Financial Statements and Board of Directors' Report

1/1-31/12/2023

Reka Industrial Group

Contents

Board of Directors' report

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

The Reka Industrial Group's turnover in 2023 was EUR 91.6 million (202.9).The result for the financial period was EUR 34.5 million (9.0). EBITDA was EUR 37.6 million (15.2) and the operating profit was EUR 36.3 million (10.2). As a result of the corporate sale of Reka Cables, a EUR 31.0 million sales profit is included in other operating income.

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

The company's strategy process is ongoing. During the strategy process company's funds are mainly invested in low-risk investments and short-term deposits.

On 31 December 2023 Group's cash and cash equivalents were in total EUR 38.5 million.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 2.00 per share will be paid for 2023.

MAJOR EVENTS DURING THE FINANCIAL PERIOD

The Finnish Competition and Consumer Authority gave its approval regarding the sale of all outstanding shares in Reka Industrial Plc's wholly owned subsidiary Reka Cables Ltd to Nexans Group on 20 April 2023. As announced on 10 November 2022, the transaction was conditional to the approval of the Extraordinary General Meeting and approvals of the authorities. The Extraordinary General Meeting approved the transaction on 15 December 2022.

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

Reka Industrial Plc successfully issued in 2019 EUR 10 million Green Bond. The original maturity date of the bond was 6 December 2024. Due to the sale of Reka Cables Ltd the security of the Green Bond given by Reka Cables Ltd was substituted and released by giving an account pledge by Reka Industrial Plc. Reka Industrial Plc also notified of the early redemption of the Green Bond. The redemption was carried out according to the terms and conditions of the Green Bond in May 2023. On the redemption date Reka Industrial Plc paid the redemption price equal to 101.25 per cent of outstanding nominal amount of the notes together with the accrued but unpaid interest in accordance with the terms and conditions of the Green Bond. Reka Industrial Plc used existing liquidity reserves to finance the redemption.

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

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

GROUP'S KEY FIGURES

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

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

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

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

Reka Industrial publishes key figures without IAS 19 defined benefit pension liabilities, because changes in the discount rate affect IAS 19 figures.

Reka Industrial presents alternative key figures so that the effects of IAS 19 recognition of defined benefit pension liabilities are eliminated from the result and balance sheet items of the key figures. The entries of the IAS 19 defined benefit plan in the income statement are presented below the operating result as a separate item before the share of the result of associated companies. In this way, the development of Reka Industrial's operational business can be better monitored.

Calculation of key financial indicators:

IAS 19 corrected Return on equity (ROE), %

$$\frac{\text{IAS 19 corrected result for the period}}{\text{Shareholders' equity excluding effects of IAS 19 bookings (average)}}$$

IAS 19 corrected Equity ratio, %

$$\frac{\text{Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings}}{\text{Balance sheet total – advances received excluding effects of IAS 19 bookings}}$$

IAS 19 corrected Gearing, %

$$\frac{\text{Interest-bearing liabilities – cash and cash equivalents, liquid financial and investment securities}}{\text{Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings}}$$

IAS 19 corrected Return on investment (ROI), %

$$\frac{\text{IAS 19 corrected result before taxes + interest and other financial expenses}}{\text{[Balance sheet total – obligatory provisions and non-interest-bearing liabilities excluding effects of IAS 19 bookings (average)]}}$$

Operating profit
The net amount formed when from the net sales are deducted the purchase costs adjusted by the change in the stocks of non-finished and finished goods

as well as expenses for production for personal use. Also deducted from the net sales are expenses arising from employee benefits without IAS 19 defined benefit pension arrangements related items, depreciation, amortization and any impairment losses. Other operating incomes and expenses are also taken into account.

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 any impairment losses are added to the operating profit.

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

EUR 1,000	2023	2022	2021
Result for the period in the Financial Statements	34,483	8,978	986
IAS 19 eliminations	215	-3,571	725
Result for the period in IAS 19 adjusted Performance Measures	34,699	5,407	1,711
IAS 19 effect on non-interest-bearing liabilities	0	0	4,979
IAS 19 effect on Shareholders' equity	2,962	1,880	-3,983
IAS 19 effect on Balance sheet total	6,491	1,880	996
Shareholders' equity in Financial Statements	55,205	21,250	10,090
IAS 19 eliminations	-2,962	-1,880	3,983
Shareholders' equity in IAS 19 adjusted Performance Measures	52,244	19,370	14,073
Balance sheet total in Financial Statements	71,555	87,094	72,237
IAS 19 eliminations	-6,491	-1,880	-996
Balance sheet total in IAS 19 adjusted Performance Measures	65,064	85,214	71,241

BALANCE SHEET AND FINANCING

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

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

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

The EUR 10 million Green Bond issued by Reka Industrial Plc in 2019 was denominated in euros and taken into account in liabilities of continuing operations. The original maturity date of the bond was 6 December 2024. Due to the sale of Reka Cables Ltd the security of the Green Bond given by Reka Cables Ltd was substituted and released by giving an account pledge by Reka Industrial Plc. Reka Industrial Plc also notified of the early redemption of the Green Bond. The redemption was carried out according to the terms and conditions of the Green Bond in May 2023. On the redemption date Reka Industrial Plc paid the redemption price equal to 101.25 per cent of outstanding nominal amount of the notes together with the accrued but unpaid interest in accordance with the terms and conditions of the Green Bond. Reka Industrial Plc used existing liquidity reserves to finance the redemption.

