REKA INDUSTRIAL

Reka Industrial - Group

Financial statements and
Board of Directors Report
1.1. – 31.12.2021

Contents

Board of Director´s report

Reka Industrial is advancing the energy transition and the electrification of vehicles. 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. The market is growing and we along with it.

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. We have launched a Green Bond to improve the sustainability of the cable business. We report the results of our bond-financed operations annually in an investor letter, which will be published in March. More information about the Green Bond Framework is available on the company's website.

Reka Industrial is involved in solutions for both the energy industry and the vehicle industry. Our cable industry participates in the solutions of the energy industry: The cable industry takes power where it is needed. Reka Cables develops and manufactures cables for network construction, residential and office construction, and industry. The production facilities of the cable industry are in Finland.
Our rubber industry participates in solutions for the vehicle industry. Reka Rubber is a manufacturer of small and medium-sized series of rubber components for the vehicle and mechanical engineering industries.

The share of electricity in energy use is increasing, especially in vehicles and industry. Wind and solar power will reduce CO2 emissions from energy production, save natural resources and achieve a carbon-neutral future. The operation of electricity networks is an important part of a functioning infrastructure. Our cable industry, which participates in energy industry solutions, is involved in renewable energy projects and the construction of functional infrastructure. Our rubber industry, which participates in solutions for the vehicle industry, is involved in the electrification of the vehicle industry.

Turnover and operating result

The Reka Industrial Group’s (Reka Industrial) turnover in 2021 was EUR 158.1 million (120.4). Its result for the full year was EUR 1.0 million (1.0). EBITDA was EUR 11.3 million (9.4) and operating profit was EUR 5.6 million (4.5).

Major events during the financial period

In January 2021 Reka Cables Ltd made an agreement of EUR 5.0 million loan limit. The limit has been extended to 2022. The limit is fixed term. There are covenant terms associated with the loan limit.

In December 2021 Reka Cables Ltd received a substantial contract for underground power cables from network construction company operating in the Nordics. The total value of the contract is over EUR 7 million which will be invoiced mainly during the first quarter of 2022. Underground power cables are used when building grids that are not vulnerable to weather conditions.

Consolidated financial status and performance indicators

	2021	2020	2019
Turnover, EUR million	158.1	120.4	97.5
EBITDA, EUR million	11.3	9.4	4.8
Operating profit, %	3.5	3.8	0.4
Results for the period	1.0	1.0	-1.4
IAS 19 corrected ROI, %	14.7	13.5	2.5
IAS 19 corrected Return on Equity, %	12.4	17.9	-16.2
IAS 19 corrected Gearing, %	190.0	238.9	213.8
IAS 19 corrected Equity ratio, %	19.8	17.7	14.8
Earnings per share	0.17	0.16	-0.24
Gross investments, EUR million	4.1	12.7	8.2

The Administrative Court has stated in its' decision in July 2021 that the subsidiary merge carried out in 2015 is not tax neutral. The company has made a discretionary decision to record taxes and tax increases, totalling EUR 1.1 million, retrospectively in equity and the comparative information for previous years has been updated accordingly. An appeal against the negative decision of the Administrative Court has been made to the Supreme Administrative Court.

Reka Industrial Group (Reka Industrial) uses in its financial reporting the alternative performance measures according to the European Securities and Markets Authority (ESMA).

The Group joined the pension fund in 2015. Reka Industrial presents alternative key figures so that the effects of IAS 19 recognition of defined benefit pension liabilities are eliminated from the balance sheet items of the key figures 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.

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 %, Return on Investment (ROI) and Gross Investments.

Calculation of key financial indicators:

IAS 19 corrected Return on equity (ROE) %	=	IAS 19 corrected result for the period / Shareholders' equity excluding effects of IAS 19 bookings (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
IAS 19 corrected Gearing, %	=	Interest-bearing liabilities - cash and cash equivalents, liquid financial and investment securities / Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings	x 100
IAS 19 corrected Return on investment (ROI) %	=	IAS 19 corrected profit before taxes + interest and other financial expenses / [Balance sheet total - obligatory provisions and non-interest-bearing liabilities] (average)	x 100
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,	
Gross investments	=	New investments made to tangible and intangible assets and Right of Use assets	
EBITDA	=	the net amount that is formed when depreciation and other possible impairment is added to the operating result	

Reconciliation of IAS 19 adjusted Alternative Performance Measures to figures reported in Financial Statements:

EUR 1,000	2021	2020	2019
Result for the period	986	957	-1,440
IAS 19 eliminations	725	895	-2
Result for the period in IAS 19 adjusted Performance Measures	1,711	1,852	-1,443
IAS 19 effect on non-interest-bearing liabilities	4,979	3,666	3,870
IAS 19 effect on Shareholders' equity	-3,983	-2,933	-2,731
IAS 19 effect on Balance sheet total	996	733	1,138
Shareholders' equity in Financial statements	10,090	11,066	6,962
IAS 19 eliminations	3,983	2,933	2,731
Shareholders' equity in IAS 19 adjusted Performance Measures	14,073	13,999	9,694
Balance sheet total in Financial Statements	72,237	73,150	58,942
IAS 19 eliminations	-996	-733	-1,138
Balance sheet total in IAS 19 adjusted Performance Measures	71,241	72,417	57,804

Balance sheet and financing

At the end of the financial year the interest-bearing liabilities were EUR 27.5 million (33.5), of which other than finance lease liabilities were EUR 20.9 million (25.6).

Reka Cables Ltd has a loan limit of EUR 5.0 million. At the end of the financial year, the loan limit was not used.

Some of the interest-bearing liabilities involve financial covenants. Except for a EUR 0.1 million loan from Poland, covenants were fulfilled at the balance sheet date. More information about the covenants is provided in the notes. In the end of the financial period the balance sheet total stood at EUR 72.2 million (73.2).

The EUR 10 million "Green bond" issued by Reka Industrial in 2019 is denominated in euros and matures on December 6, 2024. The fixed annual interest rate on the bond is 6.00 percent, payable annually on December 6th.

The bond will be used to finance projects that meet the eligibility of the Green Bond Framework document, which are related to Reka Cables Ltd's product range and the improvement of the environmentally friendly operating capacity of Reka Cables Ltd's production facilities and processes. Part of the bond has been used for refinancing in accordance with the terms of the agreement. A separate investor letter is published annually in March.

COVID-19

In 2021, the COVID-19 pandemic did not reduce customer demand. 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 impact of the additional costs of the pandemic on EBITDA in 2021 is estimated at EUR 0.5 million. 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 express deliveries.

The COVID-19 pandemic has been reflected in material procurement in both industries. Most of the materials have been procured on time, but the shortage of raw materials, components and partly containers has brought additional work and challenges to procurement. In the cable industry, there has been a significant increase in material prices. The prices of materials and components in the rubber industry are rising and have rising pressure upwards. Logistics costs have risen clearly.

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 133.8 million (111.2). EBITDA was EUR 11.0 million (10.0).

Reka Cables Ltd’s domestic sales increased compared to last year. Also export sales volumes grew.

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.

On December 31, 2020, the price of copper was EUR 6,308 per tonne and the price of aluminum was EUR 1,612 603 per tonne. At the end of the December 2021, the price of copper was EUR 8,558 and the price of aluminum EUR 2,478.

At its highest point, the daily price of copper during the review period was EUR 9,138 per tonne in October, and at its lowest in January, at EUR 6,430 per tonne. The price of aluminum has been at its highest in October, when it was EUR 2,742 per tonne, and its lowest in January, when it was EUR 1,609 per tonne.

In purchasing metals, partial price hedging is utilized through commodity derivatives.

Investments fulfilled, EUR 3.6 million (4.9 million in 2020) were targeted at developing new products, increasing the supply capacity for renewable energy, and improving productivity, material- and energy efficiency. Maintenance investments were also made.

Turnover for Nestor Cables Group, an associated company in the segment, was in 2021 EUR 31.7 million (32.0). The operating result was EUR 2.9 million (3.9). Nestor Cables' equity turned positive in 2020. The profit share of EUR 0.3 million in 2021 has been taken into Groups result and in the balance sheet value of the associated company.

Rubber segment

The rubber segment's turnover was EUR 24.6 million. EBITDA was EUR 1.5 million. The rubber segment's EBITDA is burdened by staff turnover in Poland, overtime, and express freight, as well as increased logistics costs. The increase in freight costs from the Far East burdened EBITDA by EUR 228 thousand. Reka Rubber was consolidated to the Group as of 30 June 2020.

Despite overtime and temporary labour, delivery capacity has been poor, especially for Polish hose production. Production volumes have been increased, but customer order volumes have grown even faster. To solve the situation and meet customer demand, hose production capacity will be increased and at the same time bottleneck process points will be developed with new technical solutions.

Major events after the review period

Negotiations on the additional space of the rubber industry's Polish unit were completed in early January. The lease for the additional space has been signed and the space will be available in early April. With the arrangement, the hose production capacity and productivity of the Polish production unit can be clearly increased during the first half of the year. Customer demand is still growing, and the change will enable us to better meet the growing volume needs.

In the end of January 2022 cable industry received a strategically significant, renewable energy related cable order from Denmark for the construction of charging infrastructure for electric cars. The value of the order is approximately EUR 0.6 million and deliveries are scheduled for the first half of this year. In addition, the agreement includes an option to double the order quantity this year.

Russia started a large-scale invasion of Ukraine on February 24, 2022. In 2021, the value of sales in the cable business to Russia was 0.4%, to Ukraine 0.0% and to Belarus 0.0% of the Group's net sales. The rubber industry had no sales to these countries. There was also no procurement from the rubber industry in these countries. The cable industry has acquired some of the aluminum it uses from Russia. If sanctions or other reasons prevent the import of aluminum into Europe, the cable industry will have more suppliers of aluminum from other countries.

In the production of the rubber industry's Polish plant, about 10 percent of our employees are Ukrainian. Some workers return to Ukraine, some bring their families to Poland. At the moment, we support family reunification.

Group structure and shareholders

Reka Industrial Corporation is the parent company in the Group, whose actual business companies are Reka Cables Ltd and Reka Rubber Ltd. Reka Industrial Plc is domiciled in Hyvinkää.

On 31 December 2021, Reka industrial had 10,611 shareholders (10,837). The largest shareholder, Reka Ltd, held 50.2 percent (50.7) of the shares and 65.4 percent (65.8) of the votes. Reka Industrial Plc is therefore part of the Reka Group. Reka Ltd is domiciled in Juupajoki.

On 31 December 2021, the combined holding of the ten largest shareholders was 56.7 percent (56.4 on 31 December 2020) of the shares and 69.9 percent (69.7 on 31 December 2020) of the votes.

On December 31, 2021, the members of the Board, the Managing Director and the CFO owned a total of 2,934,666 (2,963,648) Reka Industrial Plc's B shares directly and through their controlled entities.

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 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 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.

In the cable segment 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. 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.

Research and development

The Group invested a total of EUR 1.3 million in research and product development (EUR 1.1 million in 2020). The investments were allocated EUR 0.9 million to the Cable Segment and EUR 0.4 million to the Rubber Segment. The Rubber segment has been included since June 30, 2020. During the financial period, total of EUR 0.2 million (EUR 0.3 million in 2020) of the development costs of new products and product families were activated in the balance sheet.

The focus of product development in the rubber industry was on customer-specific projects such as the development of battery hoses related to the electrification of the commercial vehicle industry. The focus of product development in the cable industry was on the development of cables to renewable energy production as well as fire-protected medium-voltage cables.

Personnel

During the financial year, the Group employed an average of 563 people (386 in 2020 and 247 in 2019). On 31 December of 2021, the Group employed 603 (520 in the end of 2020 and 245 in the end of 2019) people, of whom 278 (270 in 2020 and 244 in 2019) worked in the Cable segment, 324 (249 in 2020) in the Rubber segment and 1 (1 in 2020 and 1 in 2019) in Group administration.
The Group paid a total of EUR 20.1 million (15.5 million in 2020 and 10.7 million in 2019) in performance-based salaries and fees in 2021. The Rubber segment has been included since June 30, 2020.

Non - financial information

This section describes Reka Industrial's operations in accordance with the requirements of Chapter 3a of the Accounting Act.

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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. We have launched a Green Bond to improve the sustainability of the cable business. We report the results of our bond-financed operations annually in an investor letter, which will be published in March. More information about the Green Bond Framework is available on the company's website.

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Our rubber industry participates in solutions for the vehicle industry. Reka Rubber is a manufacturer of small and medium-sized series of rubber components for the vehicle and mechanical engineering industries. The rubber industry's own production facilities are in Finland and Poland. In addition, rubber products are manufactured through a subcontracting network managed by Reka Rubber in Asia and Europe.

The share of electricity in energy use is increasing, especially in vehicles and industry. Wind and solar power will reduce CO2 emissions from energy production, save natural resources and achieve a carbon-neutral future. Energy use is being electrified, especially in vehicles and industry. The operation of electricity networks is an important part of a functioning infrastructure. Our cable industry, which participates in energy industry solutions, is involved in renewable energy projects and the construction of functional infrastructure. Our rubber industry, which participates in solutions for the vehicle industry, is involved in the electrification of the vehicle industry.

Taxonomy eligibility:
Reka Rubber produces technical rubber products (activity number 3.6, NACE C22.19) for its direct customers. Reka Rubber's Taxonomy eligibility has thus been calculated through customers and their products and solutions, taking into account current and future developments. In terms of Taxonomy, Reka Rubber enables its customers to develop and produce low-emission or zero-emission solutions. In 2021, the Taxonomy eligible net sales were 62% of Reka Rubber's net sales, the Taxonomy eligible operating expenses were 75% of the corresponding total operating expenses and 36% of Reka Rubber's investments.

The Taxonomy eligibility of Reka Cables' operations has been calculated through products and product groups. The role of Reka Cables is an enabler. Products that can be used as part of the European network (activity number 4.9, NACE D35.12 and D35.13) and for the construction of EV-charging stations (activity number 6.15) have been taken into account. In 2021, Reka Cables' estimated Taxonomy eligible net sales were 71% of Reka Cables' net sales, Taxonomy eligible operating expenses were 58% of the corresponding total operative expenses and 45% of Reka Cables' investments.

Estimated Taxonomy eligible items in 2021:

Taxonomy eligibility	Reka Cables-level	Reka Rubber - level	Reka Industrial - Group level
Turnover %	71 %	62 %	70 %
Operating expenses %	58 %	75 %	56 %
Investments	45 %	36 %	43 %

The calculation of the percentage of eligible operating expenses determined in Appendix 1 of the Taxonomy Guidelines has taken into account the share of expenses in the Taxonomy eligible operations of the cable and rubber industries in the total costs in question. Investments related to the Taxonomy-related business of the cable and rubber industries have been taken into account in relation to the Group's total investments.

The Taxonomy eligible items are based on the company's current assessment, which may be revised in the context of a refinement of EU regulations or more detailed review.

The production plants in both the cable and rubber industries in Finland switched to utilizing completely emission-free, CO2-free electricity in 2020. In 2020, solar power plants were also installed at the cable plants in Keuruu and Riihimäki. Solar power plants produce an estimated 130,000 kWh of energy per year. Reka Cables became a carbon neutral (scope 1 and 2) cable producer as of November 1, 2021.

Reka Cables climate risk management is carried out in practice through carbon footprint calculation and the implementation of projects that reduce energy consumption and enable clean energy consumption.
In cooperation with AFRY Finland, Reka Cables has developed a calculator for calculating the carbon footprint of the company’s operations. According to the calculations, Reka Cables has been able to reduce the remaining emissions of its own operations to estimated 480 tonnes CO2e in 2021 from 2630 tonnes CO2e in 2019. Reka Cables will compensate for these remaining emissions with a high-quality, transparent and Gold Standard-certified project as well as two puro.earth-certified projects, achieving carbon neutrality

(Scopes 1 and 2) from 1 November 2021. The rubber industry is currently developing a calculator in cooperation with AFRY Finland.

In Reka Cables' production processes, attention has been paid to the efficient use of materials and energy efficiency. Plastics, metals, and packaging materials are sorted and recycled wherever possible. Water and chemicals used in cable production process are both kept in a closed cycle.

Reka Cables Ltd's environmental system is certified in accordance with the ISO 14001 standard. Reka Cables Ltd also has ISO 45001 and ISO 9001 certificates.

Reka Rubber has an ISO 14001 certified environmental system. Reka Rubber has environmental permits that meet the requirements.

Waste from the rubber industry is stored, treated, and utilized in such a way that it does not cause a risk of contamination of water, groundwater, soil, air, or other risk of environmental contamination. The operation complies with the environmental permits of the operating countries. Recoverable waste is delivered for utilization. Rubber waste is delivered to a pyrolysis plant in Finland, which uses the waste e.g., for the manufacture of coatings.

As part of the Green Bond Framework in the cable business, Reka Industrial has identified areas of particular importance to the company in terms of sustainable development; Sustainable Development Goals (SGDs).

