EUR 25.6 (15.6) million. Some of the interest-bearing liabilities involve financial covenants, all of which were fulfilled at the balance sheet date. More information about the covenants is provided in the notes of the consolidated financial statements. In the end of the financial period the balance sheet total stood at EUR 73.2 million (58.9).

Reka Industrial Plc bought in June 2020 all shares of Reka Rubber. The purchase price, EUR 7.5 million, was paid by cash. The purchase was funded by EUR 7.5 million bank loan. Reka Rubber was consolidated to the Group figures as of 30 June 2020.

The Group arranged the ownership of real estate situating in Keuruu. Reka Industrial Plc bought the real estate by using purchase option of related sale and lease agreement. Purchase price due purchase option was EUR 1.0 million. Reka Industrial Plc sold the real estate further to Reka Pension fund with fair value of EUR 2.3 million. 10-year rental agreement was made with Reka Pension fund relating the real estate. The fair value of the real estate was defined by third party experts. With the funding occurred due arrangements, Reka Industrial paid back its short-term loan EUR 1.2 million. The arrangement did not have significant result effect.

Subsidiary Reka Cables Ltd did EUR 2.3 million guarantee capital investment into Reka Pension fund. The arrangement is described more in detail in the notes in the consolidated financial statements.

Major events during the financial period

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

The company bought June 2020 all shares of Reka Rubber from the biggest shareholder, 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.

On 24th of June 2020, the AGM approved the corporate acquisition of Reka Rubber and the acquisition was implemented after the AGM on 25th of June 2020. The financial figures of Reka Rubber were consolidated to the Group figures as of 30 June 2020 as there was no significant difference between implementation and end of June figures. On the purchase price allocation, positive difference of EUR 0.4 million was formed and this amount was booked through consolidated income statement. The operating result includes EUR 0.2 million of expenses relating the acquisition.

Via corporate acquisition the company formed a new business, rubber industry, adjacent to the cable industry. This is step from investment company to an industrial conglomerate.

The new Group is expected to benefit bigger size, different seasons of the businesses and sharing best practices. Different seasons of the businesses lessens the effects of seasonal fluctuations to the result of the company.

Extraordinary Shareholders Meeting held in November, accepted the name change. The company's business name was decided Reka Industrial Plc and the old business name remained as auxiliary business name.

COVID-19

The COVID-19 pandemic has not affected to the market demand in the cable business. However, COVID-19 pandemic restricted the growth during the second quarter of the year. 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 additional costs due COVID-19 pandemic is estimated to stress operating result of cable business EUR 0.6 - 0.9 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.

In rubber business the COVID-19 pandemic has affected the customer demand. The volumes of part of the customers have been lower than usual due to whether the market demand of the customer, delivery problems of other suppliers, temporal closing of factories or combination of these factors.

COVID-19 pandemic has not significantly affected to the material procurement of cable nor rubber businesses. So far COVID-19 pandemic has not affected to the payment behaviour of the customers.

Acquisitions

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. On 24th of June 2020, the AGM approved the corporate acquisition of Reka Rubber and the acquisition was implemented after the AGM on 25th of June 2020. The financial figures of Reka Rubber were consolidated to the Group figures as of 30 June 2020 as there was no significant difference between implementation and end of June figures. On the purchase price allocation, positive difference of EUR 0.4 million was formed and this amount was booked through consolidated income statement. The operating result include EUR 0.2 million of expenses relating the acquisition.

Reka Rubber is one of the leading European manufacturers of small and medium-sized rubber components to the heavy vehicle and machine building industries. Reka Rubber has manufacturing units in Finland (Aura) and in Poland (subsidiary in Dopiewo). In addition to that the rubber products are manufactured in Asia through the subcontracting network managed by Reka Rubber.

Via corporate acquisition the company formed a new business, rubber industry, adjacent to cable industry.

Segments

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

Cable segment

	H2/2020	H2/2019	Change	2020	2019	Change
Turnover, EUR million	55.5	48.0	15.6 %	111.2	97.4	14.2 %
EBITDA, EUR million	6.3	2.0	215.0 %	10.0	5.1	94.9 %

The Cable segment's turnover was EUR 111.2 million (97.4). EBITDA was EUR 10.0 million (5.1 million).

Reka Cables Ltd's 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.

At the beginning of the year the price of copper was EUR 5,481 per tonne and the price of aluminum was EUR 1,603 per tonne. At the end of the December 2020, the price of copper was EUR 6,308 and the price of aluminum EUR 1,612.

At its highest point, the daily price of copper during the review period was EUR 6,499 per tonne in December, and at its lowest in March, at EUR 4,283 per tonne. The price of aluminum has been at its highest in December, when it was EUR 1,709 per tonne, and its lowest in April, when it was EUR 1,308 per tonne.