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

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

EUR million	Continuing ope-rations	Discontinued operations	Total
Lease liabilities	5.3	0.0	5.3
Other interest-bearing liabilities	0.7	0.0	0.7
Total	6.0	0.0	6.0

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

SUSTAINABILITY

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

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

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

Climate and environment

At the end of 2019 Reka Industrial started transformation to increase energy efficiency and reduce CO2 emissions in the Cable segment. Financing was implemented with a Green Bond and the measures targeted Reka Cables. As a result of the project Reka Cables became first carbon neutral cable producer (scope 1 and 2) as of 1 November 2021 and by the end of 2022 Reka Cables' energy efficiency had improved 7.3 percent since the comparison year 2017.

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

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

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

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

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

Social responsibility

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

MACROECONOMIC ENVIRONMENT

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

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

ACQUISITIONS AND DISPOSALS OF BUSINESSES

Reka Industrial sold the shares of Reka Cables Ltd to Nexans Group on 26 April 2023. Impacts of the sale are described in more detail in the note Discontinued operations. There were no other material corporate sales, acquisitions or divestments during the financial year.

SEGMENTS

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

Rubber segment

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

In order to support growth and to support the productivity of the Polish production unit, the Rubber segment initiated a transfer of mold product manufacturing made with injection technology from Poland to Finland at the end of 2022. The transfer was completed in the spring 2023 and the Polish production unit concentrates on the manufacturing of black hoses and silicone hoses. To increase the capacity of manufacturing black hoses the Rubber segment ordered a new extrusion line to the production unit in Poland. The price of the new line is EUR 1.3 million and the line is expected to be in production use by the end of July 2024. In addition to the extrusion line investment, there are plans for smaller investments and efficiency measures both in Finland and Poland to support the growth and productivity increases.

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

Discontinued operations

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

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

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

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

GROUP STRUCTURE AND SHAREHOLDERS

Reka Industrial Corporation is the parent company of the Group, whose actual business company is Reka Rubber Ltd. Reka Industrial Plc is domiciled in Hyvinkää.

On 31 December 2023, Reka Industrial had 10,405 shareholders (10,322). The largest shareholder, Reka Ltd, held 50.2 percent (50.2) of the shares and 65.4 percent (65.4) of the votes. Reka Industrial Plc is therefore part of the Reka Group. Reka Ltd is domiciled in Juupajoki.

On 31 December 2023, the combined holding of the ten largest shareholders was 58.6 percent (60.14) of the shares and 72.6 percent (72.3) of the votes.

On 31 December 2023, the members of the Board, the Managing Director and CFO owned a total of 3,280,994 (2,971,834) 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 the notes to the Financial Statements.

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

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

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

RESEARCH AND DEVELOPMENT

In 2023, the Group invested a total of EUR 0.9 million (EUR 1.5) in research and product development. Of the investments EUR 0.5 million was allocated to the continuing operations and EUR 0.4 million to the discontinued operations. During the financial period, a total of EUR 0.0 million (EUR 0.3) of the development costs of new products and product families were activated in the balance sheet.

PERSONNEL

In January-December 2023, the Group's continuing operations employed an average of 305 people (290). Including discontinued operations, the average number of employees in January-December was 398 (573 in 2022 and 563 in 2021).

The Group paid a total of EUR 13.3 million (21.0 million in 2022 and 20.1 million in 2021) in performance based salaries and fees in 2023.

ANNUAL GENERAL MEETING AND AUTHORIZATIONS OF THE BOARD OF DIRECTORS

Reka Industrial's Annual General Meeting was held on 24 May 2023, in Hyvinkää.

The AGM approved the financial statements for the 2022 accounting period and granted the Company's Board and the Managing Director discharge from liability for the 2022 accounting period.

The AGM resolved, in accordance with the Board's proposal, that for the financial period 1.1.2022-31.12.2022 a dividend of 0.20 per share will be paid.

In accordance with the Board's proposal, the Annual General Meeting decided to approve the company's 2022 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 50,000 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 May 2023 and the shares will be handed over in June 2023.

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 six (6) and re-elected the following persons to the Board: Leena Saarinen, chairman, Matti Hyytiäinen, deputy chairman and Markku E. Rentto, member of the Board and Päivi Marttila, Eeva Raita and Ville Tolvanen as new members 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 2024.

