



Reka Industrial Plc

Half year financial report
January - June 2021

Reka Industrial Plc: Profitable growth



Reka Industrial Plc's half year financial report January - June 2021

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- Reka Industrial group's turnover was EUR 78.4 million (55.7 million)
- EBITDA was EUR 6.2 million (3.8 million)
- The operating result was EUR 3.5 million (1.4 million)
- The Group's result for the period was EUR 1.0 million (-0.1 million)

Near-term outlook: In 2021 EBITDA (EUR million) is expected to improve, provided that predominant conditions due COVID-19 pandemic will not substantially affect to the company's capability to deliver. EBITDA will also be affected to what extent and how quickly we are able to pass on the continuous increase in material costs to sales prices as well as metal price fluctuations.

Managing Director Jukka Poutanen:

The Nordic cable market is growing and is expected to grow in the coming years. Our market share in Finland is strong and we aim to increase our market share in the other Nordic countries. In the first half of the year the turnover increased significantly both in Finland and in the other Nordic countries compared to the previous year. Approximately half of the increase in turnover is explained by rising metal prices. We have succeeded to keep the operating rate high in our production plants despite the sourcing challenges. This reflects on the increase of the cable segment's turnover.

The impact of higher metal prices on the value of inventories and the net effect of metal and currency hedging supported the EBITDA of the cable segment by approximately EUR 1 million compensating the strongly and unforeseen quickly risen purchase costs, which can only be passed on the customer prices with a delay. As a whole the cable segment's EBITDA almost doubled from previous year.

The demand situation is good. COVID-19 and supply chain logistics have required a lot of effort to ensure material deliveries. Both material prices and costs of logistics have risen strongly.

Reka Rubber has a strong position in its selected market segments. Especially in construction equipment, the market share continues to grow. Enquiries in the truck industry have grown from before.

Currently, the demand is growing strongly, and mapping of hoses capacity increase opportunities is

underway. It is estimated to have additional production facilities in Poland in productive use at the end of the year.

Cable business has also made decision to increase production facilities space within Riihimäki factory. Additional space is expected to be available in 2 years.

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 annual Green Bond investor letter was published in March.

Major events during the financial 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.

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

Key figures

	1-6/2021	1-6/2020	1-12/2020
Turnover, EUR million	78.4	55.7	120.4
Operating result, EUR million	4.4 %	2.5 %	3.8 %
EBITDA, EUR million	6.2	3.8	9.4
Result for the period, EUR million	1.0	-0.1	1.0
Earnings per share, EUR	0.17	-0.02	0.16
Net cash provided by operating activities, EUR million	4.2	-0.8	2.1
ROI, %	16.4	0.5	13.1
IAS 19 corrected Equity ratio, %	18.6	16.4	19.3

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 started preparations to remove the defined benefit plan in accordance with IAS 19.

Within the new arrangement Reka Industrial Group companies are to 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. In the view of Reka Industrial Group management, the end result is a defined contribution plan for pensions. The new arrangement is estimated to be completed during year 2021.

Turnover and operating result

Reka Industrial Group's turnover was EUR 78.4 million (55.7) and operating result was EUR 3.5 million (1.4). EBITDA was EUR 6.2 million (3.8). The Group's result for the review period was EUR 1.0 million (-0.1).

Balance sheet and financing

At the end of the review period, the balance sheet totalled at EUR 77.5 million. On 31 December 2020 the balance sheet totalled at EUR 73.2 million.

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. The loan limit was not in use at the end of June 2021.

On June 30, 2021 the Group's interest-bearing loans excluding IFRS 16 leases were EUR 22.3 million

(December 31, 2020 EUR 25.6 million). Of this amount EUR 15.8 million is long-term. Recourse related to financing of accounts receivables and included to interest-bearing loans was EUR 1.7 million in the end of June 2021 (December 31, 2020 EUR 1.5 million). Recourse arises in a situation where there is a delay in financing the accounts receivable at the end of the month or due to the customer's limit being met.

The Administrative Court has stated in its' decision that the subsidiary merge carried out in 2015 is not tax neutral. In June's figures has been taken into account a total EUR 1.3 million following the decision of the Administrative Court. Tax and tax increase a total of EUR 1.1 million have been recorded in equity and other expenses in total EUR 0.2 million have been recorded through the income statement. Most of the amount has been paid and for the remaining EUR 0.5 million the company has agreed with the tax authority a payment schedule until June 2022. The company disagrees with the decision and has decided to seek a leave to appeal to the Supreme Administrative Court.