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

Investments fulfilled, EUR 4.9 million (8.2 million in 2019) were targeted at developing new products, and improving productivity, material- and energy efficiency.

Turnover for Nestor Cables Group, an associated company in the segment, was in 2020 EUR 32.0 million (31.5). The operating result was positive and better than year before. Nestor Cables' equity turned positive and the profit share of EUR 0.4 million has been taken into Groups result and in the balance sheet value of the associated company.

Rubber segment

Reka Rubber was consolidated to the Group as of 30 June 2020. The rubber segment's turnover in the Group was EUR 9.2 million and EBITDA was EUR 0.2 million. EBITDA is burdened by EUR 0.1 million of expenses relating the acquisition.

COVID-19 pandemic has affected rubber industry's volumes. Customers production plants have mainly opened now.

Major events after the review period

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

Share price and trading volume

In 2020, a total of 1,821,180 (961,796 in 2019) of Reka Industrial's B shares were traded on NASDAQ Helsinki for a total of EUR 5.1 million (2.0), representing 31.0 (16.4) percent of total number of the shares. At the end of trading on 31 December 2020, the share price was EUR 3.52 (2.04 31.12.2019), and the average share price for 2020 was EUR 2.79 (2.12). The lowest quotation in 2020 was EUR 1.81 (1.72) and the highest quotation was EUR 4.10 (2.50). The company's market capitalization was valued at EUR 20.9 million (12.2 31.12.2019) on 31 December 2020.

Group structure and shareholders

Reka Industrial Plc is the parent company of the Group, which includes the Reka Industrial fully owned subsidiary Reka Rubber Ltd and Alnus Ltd and its subsidiaries and associated companies. The parent company is domiciled in Hyvinkää. On 31 December 2020, Reka industrial had 10,837 shareholders (10,869). The largest shareholder, Reka Ltd, held 50.7 percent (50.8) of the shares and 65.8 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 2020, the combined holding of the ten largest shareholders was 56.4 percent (56.1 on 31 December 2019) of the shares and percent 69.7 (69.5 31 December 2019) of the votes.

The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,963,648 (2,958,529) of Reka Industrial's B shares on 31 December 2020.

Shares and share capital

Reka Industrial Plc's share capital is divided into A and B shares. At the end of 2020, its total share capital was EUR 24,081,440, and the number of shares was 6,020,360. The total number of shares includes 53,572 B shares held by Reka Industrial Plc. The holding presents 0.9 percent of the company's share capital and 0.6 percent of the votes. The company held no A shares. Reka Industrial Plc's B shares (REKA) are listed on the exchange list of NASDAQ Helsinki.

Company shares	31/12/2020	31/12/2019	31/12/2018
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	53,572	68,610	72,439

Acquisition and transfer of the company's own shares

On 31 December 2020, the company held a total of 53,572, 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 2020, Reka Industrial Plc has paid remuneration and incentives to the Board of Directors with shares, totalling to 15,038 shares.

Research and development

The Group invested a total of EUR 1.1 million in research and product development (EUR 0.3 million in 2019). The investments were allocated EUR 1.0 million to the Cable Segment and EUR 0.1 million to the Rubber Segment. The Rubber segment has been included since June 30, 2020. During the financial period, total of EUR 0.3 million (EUR 0.2 million in 2019) of the development costs of new products and product families were activated in the balance sheet.

Personnel

During the financial year, the Group employed an average of 386 people (247 in 2019 and 251 in 2018). At 31 December of 2020, the Group employed 520 (245 in 2019 and 252 in 2018) people, of whom 270 (244 in 2019 and 252 in 2018) worked in the Cable segment, 249 in the Rubber segment and 1 (1 in 2019 and 0 in 2018) in Group administration. The Group paid a total of EUR 15.5 million (10.7 million in 2019 and 11.3 million in 2018) in performance-based salaries and fees in 2019. The Rubber segment has been included since June 30, 2020.

Environment

Caring for the environment and continuous improvement are part of daily operations in Reka Industrial. Reka Cables' environmental management system is certified according to ISO 14001 standard. Reka Rubber's environmental management system is certified with IASO 14001 since 2007. Reka Rubber has had an environmental permit since 2007.

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.

General meetings

The Annual General Meeting

The Annual General Meeting was held on 24 June 2020, in Hyvinkää.

The AGM resolved, in accordance with the Board's proposal, that no dividends will be paid for the financial year 2019.

The AGM decided to accept the remuneration policy for governing bodies.

