



Reka Industrial Plc: The corporate sale of Reka Cables Ltd completed - Reka Industrial is on the edge of renewal

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Reka Industrial Plc's half year financial report January - June 2023

January - June 2023

- Reka Industrial Group's turnover was EUR 78.1 (100.8) million
- EBITDA was EUR 38.1 (6.7) million
- The Operating result was EUR 37.4 (3.8) million
- The Group's result for the period was EUR 34.8 (1.5) million

Near-term outlook : In 2023 EBITDA is expected to be around EUR 38 million.

President and CEO Sari Tulander:

November 2022 signed agreement with Nexans Group the corporate sale of Reka Cables Ltd was completed end of April 2023. As a result of corporate sale EUR 31.0 million sales profit was recorded.

After the corporate sale Reka Industrial plc has paid back the redemption of its Green Bond and all its financial bank loans in Finland.

Reka Industrial Plc has strategy process in progress. Target is to communicate about the progress of strategy work during the first half year of 2024. During the strategy work the funds are invested mainly to low risk investments and short-term deposits.

The turnover and result January – April 2023 of Reka Cables is included to the 2023 financial figures of Reka Industrial. Due to that and due to recognition of corporate sale in the first half of the year the turnover and result between H1 and H2 will differ substantially, as the turnover of the second half of the year consists only from Rubber segment.

2023 is for Rubber segment year of investments for the future growth. The recruitments already made and still to be made as well all investments aim for the growth in the future. Rubber segment has strong position in selected market segments. Delivery performance of all factories is good.

We publish the key figures without IAS 19 defined benefit pension liability entries, as changes in the discount rate fluctuate the IAS 19 figures.

Major events during the financial period

The Finnish Competition and Consumer Authority gave its approval regarding the sale of all outstanding shares in Reka Industrial Plc's wholly owned subsidiary Reka Cables Ltd to Nexans Group. As announced on 10 November 2022, the transaction was conditional to the approval of the Extraordinary General Meeting and approvals of authorities. The Extraordinary General meeting approved the transaction on 15 December 2022.

The sale of the shares of Reka Cables Ltd was completed on 26 April 2023. Jukka Poutanen, the Managing Director of Reka Industrial Plc and Reka Cables Ltd, joined as Managing Director of Reka Cables Ltd to Nexans Group following the completion of the sale of Reka Cables Ltd.

Reka Industrial Plc successfully issued in 2019 EUR 10 million Green Bond. The proceeds from the Green Bond has been used in accordance with the Green Bond Framework to eligible assets that are compatible with the product offering of Reka

Cables Ltd and to the development of Reka Cables Ltd's production and production facilities to improve its efficiency and sustainability. Part of the proceeds have been used for refinancing purposes.

A separate investor letter was published in March. The original maturity date of the bond was 6 December 2024. In connection with the sale of Reka Cables Ltd the security of the Green Bond given by Reka Cables Ltd was substituted and released by giving an account pledge by Reka Industrial Plc. Reka Industrial Plc also notified that it will of the early redemption of the Green Bond. The redemption was carried out according to the terms and conditions of the Green Bond in May 2023. On the redemption date Reka Industrial Plc paid the redemption price equal to 101.25 per cent of outstanding nominal amount of the notes together with any accrued but unpaid interest in accordance with the terms and conditions of the Green Bond. Reka Industrial Plc used existing liquidity reserves to finance the redemption.

The Extraordinary General Meeting 15 December 2022 authorized as proposed by the Board of Directors that EUR 0.20 per share will be distributed to shareholders from the company's unrestricted equity after the completion of the corporate sale of Reka Cables Ltd. The Extraordinary General Meeting authorized the Board of Directors to decide the record and payment dates of the distribution from the non-restricted equity, however having the payment date within a month from completion of the corporate sale of Reka Cables Ltd. The Board of Directors of Reka Industrial Plc decided the record date to be 15 May 2023 and payment date to be 23 May 2023.

M. Sc. (Econ.) Sari Tulander was appointed as President and CEO of Reka Industrial Plc starting 11 May 2023. Tulander has been CFO of the company since May 2007 and continues as CFO of the Group.