COVID-19

The COVID-19 pandemic has not affected to the market demand in the cable segment. 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 segment EUR 0.5 million in the first half-year. The additional costs have arisen from increased sick leave, overtime to replace them and additional staff, as well as increased freight costs due to the efforts to minimize delays due to sick leave through small and express deliveries.

The pandemic has reflected material procurement in both industries. Most of the materials have been able to be procured in time, but the shortages of raw

materials, components and partly containers have brought additional work and challenges to sourcing. In the cable segment, material prices have even risen significantly in some cases. There is upward pressure on the prices of materials and components in the rubber segment. Logistic costs have risen sharply.

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

Segments

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

Cable segment

The Cable segment's turnover was EUR 66.0 million (55.7 million, change 18.5%). EBITDA was EUR 5.5 million (3.7 million, change 47.8%).

Reka Cables Ltd's domestic sales volumes increased compared to previous year. Also, export sales volumes increased, but overall export volumes were lower than previous year.

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

At the beginning of the year the price of copper was EUR 6,308 per tonne and the price of aluminium was EUR 1,612 per tonne. At the end of June 2021, the price of copper was EUR 7,891 per tonne and the price of aluminum EUR 2,121 per tonne.

At its highest point, the daily price of copper during the review period was EUR 8,817 per tonne in May, and at its lowest in January, at EUR 6,430 per tonne. The price of aluminium has been at its highest in June, when it was EUR 2,121 per tonne, and its lowest in January, when it was EUR 1,609 per tonne.

Turnover for Nestor Cables Group, an associated company in the segment, in January-June 2021 was EUR 16.3 (19.4) million. EBITDA was positive but lower than year before.

Rubber segment

Rubber segment's turnover was EUR 12.5 million. EBITDA was EUR 1.1 million. Reka Rubber was consolidated to the Group as of 30 June 2020.

Rubber segment's EBITDA is burdened by overtime and express deliveries at the Polish production plant, as well as increased logistic costs.

Investments

During the review period the investments totalled to EUR 1.3 (9.3) million, of which the investments in the cable business were EUR 1.2 (1.7) million and in the rubber business EUR 0.1 million. Other investments include smaller IT and maintenance investments to the rental premises. Other investments in the previous year included the acquisition of Reka Rubber EUR 7.5 million.

Personnel

In January-June 2021, the Group employed an average of 576 (279) people. At the end of the review period, the personnel of the Group was 578 (505) employees, of which 294 (270) represented the Cable segment and 283 (234) represented the Rubber segment.

Annual General Meeting decisions

The Annual General Meeting (AGM) of Reka Industrial Plc was held on 8 April 2021, in Hyvinkää.

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

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

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

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

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

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

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

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

The AGM authorized, in accordance with the Board of Director's proposal, the Board of Directors to decide on the acquisition of the Company's own shares with assets from the Company's unrestricted equity. The shares will be acquired through trading arranged by Nasdaq Helsinki in accordance with its rules, and the consideration to be paid for the shares to be acquired must be based on market price. The Company may acquire B class shares directly by a contractual trade with other parties than the biggest shareholder, provided that the number of class B shares to be acquired via contractual trade is at least 15,000 and that the consideration to be paid for the shares is equal to the prevailing market price in Nasdaq Helsinki at the time of the acquisition. When carrying out acquisitions of the Company's own shares, derivatives, stock lending and other agreements customary to the capital markets may be entered into within the limits set by law and regulations.

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

The maximum number of class B shares to be acquired together with the number of shares previously held as pledged by the company, may not exceed a total of 588,076. The amount corresponds to approximately 9.77 per cent of all the shares in the Company and in total 10,0 per cent of the Company's class B shares.

The Board of Directors is entitled to decide on all other matters pertaining to acquiring of the Company's own shares.

