



Neo Industrial Plc makes corporate acquisition and purchases all the shares of Reka Rubber Ltd

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- Neo industrial Plc is purchasing all the shares of Reka Rubber Ltd. The purchase price is EUR 7.5 million and paid by cash.
- In 2019 the turnover of Reka Rubber group was EUR 22.0 million and the FAS EBITDA was EUR 1.8 million.
- The corporate acquisition is conditional to the acceptance of the Annual General meeting. Completion of the corporate acquisition is expected to be carried out after the AGM June 24 2020, latest July 1 2020.
- The current owner of Reka Rubber Ltd is Reka Ltd, which owns 51.12 % of shares and 66.03 % of votes of Neo Industrial Plc.
- The independent committee of the Board of Directors have acquired third party expert fairness opinion regarding the corporate acquisition. According to the fairness opinion the price to be paid is fair from financial point of view for Neo Industrial Plc.

Neo Industrial Plc ("Neo Industrial", "company") has today signed a sale and purchase agreement on buying all the shares of Reka Rubber Ltd ("Reka Rubber") from the biggest shareholder of Neo Industrial, Reka Oy ("seller"). The purchase price, EUR 7.5 million, is paid by cash. The corporate acquisition is conditional to the acceptance of the Annual General Meeting to be held on June 24, 2020. Separate invitation will be published for the Annual General Meeting to be held on June 24 2020, to decide on the corporate acquisition approval.

The independent committee members of Neo Industrial board of directors are in favour for the corporate acquisition and recommend approval for the shareholders. The chairman of the board, Markku E. Rentto, has already approved the corporate acquisition as shareholder selling Reka Rubber.

In addition to that the seller is giving commitments of negative pledge and lock-up regarding total of 1,000,000 B-shares owned by seller and the seller is pledges until September 30 2021 the related shares within limits allowed by Limited Liability Companies Act to ensure the fulfilment of sales responsibilities stated in the sale and purchase agreement.

Information regarding Reka Rubber

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.

Figures presented in table below are based on Reka Rubber Group audited FAS (Finnish Accounting Standards) accounting principles and those figures are not adjusted to the IFRS (International Financial Reporting Standards) accounting principles used by Neo Industrial:

Reka Rubber -group	2019	2018	2017
Turnover, EUR million	22.0	23.6	22.4
EBITDA, EUR million	1.8	2.5	2.1
Operating result, EUR million	1.2	2.1	1.8
Operating result, % of turnover	5.6	9.0	7.9
Result for the period, EUR million	0.7	0.4	1.2
Total assets, EUR million	10.7	12.1	10.3
Equity, EUR million	3.7	3.2	1.9
Net debt, EUR million	3.8	4.5	4.8

Estimated effects for the company

Via corporate acquisition the company will form new business, Rubber industry, adjacent to cable industry. This is step from investment company to an industrial conglomerate. With this arrangement the industrial parts of main owner Reka Ltd are combined to one Group. Company will later on change its name to Reka Industrial.

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.

The corporate acquisition is not expected to cause significant onetime integration costs nor investments.

Additional information regarding corporate acquisition from year 2019 is presented in enclosure 1.

Financing of the corporate acquisition

Neo Industrial is financing the corporate acquisition with a bank loan already agreed.

Decision making with related party transactions

The current main owner of Neo Industrial, Reka Ltd, owns 51.12 % of the shares and 66.03 % of the votes of Neo Industrial Plc. To evaluate the corporate acquisition, the Board of Directors of Neo Industrial Plc has established the committee consisting members of the Board of Directors that are independent from Reka Ltd. The members of the independent committee are deputy chairman of the Board of Directors Jukka Koskinen and members of the Board of Directors Marjo Matikainen-Kallström ja Ari Järvelä.

Value Group Ltd has acted as financial advisor and Catrén & Snellman Ltd as legislative advisor of the independent committee. In addition, the independent committee has asked Fairness Opinion from independent third party expert, HLP Corporate Finance Ltd. The Fairness Opinion is in full as enclosure 2 of this stock release. According to the fairness opinion the price to be paid is fair from financial point of view for Neo Industrial Plc.

According to the regulation of Limited Liability Companies Act regarding related party activities Markku E. Rentto, the main owner of Reka Ltd and the chairman of the Neo Industrial Board of Directors, has not participated on Neo Industrial Plc side to the decision making of the corporate acquisition. The chairman of the board, Markku E. Rentto, has already approved the corporate acquisition as shareholder selling Reka Rubber.

Enclosure 1: Combined financial information of the new group for illustrative purposes

Enclosure 2: Fairness Opinion

Neo Industrial Plc
Board of Directors

Further information:
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About Neo Industrial Oyj

Neo Industrial Plc is a Finnish company that focuses on building a sustainable future by developing and renewing modern society's networks. We own emerging private companies in the cable industry, to whom we are a long-term and responsible partner. Our goal is to be a conglomerate in the future, that creates new opportunities responsibly for a smart and energy-efficient society. Neo Industrial Plc's class B shares are listed on the main list of NASDAQ Helsinki Stock Exchange.

Attachments

- [Download announcement as PDF.pdf](#)
- [NEO1V_02062020_Enclosure 2.PDF](#)
- [NEO1V_02062020_Enclosure 1.pdf](#)