Figures in brackets refer to the same period a year earlier, unless otherwise stated. The half year financial report is unaudited.

Key figures

	1-6/2023	1-6/2022	1-12/2022
Turnover, EUR million	78.1	100.8	202.9
EBITDA, EUR million	38.1	6.7	15.2
Operating result, % from turnover	48.0	3.8	5.0
Result for the period, EUR million	34.8	1.5	9.0
Earnings per share, EUR	5.81	0.26	1.50
Net cash provided by operating activities, EUR million	0.6	0.1	9.9
IAS 19 corrected ROI, %	80.5	16.2	23.5
IAS 19 corrected Equity ratio, %	74.0	16.2	22.8

Reka Industrial presents alternative key figures so that the effects of IAS 19 recognition of defined benefit pension liabilities are eliminated from the key figures' income and balance sheet items in order 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.

Turnover and operating result

The Group's turnover was EUR 78.1 million (100.8 million). EBITDA was EUR 38.1 million (6.7 million) and operating result was EUR 37.4 million (3.8 million). The result for the review period was EUR 34.8 million (1.5 million). The financial figures of Reka Cables Ltd has been noticed until end of April 2023. As a result of corporate sale of Reka Cables Ltd EUR 31.0 million sales profit was recorded.

Balance sheet and financing

At the end of the review period the interest-bearing liabilities were EUR 6.3 (31 December 2022 27.6) million, of which other than finance lease liabilities were EUR 0.9 (31 December 2022 17.5) million.

The EUR 10 million Green Bond issued by Reka Industrial Plc in 2019 was denominated in euros and taken into account in liabilities of continuing operations. The original maturity date of the bond was 6 December 2024. Due to the sale of Reka Cables Ltd the security of the Green Bond given by Reka Cables Ltd was substituted and released by giving an account

pledge by Reka Industrial Plc. Reka Industrial Plc also notified that it will of the early redemption of the Green Bond. The redemption was carried out according to the terms and conditions of the Green Bond in May 2023. On the redemption date Reka Industrial Plc paid the redemption price equal to 101.25 per cent of outstanding nominal amount of the notes together with any accrued but unpaid interest in accordance with the terms and conditions of the Green Bond. Reka Industrial Plc used existing liquidity reserves to finance the redemption.

The Group's interest-bearing liabilities to external parties on 30 June 2023:

EUR million	Continuing operations	Discontinued operations	Total
Lease liabilities	5.3	-	5.3
Other interest-bearing liabilities	0.9	-	0.9
Total	6.3	-	6.3

The Group's interest-bearing liabilities to external parties on 31 December 2022:

EUR million	Continuing operations	Discontinued operations	Total
Lease liabilities	5.6	4.5	10.1
Other interest-bearing liabilities	11.9	5.6	17.5
Total	17.5	10.1	27.6

The balance sheet total at the end of the review period was EUR 71.8 million. On 31 December 2022 the balance sheet totalled at EUR 87.1 million.

Sustainability

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.

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.

The share of electricity in energy use is increasing, especially in vehicles and industry. Wind and solar power will help to reduce CO2 emissions from energy production, save natural resources and achieve a carbon-neutral future. Reka Rubber, which participates in solutions for the vehicle industry, is involved in the electrification of the vehicle industry. Reka Rubber is a manufacturer of small and medium-sized series of rubber components for the vehicle and mechanical engineering industries.

Reducing CO2 emissions and measures to achieve carbon neutrality have been emphasized in recent years. In addition to calculating the carbon footprint, processes, technologies and products are actively developed to reduce the carbon footprint.

Our production plants use green electricity and efforts are made to reduce the carbon footprint in production facilities, production processes and product development. Solar panels were installed to Aura production plant in spring 2023.

In the future, climate-related issues will require investments and development effort both to reduce one's own carbon footprint and to meet the growing demands of customers.

The war in Ukraine has been reflected in a general increase in the prices of metal parts as the total supply decreases. The war in Ukraine has also been reflected in matters related to personnel, as there are Ukrainians working especially at our production plant in Poland.