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

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

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

Shares and share capital

Reka Industrial Plc's share capital is divided into A and B shares. On 30 June 2021, its total share capital was EUR 24,082,000 and the number of shares was 6,020,360. The total number of shares includes 44,253 shares held by Reka Industrial. The holding represents 0.7% of the company's share capital and 0.5% of the votes. The company held no A shares. Reka Industrial Plc's B shares (REKA) are listed on the main list of NASDAQ Helsinki-

Company shares	30/6/2021	30/6/2020
Company share capital (EUR)	24,082,000	24,082,000
A shares (20 votes per share)	139,600	139,600
B shares (1 vote per share)	5,880,760	5,880,760
Total	6,020,360	6,020,360
B shares held by the company	44,253	56,349

On January–June 2021, a total of 853,237 (976,239) of Reka Industrial Plc's B shares were traded on NASDAQ Helsinki, representing 14.5% (16.6%) of the total number of shares. At the end of trading on 30 June 2021 the share price was EUR 3.84 (2.26), and the average share price for the review period was EUR 3.83 (2.72). The lowest quotation in January–June was EUR 3.19 (1.81), with the highest being EUR 4.50 (4.10). The company's market capitalisation was valued at EUR 22.9 million (13.5) on 30 June 2021.

Acquisition of own shares

Reka Industrial did not exercise its authorisation to acquire the company's own shares.

Group structure and shareholders

Reka Industrial Plc is the parent company of the Group, which includes the Reka Industrial fully owned subsidiary Alnus Ltd and its subsidiaries and associated companies and fully owned subsidiary Reka Rubber Ltd and its subsidiary. The parent company is domiciled in Hyvinkää.

At the end of the review period, Reka Industrial had 10,676 shareholders (10,896). The largest shareholder, Reka Ltd, held 50.74% of the shares and 65.76% of the votes. Reka Industrial Plc is therefore part of the Reka Group. Reka Ltd is domiciled in Juupajoki.

At the end of June 2021, the combined holding of the ten largest shareholders was 56.19% of the shares and 69.54% of the votes. The members of the Board, the Managing Director and the CFO directly and through their controlled corporations owned and controlled on June 30, 2021 a total of 2,968,466 (2,995,629) of Reka Industrial's B shares.

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

Near-term outlook

Near-term outlook: In 2021 EBITDA (EUR million) is expected to improve, provided that predominant conditions due COVID-19 pandemic will not substantially affect to the company's capability to deliver. EBITDA will also be affected to what extent and how quickly we are able to pass on the continuous increase in material costs to sales prices as well as metal price fluctuations.

Hyvinkää, 5 August 2021

Reka Industrial Plc
Board of Directors

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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 in order 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 have also in year 2021.

In the cable segment of Reka Industrial 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 in 2020 and it is difficult to estimate the effect of pandemic for the future.

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.

Major events after the review period

There has not been any major event after the review period.

Consolidated Income Statement (IFRS)

EUR 1,000

	1/1-30/6/2021	1/1-30/6/2020
TURNOVER	78,403	55,694
Change in inventories of finished products and production in progress	3,244	1,590
Production for own use	52	20
Other operating income	217	772
Materials and services	-58,138	-42,888
Personnel expenses	-12,556	-7,871 *
Depreciation and impairment	-2,764	-2,374
Other operating expenses	-4,986	-3,531
	-74,930	-54,283
Operating result	3,473	1,411 *
Financial income	140	13
Financial expenses	-2,001	-1,291 *
IAS 19 defined benefit plans	-440	-386 *
Share of the result of associated companies	230	329
Result before taxes	1,403	76
Taxes	-378	-175 *
Result for the period	1,025	-99
Profit or loss attributable to		
Shareholders of the parent	1,025	-99
Non-controlling interests	0	0
	1,025	-99
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	0.17	-0.02
Number of shares	5,976,107	5,964,011

Consolidated Statement of Comprehensive Income (IFRS)

Result	1,025	-99
Other comprehensive items that may subsequently reclassified to statement of income		
Translation differences related to foreign units	40	-5
Change in the value of open customer derivatives	215	163
Taxes of items that may subsequently reclassified to statement of income	-43	-33
Total	212	125
Other comprehensive items that are not subsequently reclassified to statement of income		
Items related to remeasurements of net defined benefit liability	0	-2,287
Taxes of items that are not subsequently reclassified to statement of income	0	457
Total	0	-1,830
Other comprehensive items total	212	-1,704
Total comprehensive income	1,237	-1,804
Total comprehensive income attributable to		
Shareholders of the parent	1,237	-1,804
Non-controlling interests	0	0
	1,237	-1,804

* The comparative information has been changed due to change in Principles of preparation 2020. More information will be found in the notes in the consolidated financial statements.