The AGM approved, in accordance with the Board's proposal, the corporate acquisition, where company is buying all the shares of Reka Rubber Ltd ("Reka Rubber") from the biggest shareholder of Reka Industrial Plc, Reka Oy. The corporate acquisition was implemented on June 25, 2020.

The AGM elected the following persons to the Board: Markku E. Rentto, chairman; Jukka Koskinen, deputy chairman and Marjo Matikainen-Kallström and Ari Järvelä as members of the Board. No deputy members were elected. In accordance with the shareholders' proposal, Authorized Public Accountants KPMG Ltd, with Authorized Public Accountant Leenakaisa Winberg as responsible auditor, as the Company's auditor for a term that expires at the end of the Annual General Meeting of 2021.

The members of Reka Industrial's audit committee are Marjo Matikainen-Kallström and Ari Järvelä.

A separate release about the AGM's decisions and authorizations was published in 24 June 2020.

Extraordinary Shareholder Meeting

The Extraordinary Shareholders' Meeting was held, 24 November 2020, in Hyvinkää.

The Extraordinary Shareholders' Meeting decided to accept in accordance with the shareholders' proposal to change the company's business name to Reka Industrial Oyj, in English Reka Industrial Plc. The Extraordinary Shareholders' Meeting decided to accept in accordance with the shareholders' proposal to change the Line of Business.

The Extraordinary General Meeting decided on the remuneration of the members of the Board of Directors and the committee members as follows:

The performance bonus of the Board members decided by the Annual General Meeting on June 24 is valid until November 24, 2020.

The annual remuneration of the members of the Board of Directors decided by the Annual General Meeting on June 24 is valid until November 24, 2020. As of November 25, 2020, the annual remuneration (12 months) of the members of the Board of Directors is EUR 18,000 and that of the Chairman of the Board EUR 25,000. Members of the Board are compensated for their travel expenses.

The Extraordinary Shareholders' Meeting approved the annual remuneration of EUR 2,500 for the committee members. No separate meeting fees to be paid.

The Extraordinary Shareholders' Meeting 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 Marjo Matikainen-Kallström as members of the Board. The Extraordinary Shareholders' Meeting approved, in accordance with the shareholders' proposal, Matti Hyytiäinen and Olli-Heikki Kyllönen as new members of the Board. No deputy members were elected.

A separate release about the Extraordinary Shareholders' Meeting decisions and authorizations was published in 24 November 2020.

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. The additional costs are expected to continue in 2021.

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. COVID-19 pandemic has affected to the purchase amounts in customers and it is difficult to estimate the effect of pandemic for the future. COVID-19 pandemic is expected to have negative effect on purchase amounts of the customers also in 2021. Due COVID-19 pandemic the rubber business got EUR 100 thousand support from Business Finland to develop its products, marketing, and competitiveness. The development measures ongoing.

The trade sanctions of USA increase of customs tariffs for the products as well Brexit can have negative effect on customer volumes in rubber industry. Also, the increased competition by Asian actors in euro area can have effect on customer's purchase decisions.

The Group has carried out and is carrying out the simplifications of the Group structure with mergers. Tax authority has questioned the tax neutrality of the subsidiary merge carried out in 2015. Reka Industrial has filed for changes in its tax assessment notice. Reka Industrial has the opinion that the merge is universal succession and therefore tax neutral. The difference of opinion of the Reka Industrial and tax authority is EUR 1.2 million.

Near-term outlook

In 2021 EBITDA (EUR million) is expected to be stay the same or improve, provided that predominant conditions due COVID-19 pandemic will not substantially affect to the company's capability to deliver.

Dividend Policy

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

Annual General Meeting 2021

Reka Industrial Plc's Annual General Meeting will be held in Hyvinkää on 8 April 2021 at 2.00 pm. A separate notice will be published in March.

Hyvinkää, 25 February 2021

Reka Industrial Plc
Board of Directors

Further Information:

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

Consolidated income statement (IFRS)

EUR 1,000	1.1.- 31.12.2020	1.1-31.12.2019
TURNOVER	120,436	97,478
Change in inventories of finished products and production in progress	2,439	-2,461
Production for own use	268	8
Other operating income	1,180	280
Materials and services	-87,667	-70,524
Personnel expenses	-18,261	-13,821 *
Depreciation and impairment	-4,908	-4,384
Other operating expenses	-8,954	-6,161
	-115,903	-97,064
Operating result	4,533	414 *
Financial income	124	106
Financial expenses	-3,246	-2,524 *
	-895	2 *
Share of the result of associated companies	371	114
Result before taxes	888	-1,888
Taxes	70	447 *
Result for the period	957	-1,440
Profit or loss attributable to		
Shareholders of the parent	957	-1,440
Non-controlling interests	0	0
	957	-1,440
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	0,16	-0,24
Number of shares	5,966,788	5,951,750