Macroeconomic environment

Part of the Group's financing is tied to a reference interest rate, part to a fixed interest rate. The rise in reference interest rates has increased the total interest costs both for the financing of trade receivables and for traditional loans. Reference rates are actively monitored and updated to the Group's forecasts and plans. Since bank loans in Finland were paid during spring 2023, this will reduce the impact of a rise in reference rates to the financial costs in the future.

Inflation can be seen as an increase in the cost of both labour and materials and components and services. The price of electricity is partially protected at the Finnish production plants, but the Polish production plant's energy costs clearly increased in 2023. In 2022, the electricity price of the Polish production plant was fixed and the price increase therefore did not affect the year 2022. The increase in the price of electricity and the high level of inflation in Poland accelerate some production arrangements and efficiency measures. Change and efficiency measures are also being carried out at the factories in Finland. In the rubber industry, suppliers have added an electricity surcharge to their charges. The electric surcharge has also been used in the customer interface of the rubber industry. There is still a delay in getting the costs into customer prices.

The COVID-19 is still affecting as high level of sick leaves as personnel with related symptoms has stayed home to eliminate the possible infection risk.

Segments

The rubber industry will continue to be Reka Industrial's industrial business segment.

Rubber segment

The rubber segment's turnover was EUR 17.1 million (EUR 15.9 million). EBITDA was EUR 1.3 million (EUR 1.4 million).

The rubber segment has made several key person recruitments. Especially to the sales, product development and procurement more skilful persons have been recruited.

In order to support growth and to support the productivity of the Polish production unit, the rubber segment initiated the transfer of mold product manufacturing made with injection technology from Poland to Finland at the end of 2022. The transfer is now completed and the Polish production unit concentrate on manufacturing of black hoses and silicone hoses.

To increase the capacity of manufacturing black hoses the rubber segment ordered new extrusion line to the factory in Poland. The price of the new line is EUR 1.3 million and the line is expected to be in production use by the end of July 2024. In addition to the extrusion line investment there are plans for smaller capex both in Finland and Poland to support the growth and productivity increases.

Discontinued operations

Reka Industrial announced on 10 November 2022 that it had signed an agreement with the Nexans Group on the sale of shares in Reka Cables Ltd. With the agreement, Reka Industrial's Cable segment ended and Reka Cables Ltd and its subsidiaries were classified as a discontinued operations.

The corporate sale was completed at the end of April 2023 and therefore the January - April financial figures of Reka Cables Ltd has been noticed in the Group figures.

Reka Industrial presents the income statement separately for both continuing and discontinued operations and for the entire Group. Therefore, the essential issues related to Reka Cables' business are described below.

January - June 2023 the turnover of Reka Cables was EUR 61.0 million and EBITDA was EUR 5.9 million.

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.

In the beginning of the year, the price of copper was EUR 7,858 per tonne and the price of aluminum was EUR 2,212 per tonne. In the end of April 2023, the price of copper was EUR 8,037 per tonne and the price of aluminum was EUR 2,135 per tonne.

At its highest point, the daily price of copper during January - April 2023 was EUR 8,718 per tonne in January, and at its lowest in March, at EUR 7,672 per tonne. The price of aluminum has been at its highest in March, when it was EUR 2,435 per tonne, and its lowest in April, when it was EUR 2,068 per tonne.

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 investment operations and its business segments.

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.

The increase in the price and availability of energy may directly and indirectly affect the market.

Major events after the review period

There have not been any major events after the end of the review period.

Near-term outlook

In 2023 EBITDA is expected to be around EUR 38 million.

Disclosure policy of half year financial report

Reka Industrial discloses relevant information related to its Half Year Financial Report with this Stock Exchange Release. The entire Half Year Report for January–June 2023 is attached to this release and is also available on company's website at www.rekaindustrial.fi/en

Hyvinkää, 3 August 2023

Reka Industrial Plc
Board of Directors

Further information:

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Disclosure regulation

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.

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About Reka Industrial Oyj

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.

Attachments

- [Download announcement as PDF.pdf](#)
- [Reka Industrial half year financial report H12023.pdf](#)