



Reka Industrial Plc: The corporate sale of Reka Cables was completed - Reka Industrial's strategy work is in progress

16.2.2024 14:00:00 EET | Reka Industrial Oyj | Financial Statement Release

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January - december 2023:

- The corporate sale of Reka Cables Ltd was completed at the end of April 2023 and as a result EUR 31.0 million sales profit was recorded. The turnover and result of Reka Cables in January - April 2023 is included in the financial figures of Reka Industrial. In the figures for the comparison year 2022, Reka Cables is included for the entire accounting period.
- Reka Industrial Group's turnover was EUR 91.6 million (202.9).
- EBITDA was EUR 37.6 million (15.2).
- The operating result was EUR 36.3 million (10.2).
- The result for the period was EUR 34.5 million (9.0).
- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 2.00 per share will be paid for 2023.
- The Group's assets were actively invested in low-risk instruments
- Reka Industrial's strategy work is in progress.

President and CEO Sari Tulander:

Year 2023 was a time for renewal for Reka Industrial. The corporate sale of Reka Cables Ltd to Nexans Group was completed at the end of April and during the year Reka Industrial's Board and management concentrated on strategy work, which was launched as a result of the change. Reka Industrial's sole industrial segment to continue is Reka Rubber, which is one of the leading manufacturers of industrial rubber products in Northern Europe. Rubber segment invested in improving productivity and supporting future growth during the year.

The sale of shares of Reka Cables Ltd, agreement signed in November 2022 with Nexans Group, was completed at the end of April 2023. As a result of the corporate sale, a EUR 31.0 million sales profit was recorded in other operating income. After the corporate sale, Reka Industrial paid off its Green Bond and bank loans in Finland.

With the corporate sale, active investment work began by mapping and finding suitable investment products. During the ongoing strategy process, Reka Industrial's funds are mainly invested in low-risk investments and short-term deposits. On 31 December 2023 Group's cash and cash equivalents were in total EUR 38.5 million.

In 2023, Rubber segment's turnover remained stable and was EUR 30.6 million (30.6). EBITDA was EUR 1.2 million (2.6). Several key recruitments were made in the Rubber segment during the year, especially in sales, product development and procurement to support future growth. Profitability was affected by the increase in labor, material, component and service costs and the delay in transferring the cost increases to customer prices.

In order to support growth and productivity of the Polish production unit, the Rubber segment initiated a transfer of mold product manufacturing made with injection technology from Poland to Finland at the end of 2022. The transfer was completed in the spring 2023 and the Polish production unit concentrates on the manufacturing of black hoses and silicone hoses. To increase the capacity of manufacturing black hoses the Rubber segment ordered a new extrusion line to the production unit 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 investments and efficiency measures both in Finland and Poland to support growth and productivity.

In 2023, Rubber segment invested in growth and clarifying the roles of factories created good conditions for the development of productivity and capacity growth. Investments and recruiting will continue also during the current year.

However, the general economic situation and uncertainty are reflected in the order volumes and shortened order lead times on the Rubber segment's customers.

The Rubber segment has a strong position in its selected market segments and the delivery capability of its factories is good.

The company's strategy process is ongoing.

Near-term outlook

The company's strategy process continues. During the strategy process company's funds are mainly invested in low-risk investments and short-term deposits. In 2024, Rubber segment emphasizes increasing productivity and investing in future growth.

Group's key figures

	2023	2022	2021
Turnover, EUR million	91.6	202.9	158.1
EBITDA, EUR million	37.6	15.2	11.3
Operating profit, %	39.7	5.0	3.5
Result for the period, EUR million	34.5	9.0	1.0
IAS 19 corrected ROI, %	64.5	23.5	15.4
IAS 19 corrected Return on Equity, %	76.8	32.3	11.5
IAS 19 corrected Gearing, %	-62.2	125.2	190.0
IAS 19 corrected Equity ratio, %	80.4	22.8	21.4
Earnings per share	5.77	1.50	0.17
Gross investments, EUR million	1.6	5.8	4.1

The turnover and result of Reka Cables for January – April 2023 is included in the financial figures of Reka Industrial Group. In the figures for the comparison years 2022 and 2021, Reka Cables is included for the entire accounting periods.