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, 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 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 November 24, 2024. The authorization replaced the authorization given by the previous Annual General Meeting on April 6, 2022, 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 April 6, 2022, 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. If no Audit Committee has been appointed, the functions are carried out by the Board of Directors. The members of Reka Industrial Plc's Audit Committee was Ari Järvelä and Leena Saarinen until the AGM 2023 and since the AGM 2023 the Board has taken care of the duty. In 2023 Audit Committee reviewed business risks, balance sheet values, financing and liquidity, and the effect of business acquisitions on reporting. 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 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 2023 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 2023 the total number of shares includes 37,150 B-shares held by Reka Industrial Plc. The holding presents 0.6 percent of the company´s share capital and 0.4 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 NASDAQ Helsinki stock exchange.

Company shares	**31/12/2023**	**31/12/2022**	**31/12/2021**
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	37,150	47,504	79,253

KEY FIGURES PER SHARE, SHARE PRICE AND TRADING VOLUME

A total of 1,117,484 (1,606,982 in 2022) of the company's B shares were traded on NASDAQ Helsinki Ltd, corresponding to 19.0 (27.3) percent of the number of shares and EUR 7.2 (7.5) million. The share price on December 31, 2023, was EUR 6.40 (5.74) and the average exchange rate for the financial year was EUR 6.47 (4.67). The lowest share price for the year was EUR 5.64 (2.86) and the highest was EUR 7.68 (6.24). The market value of the company's share capital on December 31, 2023, was EUR 38.3 million (December 31, 2022, EUR 34.1 million and December 31, 2021, EUR 23.0 million).

Key figures per share (A and B shares)	31/12/2023	31/12/2022	31/12/2021
Equity per share, EUR	9.23	3.56	1.88
Earnings per share (EPS), EUR	5.76	1.50	0.17
Dividend/share, EUR	2.00	0.20	0.09
Dividend/earnings, %	34.73%	13.36%	54.36%
Effective dividend yield, %	31.25%	3.48%	2.33%
Price/earnings (P/E)	1.11	3.80	23.37
Share performance, EUR			
- average share price	6.47	4.67	3.84
- lowest price	5.64	2.86	3.19
- highest price	7.68	6.24	4.75
- price at the end of the period	6.40	5.74	3.87

Key figures per share (A and B shares)	31/12/2023	31/12/2022	31/12/2021
Trading, number of shares	1,117,484	1,606,982	1,477,487
Trading, %	19.0 %	27.3 %	25.1 %
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

Calculation of key financial indicators:

Earnings per share (EPS), EUR
Profit for the period attributable to equity holders of the parent
Numbers of shares adjusted for share issues (average)

Equity per share, EUR
Shareholders' equity – non-controlling interest
Number of shares adjusted for share issues at the end of the period

Dividend per share, EUR
Dividend for the period
Number of shares adjusted for share issues at the end of the period

Dividend per earnings, %
Dividend / share
Earnings / share

Effective dividend yield, %

<u>Dividend / share</u>

Share price adjusted for share issues at the end of the period

Price per earnings (P/E)

<u>Share price adjusted for share issues at the end of the period</u>

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 2023, the company held a total of 37,150 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 2023 Reka Industrial Plc has paid remuneration to the Board of Directors and Managing Director with a total of 10,354 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, 2023:

Shareholder	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
Rome Advisors Oy		208,033	208,033	3.46	2.40
Tolvanen Ville		122,177	122,177	2.03	1.41
Sinkko Erkki		62,000	62,000	1.03	0.71
Danske Bank A/S Helsinki Branch		41,823	41,823	0.69	0.48
Haloan Oy		41,087	41,087	0.68	0.47
Rentto Markku E.		40,080	40,080	0.67	0.46
Nordnet Bank AB		37,196	37,196	0.62	0.43
Reka Industrial Oyj		37,150	37,150	0.62	0.43
Skandinaviska Enskilda Banken AB		34,957	34,957	0.58	0.40
Other shareholders	200	2,375,708	2,375,908	39.47	27.45
Total	139,600	5,880,760	6,020,360	100.00	100.00

Ownership by type of shareholder:

Type of shareholder	Shareholders no.	Shareholders %	Shares total	Proportion of equity %	Proportion of votes %
Companies	205	1.97	3,551,090	58.99	71.52
Financial institutions and insurance companies	7	0.07	40,850	0.68	1.38
Public organisations	55	0.53	43,230	0.72	0.50
Non-profit organisations	172	1.65	96,832	1.61	1.12
Households	9,948	95.61	2,155,165	35.80	24.86
Outside Finland	18	0.17	4,115	0.07	0.62
Nominee registered	8	0.00	129,078	2.14	1.49
Total	10,405	100.00	6,020,360	100.00	100.00

Ownership by the amount held:

Shares held	Shareholders no.	Shareholders %	Shares total	Proportion of equity %	Proportion of votes %
1 - 50	4,709	45.26	127,853	2.12	1.48
51 - 100	2,498	24.01	216,125	3.59	2.51
101 - 1 000	2,840	27.29	917,299	15.24	10.59
1 001 - 10 000	336	3.23	874,899	14.53	10.09
10 001 -	22	0.21	3,884,184	64.52	75.33
Total	10,405	100.00	6,020,360	100.00	100.00

MAJOR EVENTS AFTER THE FINANCIAL PERIOD

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

PROFIT DISTRIBUTION PROPOSAL

On 31 December 2023, the parent company's distributable funds were EUR 20,965,526.40, of which the result for the period was EUR 19,151,673.01. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 2.00 per share will be paid. A dividend of EUR 0.20 per share was paid for the financial year 2022. In 2023, in addition to the dividend, a return of capital of EUR 0.20 per share was paid.