Consolidated statement of comprehensive income (IFRS)

Result	957	-1,440
Other comprehensive items that may subsequently reclassified to statement of income		
Translation differences related to foreign units	-50	-14
Change in the value of open customer derivatives	391	180
Taxes of items that may subsequently reclassified to statement of income	-78	-36
Total	263	130
Other comprehensive items that are not subsequently reclassified to statement of income		
Items related to remeasurements of net defined benefit liability	3,566	234
Taxes of items that are not subsequently reclassified to statement of income	-713	-47
Total	2,853	188
Other comprehensive items total	3,116	317
Total comprehensive income	4,073	-1,123
Total comprehensive income attributable to		
Shareholders of the parent	4,073	-1,123
Non-controlling interests	0	0
	4,073	-1,123

* The comparative information has been changed due to change in Principles of preparation. More information will be found in the notes in the consolidated financial statements.

Consolidated balance sheet (IFRS)

EUR 1,000	31/12/2020	31/12/2019
ASSETS		
Non-current assets		
Goodwill	3,252	3,252
Other intangible assets	5,991	1,476
Tangible assets	23,097	16,321
Right-of-use assets	5,637	8,193
Holdings in associates	1,302	930
Receivables	2,320	71
Derivative contracts	138	0
Deferred tax assets	2,498	2,608
Total non-current assets	44,235	32,851
Current assets		
Inventories	19,918	13,832
Sales receivables and other receivables	5,517	5,272
Tax receivables from the profit for the financial year	202	0
Derivative contracts	463	204
Cash and cash equivalents	2,815	6,784
Total current assets	28,915	26,092
Total Assets	73,150	58,943
SHAREHOLDERS' EQUITY AND LIABILITIES		
	24,082	24,082
Shareholder's equity		
Share capital	1,221	1,221
Premium fund	0	0
Reserve fund	-94	-45
Own shares	-14,646	-18,798
Translation differences	436	436
Retained profit	11,066	6,963
Other unrestricted equity	0	0
Equity attributable to shareholders of the parent	11,066	6,963
Non-controlling interest		
Total shareholders' equity		
	1,656	55
Non-current liabilities		
Deferred tax liabilities	3,446	3,250
Provisions	18,363	12,561
Financial liabilities	6,224	7,595
Lease liabilities	3,666	3,870
Lease liabilities	37	11
IAS19 pension liability	2	14
Other liabilities		
Derivative contracts		
	70	62
Current liabilities		
	104	27
Tax liabilities from the profit	7,225	3,004
Provisions	1,679	1,867
Financial liabilities	203	184
Lease liabilities	19,409	19,480
	62,085	51,980
	73,150	58,943

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-control ling interests	Total shareholders' equity
Shareholders' equity 31/12/2018	24,082	66	1,221	0	-30	-2,081	-139	436	-15,383	8,170	0	8,170
Comprehensive income												
Result for the period									-1,440	-1,440	0	-1,440
Comprehensive income												
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						188				188		188
Derivatives							144			144		144
Translation differences					-14					-14		-14
Total comprehensive income					-14	188	144		-1,440	-1,123	0	-1,123
Effect of reclassification to translation differences									16	16		16
Transactions with the owners												
Dividends paid									-119	-119		-119
Payments by own shares									17	17		17
Total transactions with the owners									-102	-102	0	-102
Shareholders' equity 31/12/2019	24,082	66	1,221	0	-45	-1,893	4	436	-16,909	6,963	0	6,963
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-control ling 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
Comprehensive income												
Result for the period									957	957	0	957
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						2,853				2,853		2,853
Derivatives							313			313		313
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	-15,920	11,066	0	11,066

Consolidated cash flow statement (IFRS)

EUR 1,000	1/1-31/12/2020	1/1-31/12/2019
Cash flows from operating activities		
Payments received from operating activities	124,480	96,851
Payments paid on operating activities	-118,905	-86,325
Paid interests and other financial expenses	-3,137	-2,561
Interests received and other financial incomes	1	26
Direct taxes paid	-313	-232
Net cash provided by operating activities	2,126	7,758
Cash flows from investments		
Acquisition of subsidiaries and new business	-6,236	0
Investments in tangible assets	-4,125	-7,152
Sales of tangible assets	2,321	75
Purchase of associated company shares	0	-1,255
Proceeds from sale of associated company shares	0	2,017
Investments in other assets	-2,300	0
Loans granted	0	-3,200
Loan repayments	0	3,200
Net cash provided by investing activities	-10,341	-6,314
Cash flows from financing activities		
Increase in loans	11,326	19,438
Decrease in loans	-5,494	-12,901
Payments of finance lease activities	-1,585	-1,968
Dividends paid	0	-119
Net cash provided by financing activities	4,248	4,450
Change in cash and cash equivalents at the end of the period	-3,967	5,894
Cash and cash equivalents at beginning of the period	6,784	889
Exchange rate differences	-1	2
Cash and cash equivalents at the end of the period	2,815	6,784

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, the Baltic countries, 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 2020. 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.