SDGs		How Reka Industrial contributes to achieving these goals
7 AFFORDABLE AND CLEAN ENERGY	**Affordable and clean energy**	Reka Industrial currently designs and manufactures power cables that establishes the national power grid. Some of the products are specifically adopted to accommodate renewable energy such as for wind farms.
8 DECENT WORK AND ECONOMIC GROWTH	**Decent work and economic growth**	Reka Industrial provides a safe working environment and protects labor rights for all its employees. To achieve this goal Reka Industrial invests in technologies that improve working environments and increases productivity. Additionally, business partners must share the same values with their employees.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Industry, innovation, and infrastructure**	To increase energy efficiency, Reka Industrial provides products which reduce carbon emissions through the reduction of grid losses. It also supports the current modern infrastructure via products that help create smart grids. Moreover, Reka Industrial enhances sustainable industrialization by investing in Smart Drum Management technology to improve efficiency.
11 SUSTAINABLE CITIES AND COMMUNITIES	**Sustainable cities and communities**	Reka Industrial supports biodiversity conservation and sustainable management of the living natural resources and land use. The products such as underground transmission cables are aimed to reduce soil use and the impact on terrestrial biodiversity. Also, Reka Industrial participates in providing cables to increase clean transportation methods in cities and communities.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Responsible consumption and production**	In cable production Reka Industrial uses the most environmentally friendly and recyclable materials. Furthermore, the products are circular economy adapted and eco-efficient. For example, Reka produces cables which are highly resilient to extreme weather and easily recyclable. To minimize the environmental impact, Reka Industrial invests in production technology in order to reduce waste and one of its main principles is to avoid toxic substances to escape from production into the environment.
17 PARTNERSHIPS FOR THE GOALS	**Partnerships for the goals**	Reka Industrial collaborates with machinery and raw material suppliers to improve energy efficiency and minimizing the usage of raw materials. It is an important aspect for Reka Industrial to create sustainable solutions and products.

Reka Industrial and its subsidiaries take care of the working conditions of their personnel and the rights of their employees, as well as respect for human rights. Reka Industrial requires similar values and measures from its partners. The realization of partners' values is monitored through audits, self-assessments by suppliers and certificates issued by third parties. During COVID-19 pandemic, physical audits have had to be reduced in some places, but only temporarily. Customers and partners in Reka Industrial's divisions also audit our production and operations.

We develop procedures and tools to further develop safety. We offer comprehensive occupational health care that differs slightly by country and industry. Other employee benefits have also been developed taking into account the different values of employees, therefore the cable and rubber industries have different solutions.

Reka Cables is part of the Europacable Industry Charter, where participants commit to common principles and goals for the development and manufacture of ethical, responsible, and high-quality cables. In Finland, Reka Rubber is part of the Chemical Industry's Responsible Care program, which includes the sustainable use of natural resources, sustainable and safe production, and products, taking care of the well-being of the work community, and open interaction and cooperation.

Reka Industrial does not accept corruption or bribery in any form. The company has zero tolerance for corruption and bribery. This applies to all countries, activities, and roles. Violation of the company's values will result in the immediate termination of the employment relationship or the termination of the partnership. Training for the entire organization is planned for 2022. There were no notifications in the notification channel in 2021. In 2021, one incident against the company's values occurred, which we investigated, and the investigation was completed.

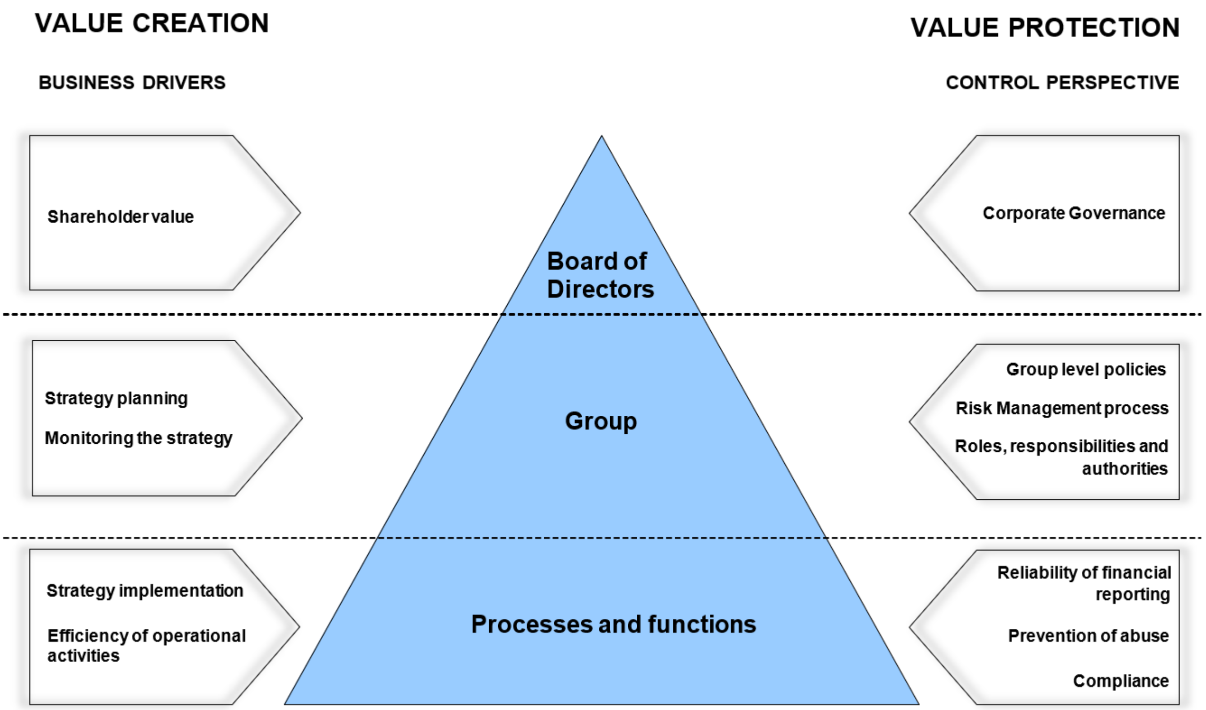
The Reka Industrial Group has an external notification channel, provided by an external partner, for all countries. Anyone can report anonymously when they detect grievances or suspect abuse to the notification channel.

Working capital management and ensuring the adequacy of human resources are particularly important in both the cable and rubber industries. On-time delivery capacity requires the right materials and resources, at the right time. Part of the production is stock-controlled, some is order-controlled. In addition, getting material and logistics costs at a customer price is a requirement for profitable business. Material risks are managed through active sourcing and, where possible, a multi-vendor model. 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 absenteeism.

Comprehensive risk management is an ongoing process that is integrated into Reka Industrial's strategy process, operations, day-to-day decision-making, and internal control. The purpose of risk management is to identify potential events that, if materialized, will affect the organization, and to manage risk in accordance with the organization's willingness to take risks. Risk management allows management and the board to obtain reasonable assurance about the management of factors that threaten the achievement of the organization's objectives.

Reka Industrial's internal control aims to ensure that the company's operations are as efficient and profitable as possible, and that the information that it provides is trustworthy and that regulations and operating principles are followed.

Reka Industrial's internal control framework is integrated into the Group's Corporate Governance system.



***Picture** / Reka Industrial Plc's internal control and control system framework*

In addition to financial indicators, businesses monitor the development of occupational accidents and the number of sick leave that may result from them. Production methods are being developed to prevent occupational accidents. The environmental impact of our own operations (scope 1 and 2) is being monitored increasingly.

The plant's risk assessment procedures map out machine-, condition-, method- and task-specific risks. In addition, there is an incident reporting policy through which employees can report incidents and safety notes. Concrete measures have been taken based on both risk assessments and employee reports. Occupational health and safety activities are mainly carried out by our own personnel. In Finland, the key role in the operating model is played by the occupational health and safety committee and occupational health and safety representatives. In Poland, there is no separate committee, but the designated persons are responsible for training and carrying out modifications. Of the partners, the most used occupational health care supports operations by industry and country. Other partners will also be used when needed. In the rubber industry, every new employee goes through safety training before starting work. The cable industry also has a safety package for new employees. The whole staff is also being trained through various forums.

We follow the UN Sustainable Development Principles and the Corporate Governance Code for Listed Companies. Our Group has guidelines for all companies approved by Reka Industrial's Board of Directors, which include the principles of internal control and risk management, information security policy, data protection policy, security policy, disclosure policy, management guidelines, guidelines to the Managing Director, as well as more detailed instructions related to the above (appendices to the ground rules). In addition, the companies have industry-specific guidelines for both their own and partners' interfaces.

Decisions of general meetings

Reka Industrial's Annual General Meeting 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.

Audit Committee

The duties of the Audit Committee include monitoring the company's financial position, overseeing financial reporting, assessing the adequacy and appropriateness of internal control and risk management, assessing compliance with laws and regulations, and communicating with the auditor, and reviewing the auditor's reports. The Audit Committee reports to the Board. The members of Reka Industrial Plc's Audit Committee are Marjo Matikainen-Kallström until April 8, 2021, and Ari Järvelä and Leena Saarinen as of April 8, 2021. In 2021 Audit Committee reviewed business risks, balance sheet values, financing and liquidity, and test calculation procedures. The management of internal audit measures focused on ensuring continuity and managing process and ICT risks.

Corporate governance statement

The Corporate Governance Statement of Reka Industrial Plc has been prepared in accordance with recommendation 51 of the Finnish Corporate Governance Code. The statement has been issued separately from the annual report and will be published at the same time with the financial statements and the board of directors´ report. The report will be available on Reka Industrial´s website at www.rekaindustrial.fi. The Finnish Corporate Governance Code is available at www.cgfinland.fi.

Shares and share capital

Reka Industrial Plc´s share capital is divided into A- and B-shares. Of the shares, 139,600 are Series A shares with 20 votes per share and 5,880,760 are Series B shares with one vote per share. The total share capital of all the company's shares at the end of 2021 was EUR 24,081,440 and the number of shares was 6,020,360. The total number of votes of the company's shares was 8,672,760, of which 2,792,000 were A-shares and 5,880,760 were B shares.

On 31 December 2021 the total number of shares includes 79,253 B-shares held by Reka Industrial Plc. The holding presents 1.3 percent of the company´s share capital and 0.9 percent of the votes. The company held no A-shares. The Articles of Association do not contain redemption provisions. There are no shareholder agreements. Reka Industrial Plc´s B-shares (REKA) are listed on the exchange list of NASDAQ Helsinki.

Company shares	31/12/2021	31/12/2020	31/12/2019
Company share capital (EUR)	24,081,440	24,081,440	24,081,440
A-shares (20 votes per share)	139,600	139,600	139,600
B-shares (1 vote per share)	5,880,760	5,880,760	5,880,760
Total	6,020,360	6,020,360	6,020,360
B-shares held by the company	79,253	53,572	68,610

Key figures per share, share price and trading volume

A total of 1,477,487 (1,821,180 in 2020) of the company's B shares were traded on NASDAQ Helsinki Ltd, corresponding to 25.1 (31.0) percent of the number of shares and EUR 5.7 (5.1) million. The share price on December 31, 2021, was 3.87 EUR (December 31, 2020, 3.52 EUR) and the average exchange rate for the financial year was 3.84 EUR (2.79). The lowest share price for the year was 3.19 EUR (1.81) and the highest was 4.75 EUR (4.10). The market value of the company's share capital on December 31, 2021, was EUR 23.0 million (December 31, 2020, EUR 20.9 million and December 31, 2019, EUR 12.2 million).

Key figures per share (A and B shares)	31/12/2021	31/12/2020	31/12/2019
Equity per share, EUR	1.68	1.65	0.96
Earnings per share (EPS), EUR	0.17	0,16	-0.24
Dividend/share, EUR	0.09	0.05	0.00
Dividend/earnings, %	54.36 %	31.13 %	0.00 %

Effective dividend yield, %	2.33 %	1.42 %	0.00 %
Price/earnings (P/E)	23.4	21.9	neg.
Share performance, EUR			
-average share price	3.84	2.79	2.12
-lowest price	3.19	1.81	1.72
-highest price	4.75	4.10	2.50
-price at the end of the period	3.87	3.52	2.04
Trading, number of shares	1,477,487	1,821,180	961,796
%	25.1	31.0	16.4
Adjusted weighted average number of shares during the period	6,020,360	6,020,360	6,020,360
A-shares	139,600	139,600	139,600
B-shares	5,880,760	5,880,760	5,880,760
Adjusted number of shares at the end of the period	6,020,360	6,020,360	6,020,360
A-shares	139,600	139,600	139,600
B-shares	5,880,760	5,880,760	5,880,760

The Administrative Court has stated in its' decision in July 2021 that the subsidiary merge carried out in 2015 is not tax neutral. The company has made a discretionary decision to record taxes and tax increases, totalling EUR 1.1 million, retrospectively in equity and the comparative information for previous years has been updated accordingly. An appeal against the negative decision of the Administrative Court has been made to the Supreme Administrative Court.

Calculation of key financial indicators:

$$\text{Earnings per share (EPS), EUR} = \frac{\text{Profit for the period attributable to equity holders of the parent company}}{\text{Number of shares adjusted for share issues (average)}}$$

$$\text{Equity per share, EUR} = \frac{\text{Shareholders' equity - non-controlling interest}}{\text{Number of shares adjusted for share issues at the end of the period}}$$

$$\text{Dividend per share, EUR} = \frac{\text{Dividend for the period}}{\text{Number of shares adjusted for share issues at the end of the period}}$$

$$\text{Dividend per earnings, \%} = \frac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$$

$$\text{Effective dividend yield, \%} = \frac{\text{Dividend/share}}{\text{Share price adjusted for share issues at the end of the period}} \times 100$$

$$\text{Price/earnings (P/E)} = \frac{\text{Share price adjusted for share issues at the end of the period}}{\text{Earnings/share}}$$

Market capitalisation = (Number of B shares - own B shares) x share price at the end of the period + number of A shares x average share price

Acquisition and transfer of the company´s own shares

On 31 December 2021, the company held a total of 79,253 own B-shares. Reka Industrial did not exercise its authorization to acquire the company´s own shares.

Reka Industrial Plc has used the authorization to transfer treasury B-shares against or without payment. In the financial period of 2021 Reka Industrial Plc has paid remuneration to the Board of Directors and Managing Director with shares, totalling to 9,320 shares.

Dividend Policy

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

Shareholders

Reka Industrial Plc´s largest shareholders on December 31 2021

	A-class shares	B-class shares	Shares total	Proportion of equity %	Proportion of votes %
Reka Oy	139,400	2,880,549	3,019,949	50.16	65.36
Reka Industrial Oyj		79,253	79,253	1.32	0.91
Sinkko Erkki		58,000	58,000	0.96	0.67
Tikkanen Vesa		47,223	47,223	0.78	0.54
Niiniranta Pekka		45,804	45,804	0.76	0.53
Vilpponen Aki		41,935	41,935	0.70	0.48
Haloan Oy		36,087	36,087	0.60	0.42
Lainema Matti		30,000	30,000	0.50	0.35
Rentto Markku E.		29,458	29,458	0.49	0.34
Koillis-Savon Sähkö Oy		25,641	25,641	0.43	0.30
Other shareholders	200	2,606,810	2,607,010	43.30	30.10
Total	139,600	5,880,760	6,020,360	100.00	100.00

Ownership by type of shareholder

Type of shareholder	Share-holders no.	Share-holders %	Shares total	Proportion of equity %	Proportion of votes %
Companies	202	1.90	3,308,115	54.95	68.72
Financial institutions and insurance companies	6	0.06	87,480	1.45	1.08
Public organisations	58	0.55	44,380	0.74	0.51
Non-profit organisations	180	1.70	107,032	1.78	1.23
Households	10,149	95.65	2,441,438	40.55	28.16
Outside Finland	16	0.15	4,028	0.07	0.30
Nominee registered	8	0.00	27,887	0.46	0.32
Total	10,611	100.00	6,020,360	100.00	100.00

Ownership by the amount held

Shares held	Share-holders no.	Share-holders %	Shares total	Proportion of equity %	Proportion of votes %
1 - 50	4,667	43.98	130,248	2.16	1.51
51 - 100	2,590	24.41	224,816	3.73	2.61
101 - 1 000	2,917	27.49	961,809	15.98	11.10
1 001 - 10 000	411	3.87	1,029,363	17.10	11.88
10 001 -	26	0.25	3,674,124	61.03	72.90
Total	10,611	100.00	6,020,360	100.00	100.00

Profit distribution proposal

The parent company's distributable funds are EUR 1,925,208.23, of which the result for the period is EUR 613,394.92. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share be paid for 2021, a total of approximately EUR 0.5 million. A dividend of EUR 0.05 per share was paid for the financial year 2020.

Near-term outlook

In 2022 EBITDA (EUR million) is expected to remain at the same level or improve, provided that predominant conditions due COVID-19 pandemic and the geopolitical situation 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.

Annual General Meeting 2022

Reka Industrial Plc's Annual General Meeting will be held in Hyvinkää on 6 April 2022 at 2.00 pm. A separate notice will be published in March.