NEAR-TERM OUTLOOK

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

ANNUAL GENERAL MEETING 2024

A notice to Reka Industrial’s Annul General Meeting will be published later.

Hyvinkää 12 March 2024

Reka Industrial Plc
Board of Directors

Consolidated income statement (IFRS)

EUR 1,000	Note	Continuing operations 1/1-31/12/2023	Discontinued operations 1/1-31/12/2023	Group in total 1/1-31/12/2023	Continuing operations 1/1-31/12/2022	Discontinued operations 1/1-31/12/2022	Group in total 1/1-31/12/2022
Turnover	1.1.	**30,583**	**61,006**	**91,589**	**30,475**	**172,385**	**202,860**
Change in inventories of finished products and production in progress		-683	3,225	2,542	458	1,235	1,693
Production for own use		0	4	4	0	67	67
Other operating income	1.2.	600	31,081	31,681	2,327	187	2,514
Materials and services		-15,582	-49,006	-64,588	-17,322	-137,494	-154,816
Personnel expenses	1.3.	-10,057	-5,901	-15,958	-8,735	-16,584	-25,319
Depreciation and impairment	1.4.	-1,317	0	-1,317	-1,278	-3,751	-5,029
Other operating expenses	1.5.	-4,203	-3,433	-7,636	-3,021	-8,791	-11,811
		-31,244	-24,030	-55,273	-27,570	-165,131	-192,701
Operating result		**-660**	**36,976**	**36,316**	**2,905**	**7,254**	**10,159**
Financial income	1.7.	1,752	180	1,932	-136	668	532
Financial expenses	1.7.	-1,429	-1,532	-2,961	-847	-3,710	-4,557
IAS 19 defined benefit plans	1.8.	16	-231	-215	3,571	0	3,571
Share of result of associated companies		0	24	24	338	96	434
Result before taxes		**-322**	**35,418**	**35,096**	**5,831**	**4,308**	**10,139**
Taxes	1.9.	49	-661	-612	-347	-814	-1,161
Result for the period		**273**	**34,757**	**34,483**	**5,484**	**3,494**	**8,978**

EUR 1,000	Note	Continuing operations 1/1-31/12/2023	Discontinued operations 1/1-31/12/2023	Group in total 1/1-31/12/2023	Continuing operations 1/1-31/12/2022	Discontinued operations 1/1-31/12/2022	Group in total 1/1-31/12/2022
Profit or loss attributable to							
Shareholders of the parent		-273	34,757	34,483	5,484	3,494	8,978
Non-controlling interests		0	0	0	0	0	0
		-273	34,757	34,483	5,484	3,494	8,978
Earnings per share attributable to the shareholders of the parent, continuing operations							
before dilution, EUR		-0.05	0.00	-0.05	0.92	0.00	0.92
after dilution, EUR		-0.05	0.00	-0.05	0.92	0.00	0.92
Earnings per share attributable to the shareholders of the parent, discontinued operations							
before dilution, EUR		0.00	5.81	5.81	0.00	0.58	0.58
after dilution, EUR		0.00	5.81	5.81	0.00	0.58	0.58
Earnings per share attributable to the shareholders of the parent							
before dilution, EUR		-0.05	5.81	5.76	0.92	0.58	1.50
after dilution, EUR	1.10.	-0.05	5.81	5.76	0.92	0.58	1.50
Number of shares		5,983,210	5,983,210	5,983,210	5,972,856	5,972,856	5,972,856

EUR 1,000	Note	Continuing operations 1/1-31/12/2023	Discontinued operations 1/1-31/12/2023	Group in total 1/1-31/12/2023	Continuing operations 1/1-31/12/2022	Discontinued operations 1/1-31/12/2022	Group in total 1/1-31/12/2022
Result for the period		-273	34,757	34,483	5,484	3,494	8,978
Other comprehensive items that may subsequently reclassified to statement of income							
Translation differences related to foreign units		171	0	171	-41	0	-41
Change in the value of open customer derivatives		0	440	440	0	-1,054	-1,054
Taxes of items that may subsequently reclassified to statement of income		0	-88	-88	0	211	211
Total		171	352	523	-41	-843	-884
Other comprehensive items that are not subsequently reclassified to statement of income							
Items related to remeasurements of net defined benefit liability		2,201	-580	1,621	2,866	0	2,866
Taxes of items that are not subsequently reclassified to statement of income		-440	116	-324	-573	0	-573
Total		1,761	-464	1,297	2,293	0	2,293
Total comprehensive income		**1,658**	**34,644**	**36,303**	**7,736**	**2,651**	**10,387**
Total comprehensive income attributable to							
Shareholders of the parent		1,658	34,644	36,303	7,736	2,651	10,387
Non-controlling interests		0	0	0	0	0	0
		1,658	34,644	36,303	7,736	2,651	10,387