Applicable new and amended standards and interpretations 31.12.2020

Amendments to References to Conceptual Framework in IFRS Standards

(effective for financial years beginning on or after 1 January 2020)

The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.

Definition of a Business – Amendments to IFRS 3 Business Combinations

(effective for financial years beginning on or after 1 January 2020)

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business.

Definition of Material – Amendments to IAS 1 Presentation of Financial Instruments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for financial years beginning on or after 1 January 2020)

(effective for financial years beginning on or after 1 January 2020)

The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved.

Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures

(effective for financial years beginning on or after 1 January 2020)

Amendments have been issued to address uncertainties related to the reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

Covid-19-Related Rent Concessions – Amendment to IFRS 16 Leases (effective for financial years beginning on or after 1 June 2020)

The amendment allows 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.

The effective standards or interpretations have not influenced the consolidated financial statements.

COVID-19

The COVID-19 pandemic has not affected to the market demand in the cable business. However, COVID-19 pandemic restricted the growth during the second quarter of the year. 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 additional costs due COVID-19 pandemic is estimated to stress operating result of cable business EUR 0.6 - 0.9 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.

In rubber business the COVID-19 pandemic has affected the customer demand. The volumes of part of the customers have been lower than usual due to whether the market demand of the customer, delivery problems of other suppliers, temporal closing of factories or combination of these factors.

COVID-19 pandemic has not significantly affected to the material procurement of cable nor rubber businesses. So far COVID-19 pandemic has not affected to the payment behaviour of the customers.

Change in Principles of preparation

The company has updated the definition of operating profit so that all IAS 19 defined benefit plan entries in the income statement are taken into account as a separate item below operating profit. Previously, some entries were taken into account above the operating result and some below. The management has re-evaluated the way the operating result is presented, and its view is that in this way the development of Reka Industrial's business can be better monitored.

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

Updated operating result is 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. Also, other operating income and expenses are taken into account. The comparative information is changed accordingly.

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. 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 items included in the operating result of the income statement have been changed in the 2020 reporting and the comparative information has been

changed accordingly. 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.

On 31 December 2020, Reka Industrial Group companies entered into an arrangement to eliminate the defined benefit plan in accordance with IAS 19 by entering into an agreement with Reka Ltd whereby Reka Industrial Group companies pay a fixed (24%) pension contribution and are not liable for any other obligations arising from the operations, liabilities or financial situation of Reka Pension Fund. According to the management of Reka Industrial Group, this is a defined contribution plan, in which case a change will be made in 2021 IFRS reporting.

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

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.

31/12/2020	Cable	Rubber	Other operations and eliminations	Group
EUR 1,000				
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

31/12/2019	Cable	Other operations and eliminations	Group
EUR 1,000			
Turnover	97,439	39	97,478
EBITDA	5,149	-350	4,798
Unallocated items		-6,334	-6,334
Result before taxes			-1,888
Result for the period			-1,440
Assets			
Segment's assets	48,013	10,930	58,943
Total assets	48,013	10,930	58,943
Liabilities			
Segment's liabilities	34,647	17,333	51,980
Total liabilities	34,647	17,333	51,980
Assets - liabilities	13,366	-6,403	6,962
Investments	8,167	45	8,212
Depreciations		4,384	4,384

Cable segment's turnover by product group, EUR million

	1-12/2020	1-12/2019
LV energy	23.6	21.0
Power cable	87.6	76.4
Total	111.2	97.4

Cable segment's turnover by sales area, EUR million

	1-12/2020	1-12/2019
EU-countries	102.7	81.4
Non-EU-countries	8.6	16.0
Total	111.2	97.4

Rubber segment's turnover by product group, EUR million

	7-12/2020	1-12/2019
Moulded	3.4	0.0
Hoses	4.4	0.0
Other	1.4	0.0
Total	9.2	0.0

Rubber segment's turnover by sales area, EUR million

	7-12/2020	1-12/2019
EU-countries	8.2	0.0
Non-EU-countries	1.0	0.0
Total	9.2	0.0

Taken all market areas into the consideration the largest customer Group's share of the Group's turnover was 21.0 %, the share of the second largest was 10.0 %. Other separate customer's share of the Group's turnover was under 10 %.