Hyvinkää, 8 March 2022

Reka Industrial Plc
Board of Directors

Consolidated income statement (IFRS)

EUR 1,000	Note	1.1.-31.12.2021	1.1-31.12.2020
TURNOVER	1.1.	**158,144**	**120,436**
Change in inventories of finished products and production in progress		2,508	2,439
Production for own use		14	268
Other operating income	1.2.	536	1,180
Materials and services		-115,913	-87,667
Personnel expenses	1.3.	-23,870	-18,261
Depreciation and impairment	1.4.	-5,688	-4,908
Other operating expenses	1.5.	-10,153	-8,954
		-152,566	-115,903
Operating result		**5,578**	**4,533**
Financial income	1.7.	282	124
Financial expenses	1.7.	-4,067	-3,246
IAS 19 defined benefit plans	1.8.	-725	-895
Share of the result of associated companies		335	371
Result before taxes		**1,403**	**888**
Taxes	1.9.	-417	70
Result for the period		**986**	**957**
Profit or loss attributable to			
Shareholders of the parent		986	957
Non-controlling interests		0	0
		986	957
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	1.10.	0.17	0.16
Number of shares		5,941,107	5,966,788

Consolidated statement of comprehensive income (IFRS)

Result	986	957
Other comprehensive items that may subsequently reclassified to statement of income		
Translation differences related to foreign units	-22	-50
Change in the value of open customer derivatives	139	391
Taxes of items that may subsequently reclassified to statement of income	-28	-78
Total	89	263
Other comprehensive items that are not subsequently reclassified to statement of income		
Items related to remeasurements of net defined benefit liability	-406	3 566
Taxes of items that are not subsequently reclassified to statement of income	81	-713
Total	-325	2,853
Other comprehensive items total	**-236**	**3,116**
Total comprehensive income	**750**	**4,073**
Total comprehensive income attributable to		
Shareholders of the parent	750	4,073
Non-controlling interests	0	0
	750	4,073

Consolidated balance sheet (IFRS)

EUR 1,000	Note	31/12/2021	31/12/2020
ASSETS			
Non-current assets			
Goodwill	2.2.	3,252	3,252
Other intangible assets	2.2.	5,352	5,991
Tangible assets	2.1.	23,556	23,097
Right-of-use assets	2.1.	4,175	5,637
Holdings in associates	2.3.	1,636	1,302
Receivables	2.4.	2,326	2,320
Derivative contracts	2.14.	75	138
Deferred tax assets	2.4.	2,525	2,498
Total non-current assets		**42,897**	**44,235**
Current assets			
Inventories	2.5.	23,302	19,918
Sales receivables and other receivables	2.6.	4,535	5,517
Tax receivables from the profit for the financial year		249	202
Derivative contracts	2.14.	487	463
Cash and cash equivalents	2.7.	767	2,815
Total current assets		**29,339**	**28,915**
Total Assets		**72,237**	**73,150**
SHAREHOLDERS' EQUITY AND LIBILITIES			
Shareholder's equity			
Share capital		24,082	24,082
Premium fund		66	66
Reserve fund		1,221	1,221
Own shares		-287	0
Translation differences		-117	-94
Retained profit		-15,312	-15,809
Other unrestricted equity		436	436
Equity attributable to shareholders of the parent		**10,090**	**9,905**
Non-controlling interest		0	0
Total shareholders´ equity	2.8.	**10,090**	**9,905**
Non-current liabilities			
Deferred tax liabilities	2.4.	1,601	1,656
Provisions	2.9.	3,428	3,446
Financial liabilities	2.10.	14,422	18,363
Lease liabilities	2.10.	4,751	6,224
IAS19 pension liability		4,979	3,666
Other liabilities		20	37
Derivative contracts	2.14.	1	2
Current liabilities			
Tax liabilities from the profit		112	70
Provisions	2.9.	214	104
Financial liabilities	2.10.	6,525	7,225
Lease liabilities	2.10.	1,804	1,679
Derivative contracts	2.14.	25	203
Accounts payable and other liabilities	2.12.	24,267	20,572
Total liabilities		**62,148**	**63,248**
Total shareholders´ equity and liabilities		**72,237**	**73,150**

Consolidated statement of changes in shareholders´ equity (IFRS)

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Trans-lation diffe-rences	Pension liability IAS 19	Fair value fund	Other un-restricted equity	Retained profit	Share-holder´s equity to the share-holders of the parent	Non-controlling interests	Total share-holders´ equity
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						3,566				3,566		3,566
Taxes of net defined liability						-713				-713		-713
Derivatives							391			391		391
Taxes of derivatives							-78			-78		-78
Translation differences					-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	Share capital	Premium fund	Reserve fund	Own shares	Trans-lation diffe-rences	Pension liability IAS 19	Fair value fund	Other un-restricted equity	Retained profit	Share-holder´s equity to the share-holders of the parent	Non-controlling interests	Total share-holders´ equity
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									986	986	0	986
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						-406				-406		-406
Taxes of net defined liability						81				81		81
Derivatives							139			139		139
Taxes of derivatives							-28			-28		-28
Translation differences					-22					-22		-22
Total comprehensive income					-22	-35	111		986	749	0	749
Other change									-7	-7		-7
Transactions with the owners												
Dividends paid									-298	-298		-298
Acquisition of own shares				-287						-287		-287
Payments by own shares									28	28		28
Total transactions with the owners									-271	-558	0	-558
Shareholders' equity 31/12/2021	**24,082**	**66**	**1,221**	**-287**	**-116**	**925**	**428**	**436**	**-16,665**	**10,090**	**0**	**10,090**

Consolidated cash flow statement (IFRS)

EUR 1,000	1/1-31/12/2021	1/1-31/12/2020
Cash flows from operating activities		
Payments received from operating activities	161,770	124,480
Payments paid on operating activities	-148,976	-118,905
Paid interests and other financial expenses	-3,931	-3,137
Interests received and other financial incomes	38	1
Direct taxes paid	-257	-313
Net cash provided by operating activities	**8,644**	**2,126**
Cash flows from investments		
Acquisition of subsidiaries and new business	0	-6,236
Investments in tangible assets	-3,352	-4,125
Sales of tangible assets	-18	2,321
Sales of intangible assets	10	0
Investments in other assets	0	-2,300
Net cash provided by investing activities	**-3,360**	**-10,341**
Cash flows from financing activities		
Acquisition of own shares	-287	0
Increase in loans	3,832	11,326
Decrease in loans	-9,081	-5,494
Payments of finance lease activities	-1,490	-1,585
Dividends paid	-298	0
Net cash provided by financing activities	**-7,324**	**4,248**
Change in cash and cash equivalents at the end of the period	**-2,040**	**-3,967**
Cash and cash equivalents at beginning of the period	2,815	6,784
Exchange rate differences	-8	-1
Cash and cash equivalents at the end of the period	**767**	**2,815**

The reconciliation of liabilities arising from financing is presented in Note 2.11.

Notes to the consolidated financial statements

General information

Reka Industrial Plc is the parent company of the Group, which includes Reka Industrial wholly owned subsidiaries Reka Rubber and Alnus Ltd with its subsidiaries and associated companies.

In addition to Finland, the Group operates in Poland, Sweden, Denmark, Norway, and Russia.

The parent company is domiciled in Hyvinkää. Reka Industrial Plc's address is Kankurinkatu 4-6, 05800 Hyvinkää. Reka Industrial Plc's B shares are listed on NASDAQ Helsinki.

The Reka Industrial Group is part of the Reka Group. Reka Ltd, the parent company of the Reka Group, is domiciled in Juupajoki. Reka Ltd's address is Salokunnantie 590, 35550 Salokunta.

Reka Industrial Plc’s Board of Directors approved these financial statements for publication at its meeting of 8 March 2022. In accordance with the Limited Liability Companies Act, shareholders have the right to approve or reject financial statements at the Annual General Meeting that is held after the publication of the financial statements. The Annual General Meeting also has the right to decide on making changes to the financial statements.

Accounting policies for the consolidated financial statements

The general accounting policies of the consolidated financial statements are described in this section. Detailed accounting policies and descriptions of decisions based on management’s judgement and management’s use of estimates are presented later at each item of the financial statements. Accounting policies are marked with star

Principles of preparation

Adherence to IFRS standards
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the IAS standards as well as SIC and IFRIC interpretations effective on 31 December 2021. financial standards refer to standards and the related interpretations that are laid down in the Finnish Accounting Act and regulations based on the Finnish Accounting Act and that have been approved in accordance with the EU Regulation (EC) No 1606/2002. The notes to the consolidated financial statements also comply with Finnish accounting and companies' laws that supplement IFRS regulations.

Retrospective error correction

The Administrative Court has stated in its' decision in July 2021 that the subsidiary merge carried out in 2015 is not tax neutral. A total of EUR 1.3 million has been taken into account in the figures for the financial year 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 under financial expenses and taxes. All payments to the tax authority had been made by the end of 2021.

The company has made a discretionary decision to record taxes in the 2021 financial statements in accordance with the decision Administrative Court. An appeal against the negative decision of the Administrative Court was made to the Supreme Administrative Court in August, as the matter is significant in principle.

Applicable new and amended standards and interpretations 31.12.2021

IFRIC agenda decision 03/2021; Configuration or Customisation Costs in a Cloud Computing Arrangement. In a cloud service arrangement that is a service contract, deployment costs often need to be recognized as an expense when the deployment service is received. Deployment costs are capitalized in the balance sheet and amortized over a longer period of time when the deployment service performed by the cloud service provider, typically customisation, is inseparable from the service that provides access to the program; or when the expenditure relates to the creation of a separate intangible asset. The change in application of accounting principles has to some extent affected the choices as to whether the implemented solution was made as a cloud service or as a solution assigned to own servers, and the accounting policies have been revised to reflect the change in accounting policy.

The following amendments to the standard that have entered into force have not had an effect on the consolidated financial statements.

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 Leases (effective from 1 April 2021 for financial years starting at the latest, on or after 1 January 2021)
The amendments allow the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the Covid-19 pandemic and only if certain conditions are met.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases (effective for financial years beginning on or after 1 January 2021) Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

COVID-19

In 2021, the COVID-19 pandemic did not reduce customer demand. 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 impact of the additional costs of the pandemic on EBITDA in 2021 is estimated at EUR 0.5 million. 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 clearly.

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

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent assets and liabilities and the recognition of income and expenses in profit or loss. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from the estimates.

The most important items, which require management estimates and assumptions, and which may include uncertainty, are impairment testing of goodwill, customer relationship appreciation, deferred tax assets of unused tax losses and interest expenses, discount rate and definition of length in lease periods in IFRS 16 handling, processing of pensions and related contracts, effects on provisions given, handling of rental loss provision and net realisable value of inventories. Detailed descriptions of decisions based on management's judgement and management’s use of estimates are presented later at each item of the financial statements.

The Group's management makes judgements concerning the adoption and application of the accounting policies for the financial statements. The management has used its judgement in selecting and applying the accounting policies, for example, classification of leases and processing of pension agreements.

On 31 December 2020, Reka Industrial Group companies entered into an arrangement to eliminate the defined benefit plan in accordance with IAS 19. The aim is to implement a defined contribution plan for pensions. Achieving the target will take longer than expected and thus the year 2021 has still been treated on a defined benefit basis.

Any assumptions and estimates related to the comparison period are based on the circumstances and outlook that prevailed at the reporting date of that period.

Valuation principles
The consolidated financial statements have been prepared based on original cost, except for the following items, which have been recognized at fair value: derivative contracts, cash and cash equivalents and other financial assets.

All open customer-specific hedge changes are booked to equity. Other changes with derivatives are recognized through the income statement. Derivatives that hedge net sales are included in net sales. Changes in metal derivatives targeted at customer orders and changes in raw-material purchase hedging for periods less than 12 months are included in material purchases. Longer-term raw-material purchase hedging is included in financial income or expenses. Customer-specific commodity derivatives and segment-specific currency hedging have been recognized under each segment. Other derivatives are recognized in other operations and eliminations.

Principles of consolidation

Subsidiaries
The consolidated financial statements include the parent company, Reka Industrial Plc, and its subsidiaries. Subsidiaries are companies in which the Group has a controlling interest. A controlling interest is created when the Group has a controlling interest when it is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

The acquisition cost method is used to eliminate mutual shareholdings within the Group. Acquired subsidiaries are consolidated from the moment when the Group has acquired a controlling interest, and divested subsidiaries are consolidated up to the termination of the controlling interest. All intra-Group transactions, receivables, liabilities and unrealised profits as well as internal profit distributions are eliminated in the consolidated accounts. Unrealised losses are not eliminated if the loss is due to impairment.

The subsidiaries have the same financial year as the parent company and comply with the consolidated preparation principles described here.

Associated companies
Associated companies are companies over which the Group exercises significant influence. Significant influence is generally created when the Group holds more than 20 percent of the voting rights or otherwise has significant influence but not control. Associated companies have been consolidated using the equity method. If the Group's share of an associated company's losses exceeds the book value of the investment, the investment is recognized at zero value on the balance sheet. Losses exceeding book value are not consolidated unless the Group has committed itself to fulfilling the associated company's obligations. Unrealised gains on transactions between the Group and its associated companies are eliminated in accordance with the Group's holding. Investments in associated companies include any goodwill that may be created upon acquisition. The Group's share of its associated companies' profits is reported under "Share of the results of associates" after the operating profit.

If an associated company's accounting policies are not essentially equivalent to the Group's accounting principles, the Group has made the necessary adjustments in figures reported by the associated company.

Foreign currency items

Figures related to the result and financial position of the Group's units are presented in the currency of each unit's principal operating environment ("functional currency"). The consolidated financial statements are presented in euros, the functional and reporting currency of the parent company.

Transactions denominated in a foreign currency are recognized in the functional currency, using the exchange rate on the transaction date or a day close to the transaction date. Monetary items denominated in a foreign currency have been translated into the functional currency at the exchange rate on the balance sheet date. Non-monetary items denominated in a foreign currency and recognized at fair value have been translated into the functional currency at the exchange rate on the date of recognition. Other non-monetary items have been recognized at the exchange rate on the transaction date.
Gains and losses arising from transactions denominated in a foreign currency and from the translation of monetary items are recognized in the income statement. The foreign exchange losses and profits from the Group's internal non-current liabilities, however, are included in the change in equity under translation differences. Foreign exchange profits and losses from business operations are included in the corresponding items above the operating profit. Foreign exchange losses and profits related to financing are included in financial income and expenses.

The income statements of foreign Group companies have been translated into euros at the average exchange rate of the period. Their balance sheets have been translated using the exchange rate on the balance sheet date. The use of different currency rates for translating the period's result for the income statement and the balance sheet causes a translation difference, which is recognized in equity. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries are recognized in equity. When a subsidiary is sold, the accumulated translation differences are recognized in the income statement as part of sales gains and losses.

The goodwill arising from the acquisition of foreign units – as well as the fair value adjustments to the book values of the assets and liabilities of said foreign units in conjunction with the acquisition – have been treated as the foreign units' assets and liabilities and translated into euros at the exchange rates on the balance sheet date.

Operating result and EBITDA

IAS 1 Presentation of Financial Statements does not define the concept of operating result. The Group defines it as follows: operating result is the net amount formed when the net sales figure is reduced by purchasing costs adjusted for the change in the inventories of finished products, work in progress, expenses incurred through production for own use and by expenses arising from personnel expenses without IAS 19 defined benefit pension arrangements related items, depreciation and any impairment loss, with other operating income and expenses taken into account. Items other than those mentioned above are presented below the operating profit. Foreign exchange differences and changes in the fair values of derivatives are included in the operating profit if they arise from items related to business operations. Otherwise, they are recognized under financial items. Operating result is also known as operating profit or operating loss, depending on the context.

IAS 1 also does not define the concept of EBITDA. The Group has determined it as follows: EBITDA is the net amount that is formed when depreciation and any impairment losses are added to the operating result.

Adoption of new and amended standards in future financial years

* = not yet endorsed for use by the European Union as of 31 December 2021

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (effective for financial years beginning on or after 1 January 2022). When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.

Annual Improvements to IFRS Standards 2018–2020 (effective for financial years beginning on or after 1 January 2022). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following standards:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter later than its parent. A subsidiary may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent.
- IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- IFRS 16 *Leases* – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.
- IAS 41 *Agriculture* – Taxation in fair value measurements. This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. When a present value technique is used to measure fair value, the assumptions used for the cash flows and discount rates should be internally consistent – i.e. using either after tax or pre-tax for both.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 *Property, Plant and Equipment* (effective for financial years beginning on or after 1 January 2022). Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.

Reference to the Conceptual Framework — Amendments to IFRS 3 *Business Combinations* (effective for financial years beginning on or after 1 January 2022). The amendments update a reference in IFRS 3 and made further reference related amendments.

IFRS 17 *Insurance Contracts* (effective for financial years beginning on or after 1 January 2023, early application permitted for companies that also apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers). The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4 standard.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 *Presentation of Financial Statements* * (effective for financial years beginning on or after 1 January 2023, early application is permitted). The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Disclosure of Accounting Policies – Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* * (effective for financial years beginning on or after 1 January 2023, early application is permitted). The amendments clarify the application of materiality to disclosure of accounting policies.