Consolidated Balance Sheet (IFRS)

EUR 1,000	30/6/2021	30/6/2020
ASSETS		
Non-current assets		
Goodwill	3,252	3,252
Other intangible assets	5,572	5,999
Tangible assets	22,991	23,767
Right-of-use assets	4,757	7,422
Holdings in associates	1,531	1,259
Receivables	2,320	20
Derivative contracts	202	45
Deferred tax assets	2,738	3,573
Total non-current assets	43,364	45,337
Current assets		
Inventories	24,117	19,849
Sales receivables and other receivables	8,101	6,614
Tax receivables from the profit	194	80
Derivative contracts	580	358
Cash and cash equivalents	1,164	4,683
Total current assets	34,156	31,585
Total Assets	77,520	76,922
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholder's equity		
Share capital	24,082	24,082
Premium fund	66	66
Reserve fund	1,221	1,221
Own shares	0	0
Translation differences	-71	-50
Retained profit	-14,863	-20,559
Other unrestricted equity	436	436
Equity attributable to shareholders of the parent	10,873	5,197
Non-controlling interests	0	0
Total shareholders' equity	10,873	5,197
Non-current liabilities		
Deferred tax liabilities	1,648	1,666
Provisions	3,691	3,287
Financial liabilities	15,840	19,817
Lease liabilities	5,369	7,709
IAS19 pension liability	4,216	8,883
Other liabilities	28	52
Derivative contracts	0	9
Current liabilities		
Tax liabilities from the profit	377	230
Provisions	93	48
Financial liabilities	6,426	6,157
Lease liabilities	1,697	1,928
Derivative contracts	171	226
Accounts payable and other liabilities	27,091	21,712
Total liabilities	66,648	71,725
Shareholders' equity and liabilities	77,520	76,922

Consolidated Statement of Changes in Shareholders' Equity (IFRS)

EUR 1,000	A	B	C	D	E	F	G	H	I	J	K	L
Shareholders' equity 31/12/2019	24,082	66	1,221	0	-45	1,893	4	436	16,909	6,963	0	6,963
*Retrospective error correction, subsidiary merger tax									-1,163	-1,163	0	-1,163
Shareholders' equity 1/1/2020	24,082	66	1,221	0	-45	1,893	4	436	18,072	5,800	0	5,800
Comprehensive income												
Result for the period									957	957	0	957
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						2,853				2,853		2,853
Derivatives Translation differences							313			313		313
					-50					-50		-50
Total comprehensive income					-50	2,853	313		957	4,073	0	4,073
Transactions with the owners												
Payments by own shares									32	32		32
Total transactions with the owners									32	32	0	32
Shareholders' equity 31/12/2020	24,082	66	1,221	0	-94	960	317	436	17,083	9,905	0	9,905

EUR 1,000	A	B	C	D	E	F	G	H	I	J	K	L
Shareholders' equity 31/12/2020	24,082	66	1,221	0	-94	960	317	436	17,083	9,905	0	9,905
Comprehensive income												
Result for the period									1,025	1,025	0	1,025
Other comprehensive items												
Derivatives Translation differences							172			172		172
					40					40		40
Total comprehensive income					40		172		1,025	1,237	0	1,237
Transactions with the owners												
Dividends paid									-298	-298		-298
Payments by own shares									28	28		28
Total transactions with the owners									-271	-271	0	-271
Shareholders' equity 30/6/2021	24,082	66	1,221	0	-54	960	489	436	16,329	10,873	0	10,873

* The correction of the retrospective error in the tax treatment of a subsidiary merger is further described in the accounting policies.