On 31 December 2020, non-current assets other than financial instruments and deferred taxes were EUR 41.7 million (30.2). Of which EUR 39.9 million are located in Finland and EUR 1.8 million in Poland.

IAS 19 defined benefit pension arrangements related items

EUR 1,000	2020	2019
Pension cost - Defined benefit plans	-1,048	94
Interest expense - Defined benefit plans	-71	-91
Taxes - Defined benefit plans	224	-1
Total	-895	2

Acquisitions

On June 2, 2020, Reka Industrial Plc announced that it had signed an agreement to purchase the entire share capital of Reka Rubber Ltd ("Reka Rubber") from Reka Industrial's largest shareholder, Reka Ltd, for EUR 7.5 million in cash. The completion of the corporate acquisition was conditional to the acceptance of Reka Industrial's Annual General Meeting. The Annual General Meeting approved the acquisition on June 24, 2020, and the transaction was completed after the Annual General Meeting on June 25, 2020. The financial figures of Reka Rubber were consolidated to the Group figures as of 30 June 2020 as there was no significant difference between implementation and end of June figures.

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 the buyer.

Reka Rubber is one of the leading European manufacturers of small and medium-sized rubber components to the heavy vehicle and machine building industries. Reka Rubber has manufacturing units in Finland (Aura) and in Poland (subsidiary in Dopiewo). In addition to that the rubber products are manufactured in Asia through the subcontracting network managed by Reka Rubber.

On the purchase price allocation, positive difference of EUR 0.4 million was formed and this amount was booked through consolidated income statement. The operating result includes EUR 0.2 million of expenses relating the acquisition.

Via corporate acquisition the company formed a new business, rubber industry, adjacent to the cable industry.

Purchase price allocation

EUR 1,000	IFRS book values of the acquired company before consolidation	Fair value allocation	Fair values recorded in the consolidation
Acquired net assets			
Intangible assets	795	3,757	4,552
Tangible assets	3,329	3,835	7,164
Right-of-use assets	123	0	123
Inventories	3,027	220	3,247
Deferred tax assets	451	0	451
Sales receivables and other receivables	2,055	0	2,055
Cash and bank receivables	1,268	0	1,268
Provisions	-21	0	-21
Deferred tax liability	-73	-1,562	-1,636
Lease liabilities, long-term	-62	0	-62
IAS 19 liability	-2,244	0	-2,244
Financial liabilities, long-term	-2,872	0	-2,872
Other liabilities, long-term	-41	0	-41
Lease liabilities, short-term	-51	0	-51
Financial liabilities, short-term	-1,338	0	-1,338
Accounts payable and other liabilities	-2,691	0	-2,691
Total	1,654	6,250	7,904
Goodwill/ consolidated reserve			-404
Acquisition cost			7,500

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.

Via corporate acquisition the company formed new business, rubber industry, adjacent to cable industry. This is step from Investment company to an industrial conglomerate.

The new Group is expected to benefit bigger size, different seasons of the businesses and sharing best practices. Different seasons of the businesses lessens the effects of seasonal fluctuations to the result of the company.

Considering Reka Rubber's acquired net assets, the fair values exceeded the acquisition cost and the resulting positive difference of 0.4 million has been taken into account in other operating income. The largest items in the fair value allocations were customer relationships and the fair values of appraisers outside production properties in relation to the book value. The fair value of inventories is also higher than the carrying amount. Reka Rubber has long-term customers and the allocation of their fair value had a significant effect on the cost-effectiveness of the transaction. Current receivables are accruals or current trade receivables. These have been valued at book value.

Expenses related to the acquisition of Reka Rubber, totalling EUR 0.2 million, have been taken into account in other operating expenses.

If Reka Rubber had been acquired on January 1, 2020, the Group's turnover would have been EUR 130.7 million, EBITDA EUR 9.6 million and operating profit EUR 4.1 million. Reka Rubber's turnover after the acquisition in 2020 were EUR 9.2 million, EBITDA EUR 0.4 million and net result EUR -0.1 million.