Consolidated balance sheet (IFRS)

EUR 1,000	Note	31/12/2023	31/12/2022
ASSETS			
Non-current assets			
Other intangible assets	2.2.	2,645	3,213
Tangible assets	2.1.	3,602	2,938
Right-of-use assets	2.1.	2,903	3,278
Other shares and holdings		766	0
Guarantee capital investment	2.3.	8,000	8,000
IAS19 pension receivable		6,491	4,270
Deferred tax assets	2.4.	1,660	1,201
Total non-current assets		**26,066**	**22,900**
Current assets			
Inventories	2.5.	3,816	4,445
Sales receivables and other receivables	2.6.	3,031	4,799
Tax receivables from the profit for the financial year		192	154
Other cash equivalents	2.7.	38,131	0
Cash and cash equivalents	2.8.	319	802
Total current assets		**45,489**	**10,200**
Non-current assets held for sale		**0**	**53,994**
Total assets		**71,555**	**87,094**

EUR 1,000	Note	31/12/2023	31/12/2022
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		24,081	24,081
Premium fund		66	66
Reserve fund		1,221	1,221
Own shares		-136	-174
Translation differences		14	-157
Retained profit		29,523	-4,224
Other unrestricted equity		436	436
Equity attributable to shareholders of the parent		**55,205**	**21,250**
Non-controlling interest		0	0
Total shareholders' equity	2.9.	**55,205**	**21,250**
Non-current liabilities			
Deferred tax liabilities	2.4.	2,003	1,122
Provisions	2.10.	2,021	1,987
Financial liabilities	2.11.	0	8,376
Lease liabilities	2.11.	4,818	5,171
Other liabilities		33	10
Current liabilities			
Tax liabilities from the profit		185	882
Provisions	2.10.	2,400	302
Financial liabilities	2.11.	677	3,556
Lease liabilities	2.11.	487	424
Accounts payable and other liabilities	2.13.	3,726	5,129
Total liabilities		**16,349**	**26,960**
Liabilities related to non-current assets held for sale		**0**	**38,884**
Total shareholders' equity and liabilities		**71,555**	**87,094**

Consolidated statement of changes in shareholders’ equity (IFRS)

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Other unrestricted equity	Retained profit	Shareholder's equity to the shareholders of the parent	Non-controlling interests	Total shareholders' equity
Shareholders' equity 31/12/2021	24,081	66	1,221	-287	-116	436	-14,149	11,253	0	11,253
Comprehensive income										
Result for the period							8,978	8,978	0	8,978
Other comprehensive items										
Items related to remeasurements of net defined benefit liability							2,866	2,866		2,866
Taxes of net defined liability							-573	-573		-573
Total							2,293	2,293		2,293
Derivatives							-1,054	-1,054		-1,054
Taxes of derivatives							211	211		211
Translation differences					-41			-41		-41
Total					-41		-843	-884		-884
Total comprehensive income					-41		10,428	10,387		10,387
Other change							25	25		25
Transactions with the owners										
Dividends paid							-535	-535		-535
Payments by own shares				113			7	120		120
Total transactions with the owners				113			-528	-415		-415
Shareholders' equity 31/12/2022	**24,081**	**66**	**1,221**	**-174**	**-157**	**436**	**-4,224**	**21,250**		**21,250**

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Other unrestricted equity	Retained profit	Shareholder's equity to the shareholders of the parent	Non-controlling interests	Total shareholders' equity
Shareholders' equity 31/12/2022	24,081	66	1,221	-174	-157	436	-4,224	21,250		21,250
Comprehensive income										
Result for the period							34,483	34,483		34,483
Other comprehensive items										
Items related to remeasurements of net defined benefit liability							1,621	1,621		1,621
Taxes of net defined liability							-324	-324		-324
Total							1,297	1,297		1,297
Derivatives							440	440		440
Taxes of derivatives							-88	-88		-88
Translation differences					171			171		
Total					171		352	523		523
Total comprehensive income					171		36,132	36,303		36,303
Other change							3	3		3
Transactions with the owners										
Dividends paid/return of capital							-2,389	-2,389		-2,389
Payments by own shares				38				38		38
Total transactions with the owners				38			-2,389	-2,350		-2,350
Shareholders' equity 31/12/2023	**24,081**	**66**	**1,221**	**-136**	**14**	**436**	**29,523**	**55,205**		**55,205**

Consolidated cash flow statement (IFRS)