Definition of Accounting Estimates – Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* * (effective for financial years beginning on or after 1 January 2023, early application is permitted). The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 *Income Taxes* * (effective for financial years beginning on or after 1 January 2023, early application is permitted). The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

Comparative Information – Amendments to IFRS 17 *Insurance contracts: Initial Application of IFRS 17 and IFRS 9* * (effective for financial years beginning on or after 1 January 2023). Amendment to IFRS 17 to alleviate mismatches in comparative information arising from the different transition requirements of IFRS 9 and IFRS 17.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* * (available for optional adoption, effective date deferred indefinitely). The amendments address the conflict between the existing guidance on consolidation and equity accounting and require the full gain to be recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business

Management estimates that these new or amended standards will not have a material impact on future financial statements.

1. Items related to the profit for the period

1.1 Operating segments

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.

Accounting policy of segment information

In accordance with IFRS 8, segment-specific reporting is based on the management's internal reporting. Instead of previously followed operating profit the EBITDA is the level followed on segments. Comparison figures are updated accordingly. Turnover by product group and sales area are presented as complementary information. Customer-specific commodity derivatives and segment-specific currency hedging have been recognised under each segment. Companies not belonging to Cable nor Rubber segment, other derivatives and unallocated items as well financial liabilities related to acquiring businesses are recognised in other operations and eliminations.

Information about geographical areas
Turnover by sales areas is based on customers' geographical locations and whether the customer's country is located to EU –area or not. Group's geographical areas are categorised to EU –countries and non-EU –countries.

Assets and investments of geographical areas are based on geographical locations of assets according to equal categorisation as turnover.

Revenue recognition principle

Revenue from the sale of goods is recognised when the significant risks, rewards and actual control usually associated with ownership of the goods have been transferred to the buyer. Usually, revenue is recognised as income when products are delivered in accordance with the terms of sale. Revenue from services is recognised during the period when the service is rendered, and the economic benefit of the transaction is probable. The share of Reka Industrial's revenue from services is not significant.

The cables are sold on drums and in most cases the drums are invoiced separately from cables. Drums may however also be included to the price of cables when agreed so with the customer and cables are sold to the markets, from where drums are now usually returned. In revenue recognition of drums both the effects of sold and credited drums are noticed.

Technical rubber products are invoiced according to delivery terms. The moulds possibly used in the manufacturing products are invoiced from the customer when mould is made. The mould is owned by the customer on the manufacturing process.

The turnover is booked to the amount, that the Group expects to be entitled against made deliveries. With bill and hold arrangements, the products of the customers are clearly separated from the assets of the Group and the customer decides when products are transferred further. The turnover includes variable compensations such like volume and cash payment discounts given. Turnover also includes foreign exchange rate gains and losses arising from trade receivables. During the financial year the volume discounts are estimated based on contracts, actual data, and forecasts. At the end of the financial year the volume discounts are calculated based on actual figures.

Use of estimates

In revenue recognition of drums both the effects of sold and credited drums are noticed. Revenue recognition of drums includes estimates of how much of drums are returned. Estimates are based on earlier return percentage and seasonal changes.

Accounting policy

Derivative contracts are recognised at fair value when the Group becomes part of the contract. Accounting principles of derivative contracts are described more specifically in note 2.14.

31/12/2021

EUR 1,000	Cable	Rubber	Other operations and eliminations	Group
Turnover	**133,780**	**24,596**	**-232**	**158,144**
EBITDA	**10,984**	**1,507**	**-1 225**	**11 ,266**
Unallocated items			-10 280	-10,280
Result before taxes				1 ,403
Result for the period				**986**
Assets				
Segment's assets	51,462	17,319	3,456	72,237
Total assets	**51,462**	**17,319**	**3,456**	**72,237**
Liabilities				
Segment's liabilities	33,566	10,816	17,766	62,148
Total liabilities	**33,566**	**10,816**	**17,766**	**62,148**
Assets - liabilities	**17,896**	**6,503**	**-14,310**	**10,090**
Investments	**3,556**	**370**	**185**	**4,111**
Depreciations			**5,688**	**5,688**

31/12/2020

EUR 1,000	Cable	Rubber	Other operations and eliminations	Group
Turnover	**111,212**	**9,224**	**0**	**120,436**
EBITDA	**10,035**	**245**	**-840**	**9,440**
Unallocated items			-8,483	-8,483
Result before taxes				888
Result for the period				**957**
Assets				
Segment's assets	53,011	13,952	6,187	73,150
Total assets	**53,011**	**13,952**	**6,187**	**73,150**
Liabilities				
Segment's liabilities	33,910	10,257	17,918	62,085
Total liabilities	**33,910**	**10,257**	**17,918**	**62,085**
Assets - liabilities	**19,101**	**3,695**	**-11,731**	**11,066**
Investments	**4,888**	**128**	**7,650**	**12,665**
Depreciations			**4,908**	**4,908**

Cable segment´s turnover by product group, EUR million	1-12/2021	1-12/2020
LV energy	32.6	23.6
Power cable	101.2	87.6
Total	**133.8**	**111.2**

Cable segment´s turnover by sales area, EUR million	1-12/2021	1-12/2020
EU-countries	123.8	102.7
Non-EU-countries	10.0	8.6
Total	**133.8**	**111.2**

Rubber segment´s turnover by product group, EUR million	1-12/2021	7-12/2020
Moulded	9.3	3.4
Hoses	12.2	4.4
Other	3.2	1.4
Total	**24.6**	**9.2**

Rubber segment´s turnover by sales area, EUR million	1-12/2021	7-12/2020
EU-countries	22.1	8.2
Non-EU-countries	2.5	1.0
Total	**24.6**	**9.2**

Taken all market areas into the consideration the largest customer Group´s share of the Group´s turnover was 24.5 %. Other individual customer´s share of the Group´s turnover was under 10 %.

On 31 December 2021, non-current assets other than financial instruments and deferred taxes were EUR 40.4 million (41.7). Of which EUR 38.6 million are located in Finland and EUR 1.8 million in Poland.

1.2. Other operating income

Accounting policy ★

Income related to other than normal business is recognised as other operating income. Such items are, for example, proceeds from sales of items of property and equipment and intangible assets, revenue recognition of fair acquisition, rental income, subsidies received and government grants.

EUR 1,000	2021	2020
Subsidies received	131	102
Rental income	141	111
Revenue recognition of fair acquisition	0	404
Gains on the sale of fixed assets	0	144
Other income	263	419
Total	536	1,180

1.3. Personnel expenses

Accounting policy

Employee benefits include salaries and fees, pension expenses and other personnel expenses. Other expenses related to personnel are included in other operating expenses.

The Group's statutory pension insurance for staff has been set up with pension insurance companies until December 31, 2015. Pension expenses have been recognized as costs in the financial year during which they are accumulated. Reka Industrial is part of Reka Group, whose pension insurances were transferred to the defined benefit plan on December 31, 2015. Pension expenses have been recognized as costs in the financial year during which they are accumulated.

EUR 1,000	2021	2020
Salaries and fees	20,081	15,462
Pension expenses, defined contribution plans	2,716	1,953
Other personnel expenses	1,073	846
Total	23,870	18,261

Management benefits are presented in note 3.4 (”Related-party transactions”).
The entries of the IAS 19 defined benefit plan in the income statement are presented in notes 1.8.

Average number of the Group´s personnel in the financial period:

	2021	2020
Total,	603	386
of which in Cable segment	278	265
of which in Rubber segment	324	120

1.4 Depreciation and impairment

Accounting policy

Depreciation of tangible assets is made on straight-line basis over their economic lifetime. No depreciation is made on land. Intangible assets with a limited economic life are depreciated as expenses on a straight-line basis in the income statement over their economic lifetime. No depreciation is recognized on other intangible assets with an unlimited useful life, but they are tested for impairment annually or more frequently, if necessary. The estimated useful lives are presented in notes 2.1. and 2.2.

EUR 1,000	2021	2020
Depreciation by commodity group		
Intangible non-current assets		
Customer realitionships	-376	-188
Product brands and trademarks	-141	-87
Other intangible assets	-328	-177
Total	-845	-451
Tangible non-current assets		
Buildings	-652	-515
Machinery and equipment	-2,252	-2,148
Other tangible assets	-56	-33
Total	-2,960	-2,695

Right-of-use assets		
Buildings	-1,593	-1,532
Machinery and equipment	-277	-179
Impairment of buildings	-13	-51
Total	-1,882	-1,762
Total depreciation and impairment	-5,688	-4,908

1.5. Other operating expenses

Accounting policy ★

Losses on sales of tangible and intangible assets as well as indirect expenses of operations excluding employee benefit expenses and financial expenses are recognised as other operating expenses.

EUR 1,000	2021	2020
Short-term variable compensation	-314	-234
Other variable compensation	-889	-910
Rental expenses total	-1,203	-1,144
Machinery and property maintenance costs	-3,992	-3,051
Sales and marketing expenses	-731	-999
Voluntary personal expenses	-786	-648
Expenses incurred for the acquisition of shares in subsidiaries	0	-214
Other expenses	-3,440	-2,898
Total	-10,153	-8,954

Other expenses include remunerations to the Auditors as follows:

EUR 1,000	2021	2020
KPMG Oy Ab		
Audit of the accounts	98	128
Certification services	7	0
Tax services	11	27
Other services	12	5
Other companies		
Audit of the accounts	24	11
Other Consultant services	15	0

1.6. Research and development expenses

Accounting policy ★

Research and development costs are recognised in the income statement as expenses, except for development costs that meet the capitalization criteria of IAS 38 Intangible Assets.

The Group invested a total of EUR 1.3 million in research and product development in 2021 (EUR 1.1 million in 2020). During the financial period, total of EUR 0.2 million of the development costs were capitalized in the balance sheet. The investments were allocated EUR 0.9 million to the Cable Segment and EUR 0.4 million to the Rubber Segment (starting from 1.7.2020). Development costs capitalized in the balance sheet are also presented in Note 2.2.

1.7. Financial income and expenses

Accounting policy

Costs of liabilities are recognised as expenses in income statement in the financial period during which they are incurred. Direct transaction costs related to a specified loan, are included to the original allocated acquisition costs of a financial liability and are noticed as interest costs by using effective interest method.

Revenue recognition principle

Interest income is recognized using the effective interest method, and dividend income is recognized when the right to receive the dividend is created.

Accounting policy

Derivative contracts are recognised at fair value when the Group becomes part of the contract. Accounting principles of derivative contracts are described more specifically in Note 2.14.

Financial income

EUR 1,000	2021	2020
Interest revenues	130	1
Exchange rate differences	152	120
Other financial income	0	2
Total	282	124

Financial income

EUR 1,000	2021	2020
Interest expenses	-1,760	-1,396
Interest expenses on lease liabilities	-421	-442
Exchange rate differences	-338	-252
Financial expenses on sales receivables	-988	-778
Other financial income	-561	-379
Total	-4,067	-3,246
Total exchange rate differences	-186	-131

The entries of the IAS 19 defined benefit plan in the income statement are presented in notes 1.8.

1.8. IAS 19 defined benefit pension arrangements related items

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.

EUR 1,000	2021	2020
Pension cost - Defined benefit plans	-852	-1 048
Interest expense - Defined benefit plans	-55	-71
Taxes - Defined benefit plans	181	224
Total	-725	-895

1.9. Taxes

Accounting policy

Income taxes include taxes calculated based on the taxable profit for the period and change in deferred income taxes. The current tax is measured using each country's tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets related to individual companies are recognised if it is probable, based on an evaluation, that the deferred tax assets can be utilised before the expiry of unused tax losses or unused tax-related credits and interests. Deferred tax assets are recognised to the extent that it is likely that taxable income will be created in the future, against which the temporary difference can be utilised.

The entries of the IAS 19 defined benefit plan in the income statement are presented in notes 1.8.

EUR 1,000	2021	2020
Taxes payable on profit	-534	-2
Taxes from previous financial periods	11	0
Deferred tax on temporary differences	106	71
Total	-417	70

Reconciliation of the tax expense in the income statement and taxes calculated at the domestic tax rate (20%):

EUR 1,000	2021	2020
Result before taxes	1 113	888
Share of the result of associated companies and entries of the IAS 19 defined benefit plan in the income statement are presented after taxes	-680	-524
Taxable result	1 794	1 411
Taxes calculated at the domestic tax rate	359	282
Effect of tax-exempt income	-2	-42
Effect of non-deductible expenses	27	27
Effect of different tax rates applicable to foreign subsidiaries	14	-2
Effect of unrecognised deferred tax receivables related to taxable losses	0	-72
Taxes from previous financial years / previously unused interest expenses	-11	-495
Lease agreements	0	212
Other items	30	20
Taxes on the income statement	417	-70

1.10. Earnings per share

Undiluted earnings per share
The undiluted earnings per share are calculated by dividing the profit attributable to the shareholders of the parent company by the weighted average number of outstanding shares during the financial period.

Diluted earnings per share
When adjusting earnings per share for dilution, the diluting effect of the conversion of all potential ordinary shares is taken into account in the weighted average number of shares. The Group had no dilutive instruments on the closing date of the financial period.

	2021	2020
Profit from the financial period attributable to the shareholders of the parent company, EUR 1,000	986	957
Weighted average numbers of shares during the period	5,941,107	5,966,788
Undiluted earnings per share	0.17	0.16
Weighted diluted average numbers of shares during the period (number)	5,941,107	5,966,788
Earnings per share adjusted for dilution	0.17	0.16
Earnings per share:		
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	0.17	0.16
Number of shares	5,941,107	5,966,788

2. Operating Assets and Liabilities

2.1. Tangible non-current assets

Accounting policy ★

Tangible non-current assets are measured at original acquisition cost less depreciation and impairment. Any expenses arising later are included in the book value of the tangible non-current asset only if the Group is likely to profit from the future financial benefit and if the acquisition cost of the asset can be determined reliably. Other repair and maintenance costs are recognised through profit and loss at the time of completion.

Depreciation of these assets is made on a straight-line basis over their useful lives. No depreciation is made on land. The estimated useful lives are as follows:

Buildings and structures	10–25 years
Machinery and equipment	3–20 years
Motor vehicles	3–10 years

Residual values and useful lives are reviewed on a regular basis in conjunction with annual financial statements and adjusted to reflect changes in expected financial benefits.

Sales gains and losses from decommissioning and disposal of tangible non-current assets are included in other operating income and expenses in the income statement.

The right-of-use assets:

- The new rental agreement is entered to the balance sheet as right-of-use assets and respective lease liability. The right-of-use assets are valued originally to initial amount of lease liability. Initial lease liability is adjusted by lease payments made at or before the commencement date, in-substance fixed payments, direct costs in the beginning of rental period and by the estimated costs to be incurred in dismantling and removing the underlying assets or restoring the site on which the assets are located. The right-of-use asset is depreciated within the rental time.
- The lease liability is valued originally to the net present value of unpaid rents as of the commencement of the rental time. Internal discount rate is used, or not available, the interest rate for additional loan of the lessee is used. The lease liability is valued at amortised cost and effective interest is used.
- The Group benefits two exceptions available and does not book to the balance sheet the rental agreements of which the rental time is 12 months maximum or low value. These rental agreements are booked as costs to the Income statement during the rental period.

Impairment
On the closing date of the financial year, the Group evaluates whether any assets are showing signs of impairment. Values are evaluated by item. The assets related to Kirjasniemi's loss making rental agreement (Note 2.10 financial liabilities) have been evaluated by the contract.

If any indication exists, the asset´s recoverable amount is estimated, or the financial impact of rental agreement is evaluated. The recoverable amount is the asset´s fair value less costs of disposal or its value in use, whichever is higher. The recoverable amount is based on the discounted estimated future net cash flows at the time of review. An impairment loss is recognized when an asset´s carrying amount exceeds its recoverable amount. An impairment loss is recognized immediately in profit and loss, and it is included in Depreciation, amortization, and impairment in comprehensive income. The useful life of the asset to be depreciated is reassessed at the recognition of the impairment loss.

An impairment loss is reversed in a subsequent period if there has been a significant positive change in the estimates used to determine an asset´s recoverable amount. An impairment loss can be reserved to the amount that would have been carrying value of the asset, had no impairment loss been recognized.

Use of estimates

When finding out whether there are any indications of the decrease in the value of the asset´s the management makes assumptions and estimates. These are used as a basis of for the possible further analyses. The Group has loss making rental agreement (Note 2.10 financial liabilities) that is handled as financial lease and which financial impact is yearly evaluated by using the assumptions and estimations of the management. Possible changes in these assumptions and estimations may cause changes to the valuation in future years.

The total impairment recognised on buildings is EUR 0.8 (0.5) million and based on the difference between estimated income and expenses related to a long-term lease agreement.