Changes in tangible non-current assets:

EUR 1,000	2020	2019
Acquisition costs 1/1	41,101	34,566
Increase	6,272	6,579
Increase through acquisitions	11,178	
Decrease	-740	-44
Transfers between items	-19	0
Acquisition costs 31/12	57,794	41,101
Accumulated depreciation and impairment 1/1	24,778	22,554
Depreciation through acquisitions	7,221	0
Depreciation	2,693	2,225
Decrease		
Accumulated depreciation and impairment 31/12	34,695	24,778
Book value 1/1	16,321	12,011
Book value 31/12	23,097	16,321

Change in Right of Use assets:

EUR 1,000	2020	2019
Acquisition costs 1/1	12,355	4,346
Increase in IFRS 16 implementation 1/1/2019	0	13,475
Increase	645	47
Increase through acquisitions	239	0
Reclassification	-670	0
Decrease	-900	-5,512
Acquisition costs 31/12	11,669	12,355
Accumulated depreciation and impairment 1/1	4,162	2,097
Depreciation	1,710	2,052
Depreciation through acquisitions	108	0
Impairment	51	13
Accumulated depreciation and impairment 31/12	6,032	4,162
Book value 1/1	8,193	2,249
Book value 31/12	5,637	8,193

Liabilities and derivatives

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

EUR 1,000	Positive current values	Negative current values	Current net values 2020	Current net values 2019	Nominal values 2020	Nominal values 2019
Currency derivatives						
Forward exchange agreements	21	-169	-147	-178		
Raw material options						
Metal derivatives	580	-36	544	183	4,437	5,829
Total derivatives	601	-205	396	5	4,437	5,829

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

Contingent liabilities

EUR 1,000	31/12/2020	31/12/2019
Loans from financial institutions	13,952	7,254
Bond	7,093	7,034
Granted business mortgages	23,000	21,000
Granted real estate mortgages	19,093	7,151
Book value of pledged securities	33,879	26,165
Guarantees and payment commitments	6	226

Business mortgages on December 31, 2020 were EUR 27.8 million, of which EUR 4 million under company's own control at the balance sheet date. Business mortgages have been used after December 31, 2020.

Investment commitments

On December 2020 the investment commitments for tangible fixed assets amounted to EUR 1.5 million (0.4)

Commitments to rental agreements less than 12 months or low value were on December 31, 2020 total EUR 0.5 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 50.74 percent holding of shares and a 65.76 percent holding of votes.

Related-party transaction

Transactions with the Reka Group

EUR 1,000	1-12/2020	1-12/2019
Payments to Lease liabilities and interest expenses	0	-262
Other purchases	-619	-149
Other income	13	44
Interest revenues	0	25
Guarantee commissions	-63	0
Interest expenses	0	-138
Purchase of real estate	0	5,300
Acquisitions	-7,500	0
Sales receivables and other receivables at end of the period	1,031	1,032
Loans	0	139

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	1-12/2020	1-12/2019
Purchase of shares	0	1,255
Purchase of real estate	2,258	0
Paid pension expenses	-2,179	-3,438
Rental expenses	-123	0
Guarantee capital investment	2,300	0
Other debts at the end of the period	213	0

Reka Group's pension insurances were transferred into Reka's Pension Fund in 31 December 2015. Because of the transfer, pension liabilities of Reka Industrial Group have been processed in IFRS through benefit-based calculation. With the acquisition of Reka Rubber, IAS 19 pension liabilities related to the rubber business of EUR 2.2 million were included in the balance sheet in June 2020.

On 31 December 2020, Reka Industrial Group companies entered into an arrangement to eliminate the defined benefit plan in accordance with IAS 19 by entering into an agreement with Reka Ltd whereby Reka Industrial Group companies pay a fixed (24%) pension contribution and are not liable for any other obligations arising from the operations, liabilities or financial situation of Reka Pension Fund. According to the management of Reka Industrial Group, this is a defined contribution plan, in which case a change will be made in 2021 IFRS reporting. In 2020, defined benefit plans (arising from the pension plan) IFRS entries in accordance with IAS 19 increased expenses in the income statement by EUR -0.9 (0.0) million and reduced liabilities through comprehensive income by EUR 2.9 (0.2) million. In 2020, no additional contributions were paid (EUR -0.9 million).

The Group arranged the ownership of real estate situating in Keuruu. Reka Industrial Plc bought the real estate by using purchase option of related sale and lease agreement. Purchase price due purchase option was EUR 1.0 million. Reka Industrial Plc sold the real estate further to Reka pension fund with fair value of EUR 2.3 million. 10-year rental agreement was made with Reka Pension fund relating the real estate. The fair value of the real estate was defined by third party experts. With the funding occurred due arrangements, Reka Industrial paid back its short-term loan EUR 1.2 million. The arrangement did not have significant result effect.