EUR 1,000	1/1-31/12/2023	1/1-31/12/2022
Cash flows from operating activities		
Payments received from operating activities	93,345	206,598
Payments paid on operating activities	-90,324	-192,087
Paid interests and other financial expenses	-2,619	-4,152
Interests received and other financial incomes	1,702	92
Direct taxes paid	-1,314	-522
Net cash provided by operating activities	**791**	**9,929**
Cash flows from investments		
Sale of shares of subsidiaries	54,181	0
Investments in tangible assets	-1,441	-3,612
Sales of tangible assets	16	6,247
Sales of associated company shares	0	1,757
Investments in other assets	-1,138	-5,700
Net cash provided by investing activities	**51,618**	**-1,308**
Cash flows from financing activities		
Increase in loans	849	5,566
Decrease in loans	-14,949	-8,860
Payments of finance lease activities	-1,013	-1,967
Dividends paid/Return of capital	-2,389	-539
Net cash provided by financing activities	**-17,502**	**-5,800**
Change in cash and cash equivalents at the end of the period	**34,906**	**2,822**
Cash and cash equivalents at the beginning of the period	802	767
Exchange rate differences	-15	-31
Elimination of cash and cash equivalents related to discontinued operations	2,756	-2,756
Cash and cash equivalents at the end of the period	**38,449**	**802**

Notes to the consolidated financial statements

GENERAL INFORMATION

Reka Industrial Corporation is the parent company in the Group, whose actual business company is Reka Rubber Ltd.

In addition to Finland, the Group operates in Poland.

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 12 March 2024. 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 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 for each item of the financial statements. Accounting policies are marked with light green.

Principles of preparation

Adherence to IFRS standards

These interim financial data have been prepared in accordance with the IAS 34 Interim Reports standard and the IAS standards as well as SIC and IFRIC interpretations effective on 31 December 2023. International 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 group has not applied any new or amended standard or interpretation before its effective date.

NEW AND AMENDED STANDARDS APPLIED IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

IFRS 17 *Insurance Contracts*, including **Amendments *Initial Application of IFRS 17*** and ***IFRS 9 – Comparative Information***

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.

The amendments to IFRS 17 alleviate mismatches in comparative information arising from the different transition requirements of IFRS 9 and IFRS 17. The amendments also allow the comparative information about financial assets to be presented in a manner that is more consistent with the requirements in IFRS 9 *Financial Instruments*. This standard has no effect on company’s reporting.

Disclosure of Accounting Policies* – Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements

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

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

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.

International Tax Reform — Pillar Two Model Rules* – Amendments to IAS 12 *Income Taxes

The amendments give relief from accounting for deferred taxes arising from the OECD's (Organization for Economic Co-operation and Development) international tax reform and require new disclosures to compensate for the potential loss of information resulting from the relief. Reka Industrial Group falls below the value limits and therefore this change has no effect on Group's reporting.

SUSTAINABILITY

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

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

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

Climate and environment
At the end of 2019 Reka Industrial started a transformation to increase energy efficiency and reduce CO2 emissions in Cable segment. Financing was implemented with a Green Bond and the measures targeted Reka Cables. As a result of the project Reka Cables became first carbon neutral cable producer (scope 1 and 2) as of 1 November 2021 and by the end of 2022 Reka Cables' energy efficiency had improved 7.3 percent since the comparison year 2017.

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

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

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

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

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

Social responsibility
For Reka Industrial, sustainability means not only climate and environmental perspective, but also responsibility for the company's personnel. The company takes care of its personnel's working conditions, employees' rights and respect for human rights. Reka Industrial wants to be a safe and efficient work environment, where personnel's social, physical and mental wellbeing is taken

into account. The company also wants to develop the competence of its personnel and encourages and commits them to excellent performance. Also business partners are required to have the same values and actions.

MACROECONOMIC ENVIRONMENT

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

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

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. Management estimates are marked with light blue.

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.

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 changes in open customer-specific hedges are booked to equity. Other changes in the value of derivatives are recognized through the income statement. Derivatives that hedge net sales are included in net sales. Changes in metal derivatives hedging 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 and/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 includes 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 company is exposed, or has rights, to variable returns from its involvement with the investee and has a 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.

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. 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 COUNTRY 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 the 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.

CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS

Cash equivalents and other financial assets consist of cash and account balances, deposits and other short-term investments. Cash equivalents and other financial assets are included in the cash flow statement. Cash and account balances, as well as bank deposits with a maturity of three months or less, are taken into account in the cash balance. Bank deposits with a maturity of more than three months, other deposits with a maximum of 12 months and all short-term investments and short-term investments are taken into account in other financial assets on the balance sheet.

OPERATING RESULT AND EBITDA

IAS 1 standard Presentation of Financial Statements does not define operating result. The Group has defined operating result as follows: the net amount formed by deducting from the net sales 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. Deductions from the net sales also include expenses arising from employee benefits without IAS 19 defined benefit pension arrangements related items, depreciation, amortization and any impairment losses. Other operating incomes and expenses are also taken into account. Other items than those stated above are presented below operating result. Exchange rate differences and changes in fair value of derivatives are included in operating result, if they arise from business-related items. Otherwise they are recognized in financial items. Operating profit is also referred to as operating profit or operating loss, depending on the situation.

IAS 1 standard does not define EBITDA. The Group has defined EBITDA as follows: EBITDA is the net amount that is formed when depreciation and any impairment losses are added to the operating profit.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

* = not yet endorsed for use by the European Union as of 31 December 2023

Lease Liability in a Sale and Leaseback* – Amendments to IFRS 16 *Leases (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.