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Motor vehicles	Advance payments and acquisitions in progress	Total
Acquisition costs 1/1/2021	489	14,472	41,971	520	341	57,794
Increase	0	23	2,399	0	1,004	3,426
Transfers between items	0	0	468	0	-468	0
Exchange rate differences	-2	0	0	0	0	-2
Acquisition costs 31/12/2021	487	14,495	44,838	520	877	61,217
Accumulated depreciation and impairment 1/1/2021	0	2,355	32,003	339	0	34,697
Depreciation	0	652	2,234	73	0	2,959
Accumulated depreciation and impairment 31/12/2021	0	3,007	34,237	412	0	37,659
Book value 1/1/2021	489	12,117	9,968	182	341	23,097
Book value 31/12/2021	487	11,488	10,601	108	877	23,556

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Motor vehicles	Advance payments and acquisitions in progress	Total
Acquisition costs 1/1/2020	172	6,662	33,945	270	52	41,101
Increase	0	551	1,466	111	309	2,437
Increase through acquisitions	372	7,718	6,819	0	104	15,014
Decrease	-55	-656	0	-29	0	-740
Transfers between items	0	197	-260	168	-124	-19
Acquisition costs 31/12/2020	489	14,472	41,971	520	341	57,794
Accumulated depreciation and impairment 1/1/2020	0	912	23,599	270	0	24,778
Accumulated depreciation on acquisitions	0	896	6,325			7,221
Depreciation	0	548	2,079	69	0	2,695
Accumulated depreciation and impairment 31/12/2020	0	2,355	32,003	339	0	34,695
Book value 1/1/2020	172	5,749	10,348	0	52	16,321
Book value 31/12/2020	489	12,117	9,968	182	341	23,097

Right of Use assets:

EUR 1,000	Machinery and equipment	Buildings	Total
Acquisition costs 1/1/2021	834	10,835	11,669
Increase	420	0	420
Exchange rate differences	1	0	1
Acquisition costs 31/12/2021	1,254	10,835	12,089
Accumulated depreciation and impairment 1/1/2021	427	5,605	6,032
Depreciation for the period	276	1,593	1,869
Impairment	0	13	13
Accumulated depreciation and impairment 31/12/2021	704	7,211	7,915
Book value 1/1/2021	407	5,230	5,637
Book value 31/12/2021	550	3,624	4,175

EUR 1,000	Machinery and equipment	Buildings	Total
Acquisition costs 1/1/2020	595	11,761	12,355
Increase	0	970	970
Increase through acquisitions	239	0	239
Reclassification	0	-996	-996
Decrease	0	-900	-900
Acquisition costs 31/12/2020	834	10,835	11,669
Accumulated depreciation and impairment 1/1/2020	140	4,022	4,162
Depreciation for the period	179	1,532	1,711
Accumulated depreciation on acquisitions	108	0	108
Impairment	0	51	51
Accumulated depreciation and impairment 31/12/2020	427	5,605	6,032
Book value 1/1/2020	454	7,739	8,193
Book value 31/12/2020	407	5,230	5,637

2.2. Intangible non-current assets

Accounting policy ★

Goodwill
Goodwill is recognised in the amount by which the total amount of the assigned consideration, non-controlling interest in the object of acquisition and previously held equity interest exceeds the fair value of the acquired net assets.

No depreciation is recognised on goodwill, but goodwill is tested for impairment annually or more frequently, if necessary. For this purpose, goodwill is attributed to units generating cash flow. Goodwill is valued at the original acquisition cost less impairment.

Difference is recognised in other operating income when assets exceed acquisition cost in fair acquisition.

Research and development expenses
Research and development expenses are recognised in the income statement as expenses, except for development costs that meet the capitalisation criteria of IAS 38 *Intangible Assets*. In that case, product development expenses are recognized in the balance sheet as intangible assets as of the moment when the product can be implemented technically, exploited commercially and expected to bring future financial benefit. Development costs that have been recognised as expenses previously will not be capitalised later. Depreciation will start as soon as the asset is ready for use. The depreciation period is 3 to 10 years, during which capitalised expenses are depreciated on a straight-line basis and recognised as costs. An asset that is not yet ready to be exploited is tested for impairment annually or more frequently, if necessary.

Customer relations
Customer relations are recognised in the balance sheets and recognised as expenses in the income statement on straight-line basis over their useful lives.

The estimated useful lives of customer relationships are:
Customer contracts and the related customer relationships 5–10 years

Other intangible assets
Other intangible assets with a limited useful life are recognised in the balance sheet and depreciated as expenses on a straight-line basis in the income statement over their useful lives. No depreciation is recognised on other intangible assets with an unlimited useful life, but they are tested for impairment annually or more frequently, if necessary. Intangible assets include assets that have an unlimited useful life. These include electric and gas connection rights that do not have a legal or contractual time limit.

The estimated of intangible assets useful lives are as follows:

Software	3–5 years
Other intangible rights	5–10 years

Any gains or losses from the disposal of intangible assets are recognised in other operating income and expenses on the income statement.

EUR 1,000	Goodwill	Customer relations	Development expenses	Other intangible	Total
Acquisition costs 1/1/2021	3,252	3,757	1,101	7,977	16,087
Increase	0	0	242	60	301
Decrease	0	0	0	-95	-95
Acquisition costs 31/12/2021	3,252	3,757	1,343	7,942	16,293
Accumulated depreciation and impairment 1/1/2021	0	188	247	6,409	6,843
Depreciation	0	376	141	328	845
Accumulated depreciation and impairment 31/12/2021	0	564	388	6,738	7,688
Book value 1/1/2021	3,252	3,569	854	1,568	9,243
Book value 31/12/2021	3,252	3,193	955	1,204	8,604

EUR 1,000	Goodwill	Customer relations	Development expenses	Other intangible	Total
Acquisition costs 1/1/2020	3,252	0	759	6,069	10,080
Increase	0	0	342	87	429
Increase through acquisitions	0	3,757	0	1,821	5,579
Acquisition costs 31/12/2020	3,252	3,757	1,101	7,977	16,087
Accumulated depreciation and impairment 1/1/2020	0	0	160	5,191	5,351
Depreciation	0	188	87	177	451
Accumulated depreciation on acquisitions	0	0	0	1,041	1,041
Accumulated depreciation and impairment 31/12/2020	0	188	247	6,409	6,843
Book value 1/1/2020	3,252	0	599	877	4,728
Book value 31/12/2020	3,252	3,569	854	1,568	9,243

Other intangible non-current assets include the following items: activated IT software and licenses.

Impairment testing

Accounting policy

Impairment

On the closing date of the financial year, the Group evaluates whether any assets are showing signs of impairment. If such signs are detected, the recoverable amount of the asset concerned is estimated. The recoverable amount is also assessed annually on the following assets, regardless of whether they are showing signs of impairment: goodwill, intangible assets with unlimited useful lives and unfinished intangible assets. The need for impairment is assessed at the level of units generating cash flows – that is, the lowest level on which units are mostly independent of others and cash flows can be separated from other cash flows.

The subsidiaries in the Cable segment constitute a unit generating cash flows. Balance sheet values related to the unit are tested through test calculation. The associated companies are tested separately if any balance sheet values are related to them. Nestor Cables Ltd and Riihimäen Kaapelitehdas Ltd are associated companies. In the 2021 financial statements, Nestor Cables' value in the balance sheet is EUR 0.6 million. The share of Riihimäen Kaapelitehdas Ltd in the balance sheet on 31 December 2021 was EUR 1.0 million.

Subsidiaries in the Rubber segment form a cash-generating unit. The rubber business does not include goodwill and therefore test calculation is performed only when there are indications of decrease in balance sheet values.

Other tangible and intangible balance sheet values are evaluated by item.

In the Cable segment, the indicators monitored are permanent changes in the euro prices of main raw materials and developments in the main markets. Their combination affects volumes, and it also affects the way in which an increase in the prices of capital goods can be incorporated into market prices. The interest rate level is not an indicator as such, but it may have an effect on the discount rate.

The recoverable amount is the fair value of an asset less selling expenses or value in use, if higher. Value in use refers to the estimated future net cash flows received from the asset or a unit generating cash flows, discounted to their current value. Determined before taxes, the discount rate reflects the market’s view on the time value of money and the special risks related to the asset concerned.

An impairment loss is recognised when an asset’s book value is higher than the recoverable amount. The impairment loss is recognised in the income statement. If an impairment loss is attributed to a unit generating cash flows, it is first allocated to reduce the unit’s goodwill and then to reduce the unit’s other assets in equal proportions. When an impairment loss is recognised, the useful life of the asset being depreciated is reassessed. An impairment loss recognised on assets other than goodwill is reversed if the assessments used in determining the recoverable amount of the asset have changed. The amount of reversed impairment losses, however, cannot be higher than the asset’s book value without recognition of the impairment loss. An impairment loss recognised on goodwill is not reversed.

Use of estimates

The execution of the annual impairment test has required management to make assumptions and estimates to measure the recoverable amounts of the cash-generating units. The estimated future cash flows are discounted to their current value.

The key assumptions

The goodwill in the financial statements, EUR 3.2 million, has arisen from the acquisition of Reka Cables Ltd and has been allocated to the cable segment for impairment testing purposes. The recoverable amount has been determined based on value in use calculations.

The following are the most significant factors used in the calculations related to the Cable segment: the prices of metals and other key raw materials in EUR, the effects of demand and competition on volumes and market prices, the timing of infrastructure investments and the expansion of cooperation with key customers. The prediction calculations are based on actual outcome information and predictions updated based on the actual outcome. The effects of the investments already decided and according to the strategy have been taken into account in the predictions.

Assumptions used in the cash flow analysis, %	2021
Terminal value growth 2026 -	2
WACC (Pre-Tax)	7.55

Assumptions used in the cash flow analysis, %	2020
Terminal value growth 2025 -	2
WACC (Pre-Tax)	6.36

	2021	2020
Sensitivity analysis	Value used, %	Value used, %
WACC (Pre-Tax)	7.55–20.99	6.36–17.34

According to the results of the impairment tests, the Group has no need to recognise impairments. The recoverable amount determined in impairment testing exceeds the book value of the units tested.
Based on the sensitivity calculations, the present value of future cash flows is larger than the investments, when discount rate is under 21.00 %.

2.3 Holdings in associates

EUR 1,000	2021	2020
At the beginning of the period	1,302	930
Share of profit	335	372
At the end of the period	1,636	1,302

On the closing date of the financial period, Reka Industrial’s associated companies were Nestor Cables Ltd and Riihimäen Kaapelitehdas Ltd.

Turnover for Nestor Cables Group, an associated company in the Cable segment, was EUR 31.7 million (32.0 million). EBITDA was EUR 2.9 (3.9) million. In 2020 Nestor Cables' equity turned positive. 2021 profit share of EUR 0.3 million has been taken into account in the Group's result and in the balance sheet value of the associated company share.

The value of shares regarding Riihimäen Kaapelitehdas Ltd on the consolidated balance sheet, EUR 1.0 million, consists of acquisition price of the transaction completed in August 2019 added with the share of the result after the purchase. In addition, the effect of earlier owned shares of Riihimäen Kaapelitehdas Ltd, sold in August 2019, has been taken into account.

EUR 1,000	2021	2020
Nestor Cables Ltd, Oulu		
Share	22.94 %	22.94 %
Assets	19,451	17,545
Liabilities	16,764	16,002
, of which subordinated loans	5,505	5,505
Turnover	31,709	32,036
Profit	1,144	2,036
Value on the consolidated balance sheet	617	355
Riihimäen Kaapelitehdas Ltd, Riihimäki		
Share	20.19 %	20.19 %
Assets	10,012	10,437
Liabilities	5,559	6,505
, of which subordinated loans	0	0
Turnover	1,305	1,283
Profit	358	257
Value on the consolidated balance sheet	1,019	947

The above figures (turnover, assets and liabilities) were calculated in keeping with the associated companies' accounting principles.

2.4 Deferred tax assets and liabilities

Accounting policy

The tax expenses in the income statement consist of the income tax for the financial year and deferred taxes. The income tax for the financial year is calculated on the taxable income, using the tax rate in force in each country on the balance sheet date or on a subsequent tax rate.

Deferred tax assets related to individual companies are recognized if it is probable, based on an evaluation, that the deferred tax assets can be utilised before the expiry of unused tax losses or unused tax-related credits. Deferred tax assets are recognised to the extent that it is likely that taxable income will be created in the future, against which the temporary difference can be utilised.

Changes in deferred taxes during 2021:

EUR 1,000	1/1/2021	Recorded in the income statement	31/12/2021
Deferred tax receivables			
Provisions	125	-32	93
Deferred tax receivables on losses	1,241	-278	963
IFRS 16 right-of-use assets	241	17	258
IAS 19 defined benefit pension liability	733	263	995
Coil provision	160	62	222
Credit loss provision	2	-1	1
Other items	-4	-2	-6
Total	2,498	29	2,525

Deferred tax liabilities			
Accumulates depreciation difference	-110	-48	-158
Valuation of derivatives at fair value	-79	-28	-107
Purchase price allocation	-1,466	106	-1,360
Other items	-1	25	24
Total	-1,656	55	-1,601

Changes in deferred taxes during 2020:

EUR 1,000	1/1/ 2020	Recorded in the income statement	31/12/ 2020
Deferred tax receivables			
Provisions	81	44	125
Derivatives recognised in current value	1	-1	0
Deferred tax receivables on losses	1,342	-101	1,241
IFRS 16 right-of-use assets	251	-10	241
IAS 19 pension liability	774	-41	733
Coil provision	150	10	160
Credit loss provision	8	-6	2
Other items	0	-4	-4
Total	2,608	-107	2,498
Deferred tax liabilities			
Accumulates depreciation difference	-29	-81	-110
Valuation of derivatives at fair value	0	-79	-79
Purchase price allocation	0	-1,466	-1,466
Other items	-26	25	-1
Total	-55	-1,601	-1,656

Confirmed losses of the Group companies expire in 2025 or later.
Evaluation of deferred tax receivables is based on forecasts of Cable segment and for which sensitivity analyses have been carried out. There are no unused deferred tax receivables in the rubber industry.

2.5. Inventories

Accounting policy

Inventories are recognised at acquisition cost or recoverable amount, depending on which is lower, in accordance with the FIFO principle. The acquisition cost of finished products and work in progress consists of raw materials, direct expenses arising from work, other direct expenses and fixed acquisition and production costs. The recoverable amount is the estimated sales price in normal business less estimated expenses required to complete the product and selling expenses.

Use of estimates

Reka Industrial Group regularly reviews inventories for obsolescence and turnover, and for a possible reduction in net realisable value below cost and recognises obsolescence when necessary. Such reviews require estimates of future demand for products and development of the market price. Possible changes in these estimates may cause adjustments in inventory valuation in future periods.

EUR 1,000	2021	2020
Materials and supplies	7,237	6,435
Production in progress	7,244	5,672
Finished products	8,820	7,811
Total	23,302	19,918

In 2021 there is recognised inventory impairment of EUR 0.4 million. In 2020 there was recognised inventory impairment of EUR 0.3 million.

2.6 Current receivables

Accounting policy ★

The new IFRS 9 standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. The sales receivable of Cable industry is mainly covered by credit insurances and therefore the impact of IFRS 9 to the bad debt allowances is not significant. The bad debt allowances are made based on age analysis and are represented as adjustments to the sales receivables.

EUR 1,000	2021	2020
Sales receivables	2,975	3,608
Other receivables	1,560	1,909
Total	4,535	5,517

Age distribution of Sales receivables:

EUR 1,000	2021	2020
Undue	2,670	3,481
less than 30 days	257	68
less than 60 days	32	19
less than 90 days	0	0
more than 90 days	16	39
Total	2,975	3,608

Regarding open sales receivables the allowance of expected credit losses totalled EUR 8 thousand (EUR 11 thousand) has been booked. The allowance of expected credit losses is included to the sales receivable amount.

Current receivables distributed by currency:

EUR 1,000	2021	2020
EUR	3,257	3,632
SEK	38	135
DKK	9	80
RUB	17	17
NOK	116	14
PLN	1,099	1,640
Total	4,535	5,517

2.7. Cash and cash equivalents

EUR 1,000	2021	2020
Cash and bank	767	2,815

2.8 Shareholders' equity

The parent company's share capital by share series	2021		2020	
	Number	Shareholders' equity EUR 1,000	Number	Shareholders' equity EUR 1,000
Series A (20 vote/share)	139,600	558	139,600	558
Series B (1 vote/share)	5,880,760	23,524	5,880,760	23,524
	6,020,360	24,082	6,020,360	24,082

Reka Industrial Plc has two series of shares. The maximum number of A-shares is 0.2 million (0.2 million in 2020), and the maximum number of B-shares is 9.6 million (9.6 million in 2020). All issued shares are paid up in full.

Own shares

Accounting policy ★

Acquiring own shares and related direct costs are booked directly to Equity. Disposal of own shares is booked directly to Equity.