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	1-12/2020	1-12/2019
Sales		
Nestor Cables Ltd	74	54
Leasing rents		
Riihimäen Kaapelitehdas Ltd	1,031	1,024

Reka Industrial sold the shares it acquired in 2016 from Riihimäen Kaapelitehdas Ltd in August 2019. The cable segment bought in August 2019 share of Riihimäen Kaapelitehdas Ltd. 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	2020	2019
Salaries and other short-term fringe benefits	711	698
Pension benefits, defined contribution plans	92	81
Total	803	779

The Group's Board of Directors and management group have been defined as key management personnel of the company. Annual remuneration is paid to the members of the Board of Directors. Until the Extraordinary General Meeting on November 24, 2020, a separate meeting attendance remuneration was paid, and travel expenses were compensated for the Board of Directors and its committees. In addition, the Board of Directors had a bonus system and the terms of the bonus system was decided each year in the Annual General meeting. The Extraordinary General Meeting on November 24, 2020, removed the bonus system and the meeting attendance remuneration. Instead, the annual remuneration was increased, and it was decided to pay an annual remuneration to the committee members. Travel expenses will be compensated also in the future.

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 2020 Annual General Meeting:

- Confirmed the annual remuneration of the members of the Board of Directors at EUR 10,000 and the annual remuneration of the Chairman of the Board at EUR 12,500, and an attendance remuneration of EUR 600 per each meeting for the Board and the committees. The AGM confirmed 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 May 2021, and the shares will be handed over in June 2021.
- The AGM resolved that the members of the Board be paid a bonus based on the development of the company's B share price, the amount of which is EUR 1,000 for the chairman of the Board and EUR 500 for the ordinary members of the Board, multiplied by annual return based on the share price development of company's class B share (average share price in May 2021 – average share price in May 2020). Should the annual return exceed 50 per cent, the bonus shall be paid in accordance with 50 per cent. So, the highest multiplier when counting remuneration is 50.
- Circa 40 per cent of the bonuses 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 May 2021, and the shares will be handed over in June 2021.

The 2020 Extraordinary General Meeting:

- Decided to waive the performance bonus decided by the Annual General Meeting on June 24, 2020. In addition, it was resolved that the performance bonus of the Board members and meeting attendance remuneration decided by the Annual General Meeting on June 24 is valid until November 24, 2020.
- Decided that as of November 25, 2020, the annual remuneration (12 months) of the members of the Board of Directors is EUR 18,000 and that of the Chairman of the Board EUR 25,000. Members of the Board are compensated for their travel expenses. It was decided that the annual remuneration of EUR 2,500 for the committee members. No separate meeting fees to be paid.
- Circa 40 per cent of the annual remunerations was decided to be paid with the shares of the company. Conversion into the shares is made by using weighted average price of the company's B share in December 2020 and the shares will be handed over in April 2021.

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).

Members of the management group have target bonus agreements.

During January 1, 2019 - July 31, 2019 the Group CFO was not employed by the company and therefore her rewards are handled as other purchases with other related parties, in total EUR 19 thousand. The Group CFO is employed by the company since August 1, 2019.

Transactions with other related parties:

EUR 1,000	1-12/2020	1-12/2019
Other purchases	18	41
Rental incomes	12	0

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) %	=	$\frac{\text{Result for the period}}{\text{Shareholders' equity excluding effects of IAS 19 bookings (average)}} \times 100$
IAS 19 corrected Equity ratio, %	=	$\frac{\text{Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings}}{\text{Balance sheet total - advances received excluding effects of IAS 19 bookings}} \times 100$ $\frac{\text{Interest-bearing liabilities - cash and cash equivalents, liquid financial and investment securities}}{\text{Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings}} \times 100$
IAS 19 corrected Gearing, %	=	$\frac{\text{securities}}{\text{Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings}} \times 100$
Return on investment (ROI) %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{[\text{Balance sheet total - obligatory provisions and non-interest-bearing liabilities}] \text{ (average)}} \times 100$
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. Also, other operating income and expenses are taken into account.
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

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

EUR 1,000	2020	2019	2018
IAS 19 effect on non-interest-bearing liabilities	3,666	3,870	4,107
IAS 19 effect on Shareholders' equity	-2,933	-2,731	-3,441
IAS 19 effect on Balance sheet total	733	1,138	665
Shareholders' equity in Financial statements	11,066	6,962	8,170
IAS 19 eliminations	2,933	2,731	3,441
Shareholders' equity in IAS 19 adjusted Performance Measures	13,999	9,694	11,612
Balance sheet total in Financial Statements	73,150	58,942	46,278
IAS 19 eliminations	-733	-1 138	-665
Balance sheet total in IAS 19 adjusted Performance Measures	72,417	57,804	45,613

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 invests in modern society and reforms the industry that is the foundation of society. As an industrial family company, Reka Industrial is committed to developing the performance and sustainability of the companies it owns over the long term. Through the group's companies, we are involved in the transformation of the energy and vehicle industries. Reka Industrial class B shares are listed on the Nasdaq Helsinki Ltd.