The Reka Industrial Group (Reka Industrial) uses alternative key figures in its financial reporting in accordance with the guidelines of the European Securities and Markets Authority (ESMA).

According to Reka Industrial's interpretation, alternative key figures in accordance with ESMA's guidelines include EBITDA, Operating profit, IAS 19 corrected Return on Equity (ROE), IAS 19 corrected Gearing, IAS 19 corrected Equity ratio, IAS 19 corrected Return on Investment (ROI) and Gross Investments.

Reka Industrial publishes key figures without IAS 19 defined benefit pension liabilities, because changes in the discount rate affect 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 result and balance sheet items of the key figures. 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 operational business can be better monitored.

The Financial Statement release is unaudited.

SEGMENTS

With the corporate sale of Reka Cables, Reka Industrial's industrial business consists of Reka Rubber Ltd's business and there is one segment, the Rubber segment.

Rubber segment

In 2023, the Rubber segment's turnover was EUR 30.6 million (30.6). EBITDA was EUR 1.2 million (2.6). The Rubber segment has made several key person recruitments in order to support growth in the future. Key recruitments were made especially in sales, product development and procurement.

In order to support growth and to support the productivity of the Polish production unit, the Rubber segment initiated a transfer of mold product manufacturing made with injection technology from Poland to Finland at the end of 2022. The transfer was completed in the spring 2023 and the Polish production unit concentrates on the manufacturing of black hoses and silicone hoses. To increase the capacity of manufacturing black hoses the Rubber segment ordered a new extrusion line to the production unit 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 investments and efficiency measures both in Finland and Poland to support the growth and productivity increases.

Inflation was reflected in higher costs for labour, materials, components and services. There is a clear delay in transferring increased costs to customer prices.

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 have been included in the Group figures.

In the Financial Statements, Reka Industrial presents the income statement separately for both continuing and discontinued operations and for the entire Group.

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

Balance sheet and financing

The Balance sheet total at the end of the financial year was EUR 71.6 million. On 31 December 2022, the Balance sheet totalled EUR 87.1 million.

At the end of the financial year 2023 Group's cash and cash equivalents totalled EUR 38.5 million (0.8). Other cash equivalents are invested mainly in low-risk investments and short-term deposits.

At the end of the financial year Group's interest-bearing liabilities were EUR 6.0 million (27.6), of which other than finance lease liabilities were EUR 0.7 million (17.5).

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 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 the 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 interest-bearing liabilities of continuing operations are presented separately in the Balance sheet. Interest-bearing liabilities of discontinued operations are included in liabilities related to non-current assets held for sale in the Balance sheet on 31 December 2022.

Some of the interest-bearing liabilities involve financial covenants. All covenants were fulfilled at the time of the financial statements. More information about the financial covenants is provided in the notes.

SUSTAINABILITY

Since 2016, Reka Rubber has been part of the chemical industry's Responsible Care programme, through which the company is committed to sustainability in its industry. The aim of the Responsible Care programme is to develop activities and achieve excellent level in environmental, safety and health issues by working together with different groups and investing in transparent and open interaction.

Reka Rubber assesses its level of sustainability through the EcoVadis system. EcoVadis is an independent and international sustainability assessment system, in which a company's labour practices, ethics, environmental responsibility and sustainable supply chain are being reviewed. In 2022, Reka Rubber achieved bronze level rating.

The sustainability work is also supported by an ISO 14001 certified environmental management system and ISO 9001 certified quality management system. Reka Rubber has the required environmental permits.