Explanations for the letter codes:

A Share capital
B Premium fund
C Reserve fund
D Own shares
E Translation differences

F Pension liability IAS 19
G Fair value fund
H Other unrestricted equity
I Retained earnings
J Shareholder's equity to the shareholders of the parent
K Non-controlling interests
L Total shareholders' equity

Consolidated Cash Flow Statement (IFRS)

EUR 1,000	1/1-30/6/2021	1/1-30/6/2020
Cash flows from operating activities		
Payments received from operating activities	78,860	57,303
Payments paid on operating activities	-72,667	-56,864
Paid interests and other financial expenses	-1,755	-1,077
Interests received and other financial incomes	38	0
Direct taxes paid	-268	-175
Net cash provided by operating activities	4,208	-813
Cash flows from investments		
Acquisition of subsidiaries and new business	0	-6,232
Investments in tangible assets	-1,402	-2,725
Sales of tangible assets	18	2,259
Net cash provided by investing activities	-1,384	-6,698
Cash flows from financing activities		
Increase in loans	381	7,899
Decrease in loans	-3,696	-1,550
Payments of finance lease activities	-864	-932
Dividends paid	-298	0
Net cash provided by financing activities	-4,477	5,417
Change in cash and cash equivalents at the end of the period	-1,653	-2,094
Cash and cash equivalents at beginning of the period	2,815	6,784
Exchange rate differences	2	-7
Change in cash and cash equivalents at the end of the period	1,164	4,683

Notes to the Consolidated Financial Statements

Accounting policies

This unaudited interim report has been prepared in accordance with IAS 34 requirements for interim reports. This interim report has been prepared in accordance with the same principles as the financial statements for 2020. The Group has adopted following new or amended IAS/IFRS standards and interpretations effective from January 1, 2021, but these do not have essential effect on the financial statements.

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 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.

Retrospective error correction

The Administrative Court has stated in its' decision that the subsidiary merge carried out in 2015 is not tax neutral. In June's figures has been taken into account a total EUR 1.3 million following the decision of the Administrative Court. According to the

Administrative Court, the company has made an error in the tax treatment of the subsidiary merger. Tax and tax increase a total of EUR 1.1 million have been recorded in equity and other expenses in total EUR 0.2 million have been recorded through the income statement. Most of the amount has been paid and for the remaining EUR 0.5 million the company has agreed with the tax authority a payment schedule until June 2022.

COVID-19

The COVID-19 pandemic has not affected to the market demand in the cable segment. 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 segment EUR 0.5 million in the first half-year. The additional costs have arisen from increased sick leave, overtime to replace them and additional staff, as well as increased freight costs due to the efforts to minimize delays due to sick leave through small and express deliveries.

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

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

Segment information

At this point the industrial operating segments of Reka Industrial Group are cable business and rubber business. Reka Rubber was consolidated to the group as of June 30, 2020. All other operations are categorised to group Other operations and eliminations.

30/6/2021	Cable	Rubber	Other operations and eliminations	Group
EUR 1,000				
Turnover	66,014	12,472	-82	78,403
EBITDA	5,470	1,140	-373	6,238
Unallocated items			-5,213	-5,213
Result before taxes				1,403
Result for the period				1,025
Assets				
Segment's assets	56,980	17,978	2,563	77,520
Total assets	56,980	17,978	2,563	77,520
Liabilities				
Segment's liabilities	37,827	10,976	17,844	66,648
Total liabilities	37,827	10,976	17,844	66,648
Assets - liabilities	19,153	7,002	-15,282	10,873
Investments	1,158	106	49	1,313
Depreciations			2,764	2,764
30/6/2020	Cable	Rubber	Other operations and eliminations	Group
EUR 1,000				
Turnover	55,692		1	55,694
EBITDA	3,736	202	-153	3,785
Unallocated items			-3,884	-3,884
Result before taxes				76
Result for the period				-99
Assets				
Segment's assets	49,784	18,223	8,915	76,922
Total assets	49,784	18,223	8,915	76,922
Liabilities				
Segment's liabilities	34,158	10,957	26,611	71,725
Total liabilities	34,158	10,957	26,611	71,725
Assets - liabilities	15,626	7,266	-17,695	5,197
Investments	1,687	0	7,625	9,312
Depreciations			2,374	2,374

Cable segment's turnover by product group, EUR million	1-6/2021	1-6/2020
LV energy	15.4	12.1
Power cable	50.6	43.6
Total	66.0	55.7

Cable segment's turnover by sales area, EUR million	1-6/2021	1-6/2020
EU-countries	61.8	51.4
Non-EU-countries	4.2	4.3
Total	66.0	55.7

Rubber segment's turnover by product group, EUR million	1-6/2021
Moulded	4.8
Hoses	6.0
Other	1.7
Total	12.5

Rubber segment's turnover by sales area, EUR million	1-6/2021
EU-countries	11.2
Non-EU-countries	1.3
Total	12.5

Taken all market areas into the consideration the largest customer Group's share of the Group's turnover was 25.0%. Other separate customer's share of the Group's turnover was under 10 %.