When paying rewards, company uses also its own shares as means of payment. Part of the yearly and bonus remunerations of the Board of Directors can be paid via shares according to the decisions made in the AGM. Valid decisions of the AGM are always seen at www pages of the company and the decisions are informed also as a part of financial reporting. In addition to that, company can sign agreements, where part of service (e.g. consulting) can be paid with shares instead of money or that the company will be paid for the consideration received in company shares (exchange rate to transfer money to shares is defined in the related agreements, like average share price of the service delivery month or other predefined value). Company publishes stock releases when making payment with own shares.

	2021		2020	
	Number	EUR 1,000	Number	EUR 1,000
Own shares 1/1	53,572	0	68,610	0
Increase	35,000	287	0	0
Fee payments	-9,319	0	-15,038	0
Own shares 31/12	79,253	287	53,572	0

Premium fund and reserve fund
The premium fund and reserve fund were set up before 1998. Their use is governed by the Limited Liability Companies Act.

Other unrestricted equity
Other unrestricted equity was created in 2000 through a reduction in the share capital. At the time, the amount equivalent to the reduction was transferred to a fund to be used in accordance with the Annual General Meeting's decision.

Translation differences
Translation differences primarily consist of differences arising from the conversions of foreign units' financial statements and intra-Group loans.

Dividends
The Board proposes to the Annual General Meeting that dividend of EUR 0.09 will be paid for 2021. Dividend of EUR 0.05 was paid for 2020.

2.9. Provisions

Accounting policy

A provision is made when the Group has a legal or actual obligation as a result of a previous event, when it is likely that a payment obligation must be fulfilled and when the amount of the obligation can be assessed reliably.

A warranty provision is made when a product with a warranty clause is sold. The amount of the warranty provision is based on proven knowledge about actual warranty costs.

A contingent liability is a conditional obligation resulting from previous events that is confirmed when an uncertain eventuality beyond the Group's control actually occurs. Contingent liabilities also include existing obligations which are not likely to require payment or the amount of which cannot be determined reliably. Potential contingent liabilities are presented in the notes to the financial statements. Contingent liabilities due to derivative contracts and pension responsibilities are presented in particular note.

Use of estimates

The evaluation of the provisions and contingent liabilities require management to make considerations.

The product warranty provision is made based on claims made but not yet paid as well as assigned provisions based on experience from past years. The assigned provision takes into account any compensation obligations potentially occurring in the Cable segment over a period of five years, unless otherwise agreed with the customer. In the Rubber segment, the assigned provision is calculated based on average percentage of the three-year complaints in relation to the turnover, unless otherwise agreed with the customer.

The cables are sold on drums and in most cases the drums are invoiced separately from cables. The drum provision notice the effects of drums sold and credited when those are returned. In revenue recognition of drums both the effects of sold and credited drums are noticed.

The granted guarantee is based on discounted balance sheet value of the instalments of Avilon Fibres Ltd´s industrial premises for the price remaining unpaid, for which the Group has granted a guarantee. The granted guarantee was noticed in the balance sheet of financial statement 2012 due the bankruptcy of Avilon Fibres Ltd. The guarantee is paid annually by amount of EUR 0.2 million until year 2035. The remaining amount of guarantee obligation is evaluated yearly by the management. In evaluation the sales price got when selling parts of the industrial premises lower the guarantee obligation.

EUR 1,000	Product warranty provisions	Other provisions	Provision of unpaid purchase price	Total
Provisions 1/1/2021	699	799	2,052	3,550
Increase	52	311	0	363
Decrease	-196	0	-76	-272
Provisions 31/12/2021	**555**	**1,110**	**1,976**	**3,641**

EUR 1,000	Product warranty provisions	Other provisions	Provision of unpaid purchase price	Total
Provisions 1/1/2020	405	748	2,124	3,277
Increase	294	51	0	345
Decrease	0	0	-72	-72
Provisions 31/12/2020	**699**	**799**	**2,052**	**3,550**

2.10. Financial liabilities

Accounting policy ★

In cases where the fair value of financial assets and liabilities has not been used as the book value, the financial assets and liabilities are valued at allocated acquisition cost. Financial assets and liabilities recognised at fair value are valued based on market quotations.

EUR 1,000	2021	2020
Long-term financial liabilities valued at allocated acquisition cost		
Bank loans	4,763	9,017
Lease liabilities	4,751	6,224
Bond	7,156	7,093
Other loans	2,502	2,253
Total	19,173	24,587
Short-term financial liabilities valued at allocated acquisition cost		
Bank loans	5,084	4,954
Other loans	1,441	2,271
Lease liabilities	1,804	1,679
Total	8,329	8,904

The Group's financing loans are whether fixed or Euribor based. Lease contracts have fixed interest rates. The Group's average interest rate on 31 December 2021 was 4.5 % (31 December 2020 4.7 percent).

On 31 December 2021 EUR 2.6 million of the Bonds were stocked. Amount stocked is not noticed in the balance sheet.

The amounts of consolidated liabilities and their re-pricing periods under the agreements:

EUR 1,000	2021	2020
Less than 6 months	1,804	1,699
6–12 months	6,525	7,206
More than 12 months	19,173	24,587
Total	27,502	33,491

All loans are denominated in euro.

Maturing of lease liabilities:

EUR 1,000	2021	2020
Buildings		
Within 1 year	1,586	1,530
1-5 years	3,440	4,913
After 5 years	979	1,079
Total	6,005	7,522
Machinery and equipment		
Within 1 year	217	147
1-5 years	333	234
Total	550	381

The lease liabilities include next to the Valkeakoski plant located Kirjasniemi residential area, which is leased from the bankruptcy estate of the Kuitu Finland for 25 years as a part of a comprehensive restructuring carried out in the Viscose Fibres segment in 2010. Reka Industrial has the option to continue the lease for another 25 years, and it also has the right to purchase the area based on a preliminary agreement signed in 2010. Other lease liabilities relate to the cable and rubber business.

2.11 Reconciliation of liabilities arising from financing

EUR 1,000	1/1/2021	Cash flow	Non-effected changes to cash flow Acquisition	Exchange rate changes	Current value changes	31/12/2021
Long-term liabilities	18,363	-2,474	-1,463	-3		14,422
Short-term liabilities	7,225	-2,776	2,081	-5		6,525
Finance lease agreements	7,903	-1,490	143			6,555
Total financial liabilities	**33,491**	**-6,739**	**761**	**-8**	**0**	**27,502**

EUR 1,000	1/1/2020	Cash flow	Non-effected changes to cash flow Acquisition	Exchange rate changes	Current value changes	31/12/2020
Long-term liabilities	12,561	3,205	2,872		-275	18,363
Short-term liabilities	3,004	2,628	1,338		256	7,225
Finance lease agreements	9,462	-1,585	113		-87	7,903
Total financial liabilities	**25,027**	**4,248**	**4,323**	**0**	**-106**	**33,491**

2.12. Accounts payable and other liabilities

EUR 1,000	2021	2020
Current financial liabilities valued at allocated acquisitions cost:		
Accounts payable	11,530	10,473
Personnel expenses allocated by period	4,505	4,319
Accruals and deferred income	3,457	2,551
Other liabilities	4,774	2,066
Total	24,267	19,409

Accruals and deferred income consist of following items:

EUR 1,000	2021	2020
Internal accruals	0	60
Accruals of interest and other financial items	47	62
Tax liabilities	31	0
Accrued discounts	2,423	1,506
Other accruals	956	924
Total	3,457	2,551

Non-interest-bearing current liabilities distributed by currency:

EUR 1,000	2021	2020
EUR	22,104	18,043
RUB	18	16
DKK	20	46
NOK	38	78
SEK	111	100
PLN	1,975	1,127
Other currency	1	1
Total	24,267	19,409

2.13. Pension liabilities

Statutory pension liabilities of Reka Industrial Group are handled in Reka Pension Fund. The management and board of directors of Reka Pension Fund administer the assets of the Reka Pension Fund.

On 31 December 2020, Reka Industrial Group companies entered into an arrangement to eliminate the defined benefit plan in accordance with IAS 19. The aim is to implement a defined contribution plan for pensions. Achieving the target will take longer than expected and thus the year 2021 has still been treated on a defined benefit basis.

Change in the net defined benefit liability recognised in Balance Sheet during Financial year

EUR 1,000	Present value of defined benefit obligations	Present value of assets related	Total
1/1/2021	**18,650**	**-14,984**	**3,666**
Defined benefit pension cost recognised in Income statement			
Cost based on review period´s work performance	1,214	0	1,214
Interest expense or income	283	-229	55
	1,498	-229	1,269
Items due to remeasurements			
Profit for assets related to arrangement (except items including in Interest expense or income)	0	-1,417	-1,417
Gain (-) / loss (+) on changes in demographic assumptions	-187	0	-187
Gain (-) / loss (+) arising from changes in financial assumptions	1,856	0	1,856
Experiential gain (-) / loss (+)	154	0	154
	1,823	-1,417	406
Payments made by employer to arrangement	0	-362	-362
Paid benefits	-234	234	0
31/12/2021	**21,737**	**-16,758**	**4,979**

Change in the net defined benefit liability recognised in Balance Sheet during previous year

EUR 1,000	Present value of defined benefit obligations	Present value of assets related	Total
1/1/2020	**11,322**	**-7,452**	**3,870**
Defined benefit pension cost recognised in Income statement			
Cost based on review period´s work performance	1,048	0	1,048
Interest expense or income	183	-112	71
	1,231	-112	1,119
Items due to remeasurements			
Profit for assets related to arrangement (except items including in Interest expense or income)	0	-1,349	-1,349
Gain (-) / loss (+) arising from changes in financial assumptions	-1,018	0	-1,018
Experiential gain (-) / loss (+)	1,523	0	1,523
	504	-1,349	-845
Payments made by employer to arrangement	0	-2,721	-2,721
Acquisitions	5,819	-3,575	2,244
Paid benefits	-226	226	0
31/12/2020	**18,650**	**-14,984**	**3,666**

Significant assumptions behind insurance mathematical calculations	**2021**	**2020**
Discount rate	1.60 %	1.53 %
Inflation	2.17 %	1.38 %
Increase of pensions	0.80 %	0.36 %

Sensitivity analysis, EUR 1,000

		Effect on pension liability 2021	2020
Discount rate			
	0.5 %-increase	-2,412	-2,025
	0.5 %-decrease	2,855	2,391
Pension increase			
	0.5 %-increase	2,648	2,199
	0.5 %-decrease	-2,361	-1,967
Life expectancy			
	1 year increase	644	515
	1 year decrease	-625	-501

Assets related to defined benefit plan are divided to categories as follows

%	**2021**	**2020**
Interest instruments	40.5 %	43.2 %
Equity instruments	28.4 %	26.0 %
Properties	26.4 %	26.9 %
Other instruments	4.7 %	3.9 %
	100.0 %	100.0 %

In addition to companies belonging to Reka Group also some related party companies of Reka Ltd have joined to Reka Pension Fund. The Assets of Reka Pension Fund are approximately EUR 37.7 million and pension liabilities are approximately EUR 32.6 million. Subsidiary Reka Cables Ltd did EUR 2.3 million guarantee capital investment into Reka Pension Fund.

The risk related is that the Assets of the pension fund increases slower than the pension liabilities which would cause that in the long run the Assets would not cover the liabilities.

The Group expects to pay contributions in financial year 2022 total EUR 4.0 (2021: 3.5) million. Contributions in 2022 are based on 24.8 % pension contribution.

2.14. Financial risk management

The Group's business operations involve risks related to financing. Reka Industrial's primary financial risks are currency, interest rate, commodity, liquidity, credit, and investment market risks.

The Board of Directors approves the Group's general risk management principles. The operational management is responsible for the practical implementation of these principles. Operating under the parent company's Board of Directors, the audit committee is responsible for assessing the sufficiency and pertinence of risk management.

For risk management, the Group uses forward contracts, options, commodity derivatives, interest rate swaps and reference rate changes, if necessary, as well as various selling and buying orders based on threshold values.

Currency risk
Operating internationally, the Group is subjected to currency transaction risks as well as risks that arise when different currencies, investments, assets, and liabilities are converted into the parent company's functional currency. For the Group, the most significant currencies are the U.S. dollar (USD) and the Swedish krona (SEK). In relation to these, currency positions are determined at least once a year, and the currency positions are hedged, in accordance with foreign exchange trends, with hedging instruments to a degree ranging from 0 to 125 percent. Currently, the Group has not hedged net investments in foreign units by using external loans denominated in the corresponding currency or by using foreign exchange forward contracts. All of the Group's external loans are denominated in euros (EUR) or Polish zloty (PLN).

The U.S. dollar is important for the Group, because the prices of the metals it purchase are determined based on the dollar. The combined effect of metal and pulp prices and the USD/EUR ratio is essential to the Group. If the dollar had been 10 percent stronger against the euro on the closing date of the financial period, its effect on the operating result before taxes would have been EUR -6.1 million (-2.5). Had the dollar been 10 percent weaker, its effect would have been EUR 6.1 million (2.5).

Interest rate risk
The Group's interest rate risks arise from borrowing.
Leases and part of external loans have fixed interest rates. The reference rate for other external loans is 1-, 3-, 6- and 12-month Euribor as well as 1-month Wibor. On 31 December 2021 lease liabilities with fixed interest rates totalled to EUR 6.6 million and other interest-bearing fixed rate liabilities totalled EUR 16.9 million. Liabilities with variable interest rates totalled EUR 4.1 million on 31 December 2021.

On the closing date of the financial year, the Group's average financing rate for external loans was 4.5 percent (4.7 in 2020). If the average interest rate had been 1 percentage point higher, it would have affected the Group's result before taxes by EUR -0.3 million (-0.4 million in 2020).

Commodity risk
In the cable segment, the key raw materials are metals (copper and aluminium) and plastics. Partial price hedging through commodity derivatives is used in metal purchases. In terms of metals, the development of dollar prices is important for the Group, as is the development of the USD/EUR ratio. If the market value of aluminium had been 10 percent higher on the closing date of the financial period, its effect on the operating result before taxes would have been EUR 0.5 million (0.3) in terms of commodity derivatives. Had the market value of aluminium been 10 percent lower, its effect on the operating result before taxes would have been EUR -0.5 million (-0.3 million). If the market value of copper had been 10 percent higher on the closing date of the financial period, its effect on the operating result before taxes would have been EUR 0.2 million (0.2) in terms of commodity derivatives. Had the market value of copper been 10 percent lower, its effect on the operating result before taxes would have been EUR -0.2 million (-0.2).

The key raw material for the rubber segment is rubber. There are no commodity derivatives in use in the rubber segment.

Liquidity risk
Ensuring liquidity and sufficient funding by conducting negotiations on financing and payment terms, measures for boosting inventory and freeing up capital assets are taken into action.

The Group aims to continuously evaluate and monitor the amount of financing required by its business operations to ensure that the Group has sufficient liquid funds to finance operations and repay loans.

The Group uses sales of accounts receivables as a part of optimising circulation of working capital and controlling liquidity risk.

The Green Bond includes covenants (ownership, equity ratio and net debt to EBITDA). The covenant terms were met at 31.12.2021.

The Bonds are guaranteed by subsidiary Reka Cables Ltd. The net proceeds of the bonds will be used for the financing of eligible expenditures as set out in the Green Bond Framework related to the enhancement of the environmental credentials of Reka Cables' portfolios of products; and the improvement of Reka Cables' environmental performance in respect to its production facilities and processes. Part of the Bonds can be used for refinancing as described in the contract terms.

Except for a EUR 0.1 million loan from Poland, the financial covenants of the Group's other financing (equity ratio and net debt to EBITDA) were met at the balance sheet date.

EUR 1,000	Balance sheet value	Cash flow	less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31/12/2021						
Bank loans	9,847	9,847	5,084	4,297	467	0
Other loans	3,943	3,943	1,441	2,283	219	0
Bond	7,156	7,156	0	0	7,156	0
Lease liabilities	6,555	6,963	2,153	2,646	937	1,227
Accounts payable and other liabilities	24,267	24,267	24,267	0	0	0
Total	51,769	52,176	32,944	9,226	8,779	1,227
Derivative instruments						
Commodity derivatives	515	415	441	73	0	0
Financial derivatives	20	20	20	0	0	0

EUR 1,000	Balance sheet value	Cash flow	less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31/12/2020						
Bank loans	13,952	13,952	4,935	6,152	2,864	0
Other loans	4,525	4,525	2,271	1,126	1,128	0
Bond	7,093	7,093	0	0	7,093	0
Lease liabilities	7,922	9,356	2,404	3,936	1,629	1,387
Accounts payable and other liabilities	19,409	19,409	19,409	0	0	0
Total	52,901	51,315	28,234	9,643	12,050	1,387
Derivative instruments						
Commodity derivatives	544	544	408	136	0	0
Financial derivatives	-147	-147	-147	0	0	0

The figures are undiscounted and include both interest payments and principal repayments.