Amendments to IAS 1 *Presentation of Financial Statements **: ***Classification of Liabilities as Current or Non-current Date; Classification of Liabilities as Current or Non-current – Deferral of Effective Date; Non-current Liabilities with Covenants*** (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments are to promote consistency in application and clarify the requirements for determining if a liability is current or non-current. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require to disclose information about these covenants in the notes to the financial statements. The amendments also clarify transfer of a company's own equity instruments is regarded as settlement of a liability. Liability with any conversion options might affect classification as current or non-current unless these conversion options are recognized as equity under IAS 32.

***Supplier Finance Arrangements* – Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* * (**effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. Amendments require to disclose quantitative and qualitative information about supplier finance programs.

***Lack of Exchangeability* – Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* * (**effective for financial years beginning on or after 1 January 2025, early application is permitted)

The amendments require to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

***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 Combinations*.

According to management's assessment, these will not have a significant impact on the future financial statements.

ACQUISITIONS AND DIVESTMENTS OF BUSINESSES

Reka Industrial sold the shares of Reka Cables Ltd to Nexans Group on 26 April 2023. Impacts of the sale are described in more detail in the note Discontinued operations. There were no other material divestments or acquisitions during the financial year.

DISCONTINUED OPERATIONS

On November 10, 2022, Reka Industrial signed agreement with Nexans Group regarding the sale of all outstanding shares of Reka Cables Ltd. With the signing of the agreement, Reka Industrial's Cable segment ended and Reka Cables Ltd and its subsidiaries were classified as discontinued operations. The purchase price for the shares was EUR 53 million. The transaction was conditional to the approval of the Extraordinary General Meeting and approvals of authorities. The Extraordinary General meeting approved the transaction on 15 December 2022. The authorities approved the transaction in April 2023.

Locked box interest was paid for the purchase price until 31 March 2023. The Corporate sale was completed on 26 April 2023. Therefore the financial result and cash flows of discontinued operations are reported in Reka Industrial’s financial figures for the period of four months, 1 January – 30 April 2023.

Accounting policy

Non-current assets or groups of assets to be sold are classified as held for sale when an amount corresponding to their book value will be accumulated mainly from their sale and the sale is highly probable. If an amount corresponding to their book value will accrue mainly from their sale, instead of from their continued use, they are presented at their book value or fair value, from which expenses arising from the sale have been deducted, whichever is lower.

Assets and liabilities related to discontinued operations are presented separately on their own lines in the balance sheet as assets classified as held for sale until sale. The result of discontinued operations is reported separately from the income and expenses of continuing operations in the consolidated income statement. Differentiation in the income statement has been implemented in its own columns. Intragroup income and expenses between continuing and discontinued operations have been eliminated.

The effect of discontinued operations on the balance sheet, EUR 1,000	**30/04/2023**	**31/12/2022**
ASSETS		
Non-current assets		
Consolidated goodwill	3,252	3,252
Other intangible assets	1,954	1,684
Tangible assets	16,597	16,492
Right-of-use assets	3,614	3,614
Holdings in associates	3,775	1,115
Receivables	40	40
Deferred tax assets	847	387
Total non-current assets	**30,079**	**26,586**
Current assets		
Inventories	25,555	23,166
Sales receivables and other receivables	3,971	1,033
Tax receivables from the profit for the financial year	57	57
Derivative contracts	291	395
Other financial assets	524	1,490
Cash and cash equivalents	3,022	1,267
Total current assets	**33,420**	**27,408**
Total assets	**63,499**	**53,994**

The effect of discontinued operations on the balance sheet, EUR 1,000	**30/04/2023**	**31/12/2022**
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	516	549
Provisions	1,488	1,370
Financial liabilities	292	365
Lease liabilities	1,924	2,568
IAS 19 pension liability	2,789	1,920
Total non-current liabilities	**7,009**	**6,772**
Current liabilities		
Tax liabilities from the profit	546	92
Financial liabilities	2,618	5,199
Lease liabilities	1,959	1,982
Derivative contracts	369	914
Accounts payable and other liabilities	27,852	23,925
Total current liabilities	**33,344**	**32,111**
Total liabilities	**40,353**	**38,884**

The result of discontinued operations, EUR 1,000	1/1-30/4/2023	1/1-31/12/2022
Turnover	**61,006**	**172,385**
Change in inventories of finished products and production in progress	3,225	1,235
Production for own use	4	67
Other operating income	46	187
Materials and services	-49,006	-137,494
Personnel expenses	-5,901	-16,584
Depreciation and impairment	0	-3,751
Other operating expenses	-3,433	-8,791
	-55,065	-165,131
Operating result	**5,941**	**7,254**
Financial income	180	668
Financial expenses	-1,532	-3,710
Share of the result of associated companies	24	96
IAS 19 items	-231	0
Result before taxes	**4,383**	**4,308**
Taxes	-661	-814
Result for the period	**3,722**	**3,494**
Sales profit from discontinued operations	31,035	
Result for the period from discontinued operations	**34,757**	**3,494**
Profit or loss attributable to		
Shareholders of the parent	34,757	3,494
Non-controlling interest	0	0
	34,757	3,494

Cash flow from discontinued operations, EUR 1,000	1/1-30/4/2023	1/1-31/12/2022
Cash flows from operating activities	2,974	8,036
Cash flows from investments	38,831	-3,032
Cash flows from financing activities	-9,981	-2,483
Cash flow for the financial year	31,824	-2,521

1. ITEMS RELATED TO THE PROFIT FOR THE PERIOD

1.1 Operating segments

Reka Industrial Group's industrial business segment is Rubber industry. All other operations are categorized as Other operations and eliminations.