Climate and environment

At the end of 2019 Reka Industrial started transformation to increase energy efficiency and reduce CO2 emissions in the

Cable segment. Financing was implemented with a Green Bond and the measures targeted Reka Cables. As a result of the project Reka Cables became first carbon neutral cable producer (scope 1 and 2) as of 1 November 2021 and by the end of 2022 Reka Cables' energy efficiency had improved 7.3 percent since the comparison year 2017.

For Reka Rubber, climate actions means reducing emissions and improving energy efficiency in the company's own operations. Reka Rubber has calculated the carbon footprint of its own operations, which it strives to reduce by consuming emission-free electricity and improving energy efficiency of its own operations. At the same time, the aim is to influence factors affecting air quality.

Climate and environment related issues require investments and development efforts to reduce own carbon footprint as well as to meet the growing demands of customers.

Reka Rubber's factories use CO₂-free electricity and solar panels have been installed at the factory in Aura. The solar panels produce approximately 90.000 kilowatt hours energy in one year. At the Polish factory, the lightning has been replaced by LED lights. The last installations of LED lights at the Aura factory will be completed in 2024.

Reka Rubber is unable to influence to the CO₂ percentage of the gas used at the factory in Poland, but the oil used in steam production at the Aura factory will be replaced. Survey of alternatives is underway. In addition, actions to improve energy efficiency have been made and several different projects are ongoing.

Rubber segment strives to reduce the amount of rubber waste in proportion to production tonnes through material selection, process development and technical supports.

Social responsibility

For Reka Industrial, sustainability means not only climate and environmental perspective, but also responsibility for the company's personnel. The company takes care of its personnel's working conditions, employees' rights and respect for human rights. Reka Industrial wants to be a safe and efficient work environment, where personnel's social, physical and mental wellbeing is taken into account. The company also wants to develop the competence of its personnel and encourages and commits them to excellent performance. Also business partners are required to have the same values and actions.

Macroeconomic environment

Part of the Group's financing is tied to a reference interest rate and part to a fixed interest rate. The rise in reference interest rates increased the total interest costs both for the financing of trade receivables and for traditional loans. Reference rates are actively monitored and updated in the Group's forecasts and plans.

Inflation was reflected in higher costs for labour, materials, components and services. The increase in the costs and the high level of inflation in Poland accelerated some production arrangements and efficiency measures. Changes and efficiency measures are also being carried out at the factories in Finland. There is still a delay in transferring the costs into customer prices.

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 the notes to the Financial Statements. The company's future risk factors are related to the investments activities and the development of its business segments.

The financial situation in the euro area and political uncertainties may have an effect on the purchase amounts and the launch of new projects of the customers in the Rubber segment. The availability of employees, employee turnover and absences may pose challenges to the growth of operations. Risks can be mitigated by developing employer image, active recruiting and taking care of the health and safety of the employees.

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

Dividend policy

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

Major events after the financial period

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

Profit distribution proposal

On 31 December 2023, the parent company's distributable funds were EUR 20,965,526.40, of which the result for the period was EUR 19,151,673.01. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 2.00 per

share will be paid. A dividend of EUR 0.20 per share was paid for the financial year 2022. In 2023, in addition to the dividend, a return of capital of EUR 0.20 per share was paid.

Annual general meeting 2024

A notice to Reka Industrial's Annual General Meeting will be published later.

Disclosure procedure of financial review

Reka Industrial follows the disclosure procedure enabled by Standard 5.2b published by the Finnish Financial Supervision Authority, and discloses relevant information related to its Financial Statement Release with this Stock Exchange Release. Reka Industrial's Financial Statement Release is attached to this release and is also available on company's website at www.rekaindustrial.fi

Hyvinkää 16 February 2024

Reka Industrial Plc
Board of Directors

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Attachments

- [Download announcement as PDF.pdf](#)
- [Reka Industrial Plc Financial Statement release 2023.pdf](#)