Credit risk
The Group manages its credit risk by regularly monitoring the credit rating of its key partners – customers, suppliers, and other partners – and by regularly and actively monitoring customer payment behaviour and external information. In addition, Reka Cables Ltd has customer-specific credit insurance. In the rubber industry, credit risk is managed through credit limits integrated into the ERP system. The Group also manages its credit risk through market-specific and customer-specific payment terms. The Group's maximum credit risk corresponds to the book value of financial assets at the end of the financial period. Major part of the sales receivable is not due. Age analysis of sales receivable is presented in enclosure 2.6. Taken all market areas into the consideration the largest customer Group´s share of the Group´s turnover was 24.5 %. Other separate customer´s share of the Group´s turnover was under 10 %.

Investment market risk
Through its investments in securities, the Group is subjected to investment market risks. Market prices of shares, changes in fund values and the general market situation affect the company's performance through changes in the values of said investments. The company had no active investments in securities on the closing date of the financial period.

Accounting policy ★

Derivatives are recognised at fair value on the date when the Group becomes party to a derivative contract. Derivatives are recognised either as current or non-current receivables or liabilities on the balance sheet.

With the customer-specific hedges the hedge accounting is used. In Hedge accounting the change in open customer-specific derivatives is recorded to equity via the comprehensive income. Other hedges are included to the operating result.

Gains and losses arising from fair value measurement are recognised in accordance with the derivative's use as follows:

- With the customer-specific hedges the hedge accounting is used. In Hedge accounting the change in open customer-specific derivatives is recorded to equity via the comprehensive income.
- Derivatives that hedge turnover are included in turnover.
- Changes in metal derivatives targeted at customer orders are included in material purchases, as are commodity derivatives with a maturity of less than 12 months.
- Commodity derivatives with a maturity of 12 months or more are included in financial income or expenses.
- Derivatives related to financing are included in financial income or expenses.

Derivative financial instruments valid on the closing date of the financial period:

EUR 1,000	Positive current values	Negative current values	Current net values 2021	Current net values 2020	Nominal values 2021	Nominal values 2020
Currency derivatives						
Forward exchange agreements	43	-23	21	-147		
Raw material options						
Metal derivatives	518	-3	515	544	6,938	4,437
Total derivatives	561	-26	536	396	6,938	4,437

Raw-material derivatives and currency derivatives have been valued using third-party market value reports (hierarchy level 2).

2.15. Capital management

In capital management, the Group monitors key figures, such as return on investment (ROI), equity ratio, EBITDA, and earnings per share. Reka Industrial aims to distribute at least 30 percent of its net earnings as dividends.

2.16. Fair values of financial assets and liabilities

Derivatives are presented in note 2.14. Other cash and cash equivalents as well as receivables and liabilities are recognised in accordance with the amount open in the financial statements, excluding any credit losses. Direct transaction costs related to a specified loan, are included to the original allocated acquisition costs of a financial liability and are noticed as interest costs by using effective interest method. Fair values and those hierarchy levels are not presented as the bookkeeping values are rather close to the fair values.

Hedge accounting according to IFRS 9 is used for the customer-specific hedges and the change in open customer-specific derivatives is recorded to equity via the comprehensive income. Other hedges are included to the operating result in a way described more specifically in note 2.14.

Guarantee capital investment into Reka Pension Fund is strategic investment recognised in fair value through other comprehensive income statement items. On 31 December 2021 fair value of guarantee capital investment is estimated to correspond the amount of original investment. Investment is presented more accurately in Note 3.4. Related-party events.

3. Other notes

3.1. Contingent liabilities and commitments

Accounting policy ★

A contingent liability is a conditional obligation resulting from previous events that is confirmed when an uncertain eventuality beyond the Group's control actually occurs. Contingent liabilities also include existing obligations which are not likely to require payment or the amount of which cannot be determined reliably. Potential contingent liabilities are presented in this note.

EUR 1,000 euroa	31/12/2021	31/12/2020
Loans from financial institutions	9,847	13,952
Bond	7,156	7,093
Granted business mortgages	26,800	23,800
Granted real estate mortgages	19,093	19,093
Book value of pledged securities	35,134	35,134
Guarantees given	2,168	0
Guarantees and payment commitments	6	6

The amount of corporate mortgages on December 31, 2021 was EUR 27.8 million.
One million euros of corporate mortgages are held by the financier but available to the company if necessary.

Investment commitments
On December 31, 2021, the investment commitments for tangible fixed assets amounted to EUR 4.7 million (EUR 1.5 million).

Commitments to rental agreements less than 12 months or low value were on December 31, 2021, total EUR 0.6 million.

3.2. Group structure

The Reka Industrial Group's internal parent companies, subsidiaries, and associated companies 31.12.2021:

Company name	Home country	Domicile	Group's equity share (%)	Group's share of votes (%)
Parent company: Reka Industrial Plc	Finland	Hyvinkää		
Reka Industrial Plc's subsidiaries and associated companies:				
Reka Kumi Oy	Finland	Hyvinkää	100.00	100.00
Reka Rubber SP.Z.O.O.	Poland	Dopiewo	100.00	100.00
Alnus Oy	Finland	Helsinki	100.00	100.00
Metsämarkka 1 Oy	Finland	Hyvinkää	100.00	100.00
Reka Kaapeli Oy	Finland	Hyvinkää	100.00	100.00
Reka Kabel Ab	Sweden	Gothenburg	100.00	100.00
Reka Kabel AS	Norway	Kolbotn	100.00	100.00
Reka Kabel A/S	Denmark	Roskilde	100.00	100.00
OOO Reka Kabel	Russia	St. Petersburg	99.00	99.00
Nestor Cables Oy	Finland	Oulu	22.94	22.94
Riihimäen Kaapelitehdas Oy	Finland	Riihimäki	20.19	20.19

3.3. 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 50.16 percent holding of shares and a 65.36 percent holding of votes.

Related-party transactions

Transactions with the Reka Group

EUR 1,000	1–12/2021	1–12/2020
Other purchases	-997	-619
Other income	31	13
Guarantee commissions	-153	-63
Acquisitions	0	-7,500
Sales receivables and other receivables at end of the period	663	1,031

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	1–12/2021	1–12/2020
Purchase of real estate	0	2,258
Paid pension expenses	-2,277	-2,179
Rental expenses	-240	-123
Financial income	130	0
Guarantee capital investment	2,300	2,300
Other debts at the end of the period	0	213
Other receivables at the end of the period	92	0

Reka Group’s pension insurances were transferred into Reka’s Pension Fund on 31 December 2015. Because of the transfer, pension liabilities of Reka Industrial Group were processed in IFRS through benefit-based calculation.

On 31 December 2020, Reka Industrial Group companies entered into an arrangement to eliminate the defined benefit plan in accordance with IAS 19. The aim is to implement a defined contribution plan for pensions. Achieving the target will take longer than expected and thus the year 2021 has still been treated on a defined benefit basis.

In 2021, defined benefit plans (arising from the pension plan) IFRS entries in accordance with IAS 19 increased expenses in the income statement by EUR -1.0 (-0.9) million and increased liabilities through comprehensive income by EUR -0.0 (2.9) million.

In 2019 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	1-12/2021	1-12/2020
Sales of goods and services		
Nestor Cables Ltd	37	74
Other sales		
Nestor Cables Ltd	99	0
Leasing rents		
Riihimäen Kaapelitehdas Ltd	1,051	1,031
Liabilities to associated companies		
Nestor Cables Ltd	58	0

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.

Management fringe benefits and other related party transactions:

EUR 1,000	2021	2020
Salaries and other short-term fringe benefits	785	711
Pension benefits, defined contribution plans	112	92
Total	897	803

The Group's Board of Directors and management group have been defined as key management personnel of the company. The members of the Board are paid an annual remuneration in accordance with the decision of the Annual General Meeting. Travel expenses are paid according to the invoice. The members of the Board have no pension agreements with the company. Some of the fees may be paid in shares as decided by the Annual General Meeting. Payments in shares are always announced separately.

The Annual General Meeting in 2021:

- Confirmed the annual remuneration (12 months) of the members of the Board of Directors at EUR 25,000 and the annual remuneration of the Chairman of the Board at EUR 32,000 and the annual remuneration of committee members at EUR 2,500. No separate meeting fees are paid. 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.

Due to Reka Industrial's ownership structure company's member of the Board of Directors can be member of the Board of Directors in subsidiaries and get compensation. In addition, the Board of Directors can decide of separate remuneration, when member of the Board of Directors is taking additional measures and time for implementing company's important project (financing, acquisition, contract).

The remuneration of the members of the Management Team in accordance with the target bonus agreements is included in the breakdown below.

Salaries and other fringe benefits by person:

EUR 1,000	2021	Of which paid by shares	2020
Salaries and fees:			
Jukka Poutanen, Managing Director	436		439
Tulander Sari, CFO	228		106
Board of Directors:			
Rentto Markku E.	28	3	32
Järvelä Ari	24	2	30
Hyytiäinen Matti	22	2	2
Kyllönen Olli-Heikki	22	2	2
Saarinen Leena	21		0
Koskinen Jukka	0		71
Matikainen-Kallström Marjo	4	2	30
Total	785	10	711

The amounts above include statutory pension insurances as follows: Jukka Poutanen EUR 74 thousand (74), Sari Tulander EUR 38 thousand (18).

Transactions with other related parties:

EUR 1,000	1-12/2021	1-12/2020
Other purchases	8	12
Rental incomes	84	18

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.

3.4. Major events after the end of the financial period

Negotiations on the additional space of the rubber industry's Polish unit were completed in early January. The lease for the additional space has been signed and the space will be available in early April. With the arrangement, the hose production capacity and productivity of the Polish production unit can be clearly increased during the first half of the year. Customer demand is still growing, and the change will enable us to better meet the growing volume needs.

In the end of January 2022 cable industry received a strategically significant, renewable energy related cable order from Denmark for the construction of charging infrastructure for electric cars. The value of the order is approximately EUR 0.6 million and deliveries are scheduled for the first half of this year. In addition, the agreement includes an option to double the order quantity this year.

Russia started a large-scale invasion of Ukraine on February 24, 2022. In 2021, the value of sales in the cable business to Russia was 0.4%, to Ukraine 0.0% and to Belarus 0.0% of the Group's net sales. The rubber industry had no sales to these countries. There was also no procurement from the rubber industry in these countries. The cable industry has acquired some of the aluminum it uses from Russia. If sanctions or other reasons prevent the import of aluminum into Europe, the cable industry will have more suppliers of aluminum from other countries.

In the production of the rubber industry's Polish plant, about 10 percent of our employees are Ukrainian. Some workers return to Ukraine, some bring their families to Poland. At the moment, we support family reunification.

Income statement of the parent company (FAS)

	Notes	1/1-31/12/2021	1/1-31/12/2020
TURNOVER	1	1,803,082.96	1,353,371.61
Other operating income	2	111,551.34	1,272,807.82
Personnel expenses	3	-370,998.73	-255,775.87
Depreciation and impairment	4	-47,639.42	-30,178.84
Other operating expenses	5	-753,573.79	-781,363.17
OPERATING RESULT		742,422.36	1,558,861.55
Financial income and expenses	6	612,190.89	-338,764.56
RESULT BEFORE TAXES AND APPROPRIATIONS		1,354,613.25	1,220,096.99
Appropriations	7	-611,912.97	-1,012,636.43
Taxes	8	-129,305.36	-13,924.02
RESULT FOR THE PERIOD		613,394.92	193,536.54

Balance sheet of the parent company (FAS)

	Notes	31/12/2021	31/12/2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	190,649.93	193,068.14
Tangible assets	10	505,293.31	365,205.40
Other investments	11	7,885,202.64	7,885,202.64
		8,581,145.88	8,443,476.18
CURRENT ASSETS			
Non-current receivables	12	22,576,000.00	21,760,000.00
Current receivables	13	12,172,747.22	16,789,529.36
Cash and cash equivalents		11,798.86	142,513.61
		34,760,546.08	38,692,042.97
ASSETS		43,341,691.96	47,135,519.15
LIABILITIES			
SHAREHOLDERS´EQUITY	14		
Share capital		24,081,440.00	24,081,440.00
Premium fund		66,400.00	66,400.00
Reserve fund		1,221,254.58	1,221,254.58
Own shares		-287,308.00	0.00
Retained profit		1,163,510.00	1,240,084.13
Other unrestricted equity		435,611.31	435,611.31
Result for the period		613,394.92	193,536.54
		27,294,302.81	27,238,326.56
ACCUMULATED APPROPRIATIONS	15	48,586.95	36,673.98
OBLIGATORY PROVISIONS	16	3,757,884.97	3,944,819.78
NON-CURRENT LIABILITIES	17	10,145,840.03	11,594,096.28
CURRENT LIABILITIES	18	2,095,077.20	4,321,602.55
LIABILITIES		43,341,691.96	47,135,519.15

Parent company cash flow statement (FAS)

	1/1-31/12/2021	1/1-31/12/2020
Cash flow from operating activities:		
Payments received from operating activities	2,534,416.44	1,618,135.88
Payments paid on operating activities	-2,123,357.86	-1,221,992.59
Paid interests and other financial expenses	-1,009,819.12	-844,650.84
Interests received and other financial income	840,835.20	1,788,295.37
Direct taxes paid	6,787.26	-268,011.44
Cash flow from operating activities	**248,861.92**	**1,071,776.38**
Cash flow from investments:		
Investments in tangible and intangible fixed assets	-185,309.12	-1,228,675.06
Proceeds from sale of tangible fixed assets	0.00	2,257,500.00
Acquired shares in subsidiaries	0.00	-7,714,411.16
Loans granted	0.00	-7,412,000.00
Loan repayments	3,440,152.66	3,614,461.95
Cash flow from investments	**3,254,843.54**	**-10,483,124.27**
Cash flow from financing activities:		
Acquisition of own shares	-287,308.00	0.00
Increase in loans	0.00	7,500,000.00
Decrease in loans	-1,449,394.00	-4,183,355.00
Dividends paid and other distribution of profits	-297,718.21	0.00
Group contributions received/paid	-1,600,000.00	0.00
Cash flow from financing activities	**-3,634,420.21**	**3,316,645.00**
Change in cash and cash equivalents	**-130,714.75**	**-6,094,702.89**
Cash and cash equivalents at the beginning of the period	142,513.61	6,237,216.50
Cash and cash equivalents at the end of the period	**11,798.86**	**142,513.61**

Notes to parent company financial statements (FAS)

Accounting policies

The financial statements of the parent company have been prepared in accordance with the general accounting principles of Finnish Accounting Standards (FAS; chapter 3, section 3).

Retrospective error correction

The Administrative Court has stated in its' decision in July 2021 that the subsidiary merge carried out in 2015 is not tax neutral. A total of EUR 1.3 million has been taken into account in the figures for the financial year 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 under financial expenses and taxes. All payments to the tax authority had been made by the end of 2021.

The company has made a discretionary decision to record taxes in the 2021 financial statements in accordance with the decision Administrative Court. An appeal against the negative decision of the Administrative Court was made to the Supreme Administrative Court in August, as the matter is significant in principle.

Valuation principles

Valuation of non-current assets
Non-current assets are recognized in the balance sheet at original cost less depreciation. Depreciation has been determined on the basis of the useful lives of the assets. Machinery and equipment are depreciated over a period of 3 to 5 years.

Valuation of current assets
The company's financial securities are recognized at fair value. Realised and unrealised gains and losses from changes in fair value are recognized in the income statement in the financial period in which they occur.

Fair value is assessed based on information received from the counterparty or a valuation report or valuation model submitted by a third party.

Recognition of pensions
The statutory pension insurance for staff has been transferred to Reka Pension Fund on 31.12.2015. Pension expenses are recognized as costs in the financial year during which they are accumulated.

Accrual of financial expenses
Transaction costs directly due to acquisition of loans, which are clearly related to certain loan, are booked to accrued income and accrued to financial expenses during loan period.

Comparability of the profit

Profit is comparable to previous year's profit.

Foreign currency items

Receivables and liabilities denominated in foreign currencies have been converted to euros using the exchange rate listed by the European Central Bank on the closing date of the financial period.