Other income

EUR 1,000	1-6/2021	1-6/2020
Subsidies received	69	40
Rental income	65	45
Revenue recognition of fair acquisition	0	423
Gains on the sale of fixed assets	0	118
Other income	83	145
Total	217	772

Other expenses

EUR 1,000	1-6/2021	1-6/2020
Short-term variable compensation	-131	-101
Other variable compensation	-489	-327
Rental expenses total	-621	-429
Machinery and property maintenance costs	-1,980	-1,071
Sales and marketing expenses	-296	-327
Voluntary personal expenses	-356	-310
Expenses incurred for the acquisition of shares in subsidiaries	0	-221
Other expenses	-1,733	-1,173
Total	-4,986	-3,531

Change in non-current assets

EUR 1,000	1-6/2021	1-6/2020
Book value at the beginning of the period	28,734	24,514
Investments	1,363	1,568
Assets received in a business combination	0	7,287
Depreciation	-2,347	-2,179
Book value at the end of the period	27,749	31,189

Contingent liabilities and commitments

EUR 1,000	30/6/2021	30/6/2020
Loans from financial institutions	11,737	17,880
Bond	7,124	7,062
Granted business mortgages	23,800	25,000
Granted real estate mortgages	19,093	13,655
Book value of pledged securities	35,134	33,879
Guarantees and payment commitments	1,512	756
Security deposits	0	3,000

Investment commitments

Investment commitments for tangible fixed assets amounted to EUR 5.8 million on 30 June 2021 (EUR 1.5 million on 30 June 2020).

Valid derivative contracts

EUR 1,000	Positive current values	Negative current values	Current net values 30/6/2021	Current net values 31/12/2020	Nominal values 30/6/2021	Nominal values 31/12/2020
Currency derivatives						
Forward exchange agreements	52	-136	-83	-147		
Raw material options						
Metal derivatives	730	-35	695	544	8,301	4,437
Total derivatives	782	-171	612	396	8,301	4,437

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 transactions

Transactions with the Reka Group

EUR 1,000	1-6/2021	1-6/2020
Other purchases	-425	-299
Other income	5	9
Guarantee commissions	-104	-16
Acquisitions	0	-7,500
Sales receivables and other receivables at end of the period	1,068	1,023
Other debts at the end of the period	0	86

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.

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	1-6/2021	1-6/2020
Purchase of real estate	0	2,258
Paid pension expenses	-1,128	-1,122
Rental expenses	-120	0
Financial income	84	0
Guarantee capital investment	2,300	0
Other debts at the end of the period	0	2
Other receivables at the end of the period	46	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 started preparations to remove the defined benefit plan in accordance with IAS 19. Within the new arrangement Reka Industrial Group companies are to 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. In the view of Reka Industrial Group management, the end result is a defined contribution plan for pensions. The new arrangement is estimated to be completed during year 2021..

In 2020, 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	1-6/2021	1-6/2020
Sales		
Nestor Cables Ltd	22	61
Leasing rents		
Riihimäen Kaapelitehdas Ltd	517	515

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.

Transactions with other related parties

EUR 1,000	1-6/2021	1-6/2020
Interest revenues	4	0
Other purchases	46	5
Other debts at the end of the period	4	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

Return on investment (ROI) % = Profit before taxes + interest and other financial expenses / [Balance sheet total - obligatory provisions and non-interest-bearing liabilities] (average) x 100

IAS 19 corrected Equity ratio, % = Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings / Balance sheet total - advances received excluding effects of IAS 19 bookings x 100

Earnings per share (EPS), EUR = Profit for the period attributable to the equity holders of the parent company / Number of share adjusted for share issues (average)

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 personnel expenses without IAS 19 defined benefit pension arrangements related items, depreciation, amortization and any impairment losses arising. Also, other operating income and expenses are taken into account.

EBITDA = the net amount that is formed when depreciation and other possible impairment is added to the operating result

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.

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