



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

19.10.2023 09:00:00 EEST | Reka Industrial Oyj | Interim report (Q1 and Q3)

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Reka Industrial Plc's Interim report January-September 2023

In January-September 2023

- Reka Industrial Group's turnover was EUR 84.6 (155.5) million
- EBITDA was EUR 38.0 (11.8) million
- The Operating result was EUR 37.0 (7.5) million
- The Group's result for the period was EUR 34.4 (3.5) 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. Sales profit EUR 31.0 million from sales of Reka Cables Ltd is included in other operating income.

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 year of investments for the future growth for Rubber segment. 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.

The state of the economy is currently reflected in the order volumes of customers in the rubber industry for the end of the year. Uncertainty in the market has increased and order times have shortened.

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 on 20 April 2023. 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 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 interim report is unaudited.

Key figures

| | 1-9/2023 | 1-9/2022 | 1-12/2022 |
|--|----------|----------|-----------|
| Turnover, EUR million | 84.6 | 155.5 | 202.9 |
| EBITDA, EUR million | 38.0 | 11.8 | 15.2 |
| Result for the period, EUR million | 34.4 | 3.5 | 9.0 |
| Earnings per share, EUR | 5.75 | 0.58 | 1.50 |
| Net cash provided by operating activities, EUR million | 1.4 | 2.6 | 9.9 |
| IAS 19 corrected Equity ratio, % | 74.8 | 22.4 | 22.8 |

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

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.

Balance sheet and financing

At the end of the review period the balance sheet totalled at EUR 70.4 million. On December 2022 the balance sheet totalled at EUR 87.1 million.

At the end of September 2023 the Group's cash and cash equivalents total were EUR 39.6 million. Other cash equivalents are invested mainly to low risk investments and short-term deposits.

At the end of the review period Group's interest-bearing liabilities were EUR 5.9 (31 December 2022 27.6) million, of which other than finance lease liabilities were EUR 0.7 (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 September 2023:

| EUR million | Continuing operations | Discontinued operations | |
|-------------|-----------------------|-------------------------|--|
| | | | |

| | | | Total |
|------------------------------------|------------|----------|--------------|
| Lease liabilities | 5.3 | - | 5.3 |
| Other interest-bearing liabilities | 0.7 | - | 0.7 |
| Total | 5.9 | - | 5.9 |

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 |

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 CO2 free 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

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 economic outlook affects the timing of the customers' orders and the order quantities.

Segments

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

Rubber segment

The rubber segment's turnover was EUR 23.6 million (EUR 23.1 million). EBITDA was EUR 1.4 million (EUR 2.1 million). Order volumes have decreased by around 20 percent since spring.

The rubber segment has made several key person recruitments. Especially to the sales, product development and procurement more skillful 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 completed in H1 2023 and the Polish production unit concentrates 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.

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

Personnel

In January - September 2023 the Group employed an average of 304 (288) people in continuing operations. Discontinued operations included the Group employed an average of 428 (562) people in January - September.

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.

Hyvinkää 19 October 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](#)