Notes to the income statement

1. Turnover

	2021	2020
Turnover from consulting and management services	1,803,082.96	1,353,371.61
	1,803,082.96	1,353,371.61

2. Other operating income

	2021	2020
Rental income from Group companies	0.00	800.00
Rental income from other companies	101,613.30	93,140.16
Profit on sales of assets	0.00	1,178,867.66
Other income	9,938.04	0.00
	111,551.34	1,272,807.82

3. Personnel expenses

	2021	2020
Salaries and fees	332,678.71	239,134.15
Pension expenses	32,930.40	14,284.00
Other personnel expenses	5,389.62	2,357.72
	370,998.73	255,775.87
of which Managing Director´s salaries and fees	22,345.83	0.00
Board of Directors´ fees	120,571.48	132,749.15
	142,917.31	132,749.15

	2021	2020
Average number of staff	1	1

4. Depreciation and impairment

	2021	2020
Depreciation on intangible assets	2,418.21	2,418.20
Depreciation on machinery and equipment	3,510.87	3,510.83
Depreciation on other tangible assets	37,697.74	20,237.21
Depreciation on buildings	4,012.60	4,012.60
	47,639.42	30,178.84
Total depreciation and impairment	47,639.42	30,178.84

5. Other operating expenses

	2021	2020
Rents	184,732.73	180,492.32
Voluntary personnel expenses	1,021.51	2,943.05
Audit of the accounts	81,335.70	108,490.60
Consultant services	52,512.68	68,422.52
Sales and marketing	64,607.90	52,141.67
Machinery and property maintenance costs	66,836.05	90,328.70
Change in obligatory provisions	13,065.19	51,034.19
Other expenses	289,462.03	227,510.12
	753,573.79	781,363.17

Fees paid to the auditors

The amounts are included in other operating expenses	2021	2020
Annual audit of the accounts	51,288.70	74,770.00
Tax services	10,975.00	27,728.00
Certification services	7,272.00	0.00
Other services	11,800.00	4,850.00
	81,335.70	107,348.00

6. Financial income and expenses

Financial income	2021	2020
Dividend yield from others	88.32	0.00
Interest and financial income from Group companies		545,344.82
	1,709,061.93	545,344.82
Financial expenses		
Interest and financial expenses to Group companies	-95,445.49	-41,744.27
Interest and financial expenses to other companies	-1,001,425.55	-842 365.11
	-1,096,871.04	-884,109.38
Total financial income and expenses	612,190.89	-338,764.56

7. Appropriations

	2021	2020
Change in cumulative accelerated depreciation	-11,912.97	-12,636.43
Group contributions paid	-600,000.00	-1,000,000.00
Total appropriations	-611,912.97	-1,012,636.43

8. Taxes on the income statement

	2021	2020
Income taxes	129,305.36	13,924.02
Taxes total	129,305.36	13,924.02

Notes to the balance sheet

9. Intangible assets

Intangible assets	2021	2020
Acquisition costs 1/1	197,703.03	197,703.03
Acquisition costs 31/12	197,703.03	197,703.03
Accumulated depreciation 1/1	-4,634.89	-2,216.69
Depreciation according to plan	-2,418.21	-2,418.20
Accumulated depreciation 31/12	-7,053.10	-4,634.89
Book value 31/12	190,649.93	193,068.14

10. Tangible assets

Land and water areas	2021	2020
Acquisition costs 1/1	29,685.00	29,685.00
Acquisition costs 31/12	29,685.00	29,685.00
Book value 31/12	29,685.00	29,685.00

Buildings	2021	2020
Acquisition costs 1/1	100,315.00	100,315.00
Increase	0.00	1,078,632.34
Decrease	0.00	-1,078,632.34
Acquisition costs 31/12	100,315.00	100,315.00
Accumulated depreciation 1/1	-10,365.89	-6,353.29
Depreciation according to plan	-4,012.60	-4,012.60
Accumulated depreciation 31/12	-14,378.49	-10,365.89
Book value 31/12	85,936.51	89,949.11

Machinery and equipment	2021	2020
Acquisition costs 1/1	357,085.79	219,583.74
Increase	197,849.79	137,502.05
Acquisition costs 31/12	554,935.58	357,085.79
Accumulated depreciation 1/1	-124,055.17	-100,307.13
Depreciation according to plan	-41,208.61	-23,748.04
Accumulated depreciation 31/12	-165,263.78	-124,055.17
Book value 31/12	389,671.80	233,030.62

11. Other investments

Holdings in Group companies:

	2021	2020
Acquisition costs 1/1	7,885,202.64	170,791.48
Increase	0.00	7,714,411.16
Acquisition costs 31/12	7,885,202.64	7,885,202.64

Holdings in Group companies	Business ID	Share capital EUR 1,000	Number of shares 2021	Number of shares 2020
Alnus Ltd, Helsinki	0762281-4	168	1,000	1,000
Reka Rubber Ltd, Hyvinkää	0870234-9	168	10	10

Reka Industrial Plc owns the whole share capital of its subsidiary Alnus Ltd and Reka Rubber Ltd.

12. Non-current receivables

	2021	2020
Subordinated loan receivables from Group companies	13,600,000.00	13,600,000.00
Non-current interest receivables from Group companies	8,976,000.00	8,160,000.00
Total	22,576,000.00	21,760,000.00

13. Current receivables

	2021	2020
Sales receivables	3,733.70	7,482.25
Sales receivables from Group companies	1,479.45	617,305.00
Current loan receivables from Group companies	11,386,194.89	14,826,347.55
Interest receivables from Group companies	15,933.80	42,151.81
Accrued income from Group companies	306,420.27	192,455.01
Other receivables	2,280.00	10,870.28
Accrued income	456,705.11	1,092,917.46
Total	12,172,747.22	16,789,529.36

Material items of accrued income

	2021	2020
Accrued income from Group companies	306,420.27	192,455.01
Accrued accounts payable	132,615.92	124,135.76
Accrued financial expenses	242,825.72	335,773.40
Tax receivables	81,263.47	632,247.04
Other accrued income	0.00	761.26
Total	763,125.38	1,285,372.47

14. Shareholders' equity

	2021	2020
Share capital 1/1.		
Series A	558,400.00	558,400.00
Series B	23,523,040.00	23,523,040.00
Share capital 31/12	24,081,440.00	24,081,440.00
Premium fund 1/1	66,400.00	66,400.00
Premium fund 31/12	66,400.00	66,400.00
Reserve fund 1/1	1,221,254.58	1,221,254.58
Reserve fund 31/12	1,221,254.58	1,221,254.58
Restricted equity 31/12	25,369,094.58	25,369,094.58
Own shares 1/1	0.00	0.00
Acquisition of own shares	-287,308.00	0.00
Own shares 31/12	-287,308.00	0.00
Retained profit 1/1	1,433,620.67	2,371,261.02
Payments by own shares	27,607.54	32,090.95
Dividends paid	-297,718.21	0.00
Other corrections	0.00	-1,163,267.84
Retained profit 31/12	1,163,510.00	1,240,084.13

Other unrestricted equity 1/1	435,611.31	435,611.31
Other unrestricted equity 31/12	435,611.31	435,611.31
Result for the period	613,394.92	193,536.54
Unrestricted equity 31/12	1,925,208.23	1,869,231.98
Shareholders' equity 31/12	27,294,302.81	27,238,326.56

15. Distributable unrestricted equity

	2021	2020
Other unrestricted equity fund	435,611.31	435,611.31
Retained profit	1,163,510.00	1,240,084.13
Net profit/loss	613,394.92	193,536.54
Total distributable unrestricted equity	2,212,516.23	1,869,231.98

The parent company´s share capital by share series	Number	2021 Shareholders' equity EUR 1,000	Number	2020 Shareholders' equity EUR 1,000
Series A (20votes/share)	139,600	558	139,600	558
Series B (1 vote/share)	5,880,760	23,523	5,880,760	23,523
	6,020,360	24,081	6,020,360	24,081

On December 31, 2021, the company held a total of 79,253 of its own shares (53,572 on December 31, 2020).

16. Obligatory provisions

	2021	2020
Rental loss provision	757,884.97	744,819.78
Payment guarantee for the purchase price of premises (Avilon Fibres Ltd)		3,200,000.00
Total obligatory provisions	3,757,884.97	3,944,819.78

n Financial Statement of year 2012 company booked through income statement the guarantees given on behalf of Avilon Fibres Ltd, totalling EUR 5.3 million. Part of the related industrial premises was sold in 2017 and guarantee obligation has been lowered by related sales price (EUR 0.2 million).
The remaining amount of the guarantee on 31 December 2021 is EUR 3.0 million, which is paid annually by amounts of EUR 0.2 million until year 2035.

17. Non-current liabilities

	2021	2020
Bank loans	1,611,112.00	3,055,555.55
Green Bond	7,400,000.00	7,400,000.00
Other liabilities	1,134,728.03	1,138,540.73
Total	10,145,840.03	11,594,096.28

18. Current liabilities

	2021	2020
Bank loans	1,444,444.00	1,444,444.45
Accounts payable	44,243.73	145,558.65
Accruals and deferred income	203,018.00	316,367.61
Other liabilities to Group companies	365,000.00	1,251,964.00
Other liabilities	38,371.47	1,163,267.84
Total	2,095,077.20	4,321,602.55

The financial covenants of the loans were met at the balance sheet date. In enclosures of the Group Financial statements more information is available regarding covenants.

Material items of accrued liabilities

	2021	2020
Personnel expenses allocated by period	151,305.30	50,463.82
Other accrued liabilities	51,712.70	265,903.79
Total	203,018.00	316,367.61

19. Contingent liabilities

	2021	2020
Liabilities secured by mortgages	3,055,556.00	4,500,000.00
Guarantees given on own behalf or on behalf of subsidiaries	2,168,000.00	0.00
Granted business mortgages	7,714,411.16	7,714,411.16
Total	12,937,967.16	12,214,411.16

Financial lease and other lease liabilities

	2021	2020
Maturing within 1 year	194,123.76	179,960.04
Maturing in 1 to 5 years	776,495.04	719,840.16
Maturing after 5 years	1,682,405.92	1,739,613.72
Total	2,653,024.72	2,639,413.92

20. List of bookkeeping books and vouchers

List of bookkeeping books and vouchers and their preservation:

Journal and general ledger	in electric format
Sales receivable and accounts payable	in electric format
Bank statements	in electric format
Sales invoices	in electric format
Purchase invoices	in electric format
Travel invoices	in electric format
Payroll	in electric format
Memorandums	in electric format
Note vouchers	in electric format

Bookkeeping books and vouchers are preserved at archive (Kankurinkatu 4-6, 05800 Hyvinkää).

During financial year 2021 the following voucher classes were used:

1	General ledger
10	Payroll seasoning
26	Payments of sales receivable
32	Payments of accounts payable
35	Purchase invoices
40	Sales invoices
60	Memorandums
90	Seasonal vouchers
96	Payroll
99	Note vouchers
AT	Generated by the Netvisor system
JK	Periods
ML	Sales Invoice
MS	Sales
MU	Other
OL	Purchase Invoice
OS	Purchase
PA	Salary
PT	Bank
Pump	Imported events
T-	Automatic accounting entries

Board's proposal to the Annual General meeting

The parent company's distributable funds are EUR 1,925,208.23, of which the result for the period is EUR 613,394.92. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share be paid for 2021. A dividend of EUR 0.05 per share was paid for the financial year 2020.

Signatures of the Financial Statement and Board of Directors´ report

Hyvinkää 8 March,2022

MARKKU E. RENTTO
Markku E. Rentto
Chairman

ARI JÄRVELÄ
Ari Järvelä

LEENA SAARINEN
Leena Saarinen

MATTI HYYTIÄINEN
Matti Hyytiäinen

OLLI-HEIKKI KYLLÖNEN
Olli-Heikki Kyllönen

JUKKA POUTANEN
Jukka Poutanen
Managing Director

Auditor’s note

We have issued the auditor’s report today.

Helsinki, 8 March,2022

KPMG OYAB
Authorized Public Audit Firm

JUKKA RAJALA
Jukka Rajala
KHT

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Reka Industrial Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Reka Industrial Plc (business identity code 0693494-7) for the year ended 31 December, 2021. The financial statements comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 1.5 Other operating expenses to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue recognition (Refer to Accounting policies for the consolidated financial statements and note 1.1)	
Revenue recognition is one of our focus areas due to following, for example: Volumes of individual sales transactions are relatively large. The Group uses different pricing models, client contract templates as well as sales channels. Part of the client contracts include terms for storing products on behalf of the client. The user rights in the sales-related IT systems are relatively extensive.	Our audit procedures covered assessment of the sales-related internal control environment, as well as testing of the operating effectiveness of the associated key controls. We also carried out both analytical and substantive audit procedures. Our audit procedures included key person interviews and assessment of the appropriateness of the revenue recognition principles and practices applied. We inspected the contents of the essential sales agreements and tested the consistency of the accounting with the terms of sale in the agreements. As part of our year-end audit procedures, we tested the recognition of revenues on accrual basis. Our work also included consideration of rebates and discount practices and the process for recognizing credit notes, as well as testing of related controls and accounting material. In addition, we considered the appropriateness of the Group's disclosures in respect of revenues.
Financing arrangements of the Group (Refer to Accounting policies for the consolidated financial statements and notes 2.10 and 2.14)	
The Group has different kinds of financing arrangements as the need for financing varies especially due to the seasonal nature of the operations. The Group has renewed its financing arrangements in recent years and financing arrangements have been updated to some extent during financial year of 2021.	We discussed regularly the ongoing and planned financing arrangements with the Group management. Our audit procedures included assessment of the administrative and contractual documents regarding the executed financing arrangements. We also assessed the reasonableness of the cash flow

At the end of the financial year 2019, the Company issued EUR 10 million in senior secured green bonds ("the Bonds"). The tenor of the Bonds is five (5) years. At the end of financial year 2021 total amount of EUR 2.6 million of the Bonds are unused and the carrying amount of the Bonds determined by using the effective interest method was EUR 7.2 million as of 31 December 2021. Bank loans include financial covenants. Monitoring of financial covenants is important in terms of continuity of the Group's financing.	estimates prepared by the Group management. Our audit procedures included evaluating the appropriateness of the recognition principles applied in relation to the financing arrangements and examining the accuracy of the related entries by performing substantive procedures. In addition, we considered the appropriateness of the Group's disclosures in respect of financing.

Related party transactions (Refer to Accounting policies for the consolidated financial statements and note 3.3)

The company has significant business transactions with its related parties. Related party transactions are one of our focus areas due to following, for example: The Group has several related party entities with which the Group companies have related party transactions. Related party transactions include for example leasing and pension related arrangements that also affect the Group's balance sheet structure. Due to the significance and diversity of the related party transactions the accuracy and the adequacy of the financial statement information on related party transactions is emphasized.	We assessed the Group's process for identifying related parties and recording and disclosing related party transactions in the financial statements. Our audit procedures included assessment of the administrative documents and agreements with related parties to understand the nature of the transactions. We used other KPMG professionals to consider the nature of the contracts and application of relevant IFRS standards, where appropriate. We also utilized external confirmations, as applicable, and assessed the consistency of accounting treatment regarding related party transactions with the above-mentioned material. In addition, we considered the appropriateness of the Group's disclosures in respect of related party transactions.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 29 March 2012, and our appointment represents a total period of uninterrupted engagement of 10 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. We have obtained the report of the Board of Directors prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 8 March 2022

KPMG OY AB

JUKKA RAJALA
Authorised Public Accountant, KHT

Independent Auditor's Reasonable Assurance Report on Reka Industrial Plc's ESEF Financial Statements

To the Board of Directors of Reka Industrial Plc

We have undertaken a reasonable assurance engagement on the iXBRL marking up of the consolidated financial statements for the year ended 31 December, 2021, included in the Reka Industrial Plc's digital files [743700TSB08BO83SJR33-2021-12-31-fi.zip] prepared in accordance with the requirements of Article 4 of EU Delegated Regulation 2018/815 (ESEF RTS).

The Responsibility of the Board of Directors and Managing Director

The Board of Directors and Managing Director are responsible for preparing the report of the Board of Directors and financial statements (ESEF financial statements) that comply with the requirements of ESEF RTS. This responsibility includes:

preparation of ESEF financial statements in XHTML format in accordance with Article 3 of the ESEF RTS

marking up the consolidated financial statements included in the ESEF financial statements with iXBRL tags in accordance with Article 4 of the ESEF RTS; and

ensuring consistency between ESEF financial statements and audited financial statements.

The Board of Directors and the Managing Director are also responsible for such internal control as they deem necessary to prepare the ESEF financial statements in accordance with the requirements of the ESEF RTS.

Auditor's Independence and Quality Control

We are independent of the company in accordance with the ethical requirements applicable in Finland, which apply to the engagement we have performed, and we have fulfilled our other ethical obligations in accordance with these requirements.

The auditor applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

In accordance with the Engagement Letter our responsibility is to express an opinion on whether the marking up of the consolidated financial statements included in the ESEF financial statements comply in all material respects with the Article 4 of the ESEF RTS. We conducted our reasonable assurance engagement in accordance with *International Standard on Assurance Engagements 3000*.

The engagement involves procedures to obtain evidence whether;

the consolidated financial statements included in the ESEF financial statements are, in all material respects, marked up with iXBRL tags in accordance with Article 4 of the ESEF RTS, and;

the ESEF financial statements and the audited financial statements are consistent with each other.

The nature, timing and the extent of procedures selected depend on practitioner's judgement. This includes the assessment of the risks of material departures from the requirements set out in the ESEF RTS, whether due to fraud or error.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements included in the ESEF financial statements of Reka Industrial Plc's identified as [743700TSB08BO83SJR33-2021-12-31-fi.zip] for the year ended 31 December, 2021 are marked up, in all material respects, in compliance with the ESEF Regulatory Technical Standard.

Our audit opinion relating to the consolidated financial statements of Reka Industrial Plc's for the year ended 31 December, 2021 is set out in our Auditor's Report dated 8 March, 2022. In this report, we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements.

Helsinki 14 March, 2022

KPMG OY AB

Jukka Rajala
Authorised Public Accountant, KHT

Reka Industrial Plc

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