As the Group’s highest operational decision-maker, the Board of Directors evaluates the segment’s performance and makes decisions about the resources allocated to the segment.

Accounting policy of segment information

In accordance with IFRS 8, segment-specific reporting is based on the internal management reporting. Turnover by product group and sales area are presented as complementary information. Companies not belonging to Rubber segment, other derivatives and unallocated items as well financial liabilities related to acquiring businesses are recognized 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 categorized to EU-countries and non-EU-countries.

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

Revenue recognition principle

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

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

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 not usually returned. In revenue recognition of drums both the effects of sold and credited drums are noticed.

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.

31/12/2023

EUR 1,000	Rubber	Eliminations and other operations	Group
Turnover	**30,576**	**61,013**	**91,589**
EBITDA	**1,227**	**36,407**	**37,633**
Unallocated items		-3,150	-3,150
Result before taxes			35,096
Result for the period			**34,483**
Assets			
Segment's assets	17,892	53,663	71,555
Total assets	**17,892**	**53,663**	**71,555**
Liabilities			
Segment's liabilities	8,995	7,355	16,349
Total liabilities	**8,995**	**7,355**	**16,349**
Assets - Liabilities	**8,897**	**46,308**	**55,205**
Investments	**1,108**	**455**	**1,562**
Depreciations		**1,317**	**1,317**

31/12/2022

EUR 1,000	Rubber	Eliminations and other operations	Group
Turnover	**30,592**	**172,268**	**202,860**
EBITDA	**2,559**	**12,630**	**15,188**
Unallocated items		-6,210	-6,210
Result before taxes			10,139
Result for the period			**8,978**
Assets			
Segment's assets	18,114	68,980	87,094
Total assets	**18,114**	**68,980**	**87,094**
Liabilities			
Segment's liabilities	11,941	53,903	65,844
Total liabilities	**11,941**	**53,903**	**65,844**
Assets - Liabilities	**6,172**	**15,078**	**21,250**
Investments	**950**	**4,845**	**5,795**
Depreciations		**5,029**	**5,029**

Rubber segment's turnover by product group, EUR million	1-12/2023	1-12/2022
Moulded	9.7	10.3
Hoses	17.2	16.3
Other	3.6	4.0
Total	**30.6**	**30.6**

Rubber segment's turnover by sales area, EUR million	1-12/2023	1-12/2022
EU-countries	27.1	27.5
Non-EU-countries	3.5	3.1
Total	**30.6**	**30.6**

Taken all market areas into the consideration the largest customer group's share of the Group's turnover was 14.9 %. Other individual customer's share of the Group's turnover was under 10 %.

On 31 December 2023, non-current assets other than financial instruments and deferred taxes were EUR 24.4 million (21.7), of which EUR 21.8 million were located in Finland and EUR 2.6 million in Poland.

1.2. Other operating income

Accounting policy

Income related to other than normal business is recognized 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	2023	2022
Gains on the sale of fixed assets	9	1,436
Subsidies received	31	101
Rental income	185	168
Gains on the sale of fixed assets, sale of shares of Reka Cables Ltd.	31,035	0
Other income	420	810
Total	31,681	2,514

The gain on the sale of shares of Reka Cables Ltd is presented in its own line. Other gains on the sales of fixed assets in 2023 consist of sales of machinery and equipment.
The most essential items of the gains on the sale of fixed assets in 2022: In November 2022 the Rubber segment sold its property in Aura to Reka Pension Fund. From the IFRS sale and lease back arrangement resulted capital gain of EUR 604 thousand. From the sale of the shares of Nestor Cables Limited in July 2022 resulted a capital gain of EUR 802 thousand. In addition there were smaller sales of machineries and equipment resulting capital gain.

1.3. Personnel expenses

Accounting policy

Employee benefits include salaries and fees, pension expenses and other personnel expenses. They are recorded in the period in which the employees perform the work. Other expenses related to the 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 the 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	2023	2022
Salaries and fees	13,262	21,038
Pension expenses, defined contribution plans	1,548	2,982
Other personnel expenses	1,147	1,299
Total	15,958	25,319

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 note 1.8.

Average number of the Group's personnel in the financial period:	2023	2022
Total,	398	573
of which in continuing operations	305	290

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	2023	2022
Depreciations by commodity group		
Intangible non-current assets		
Customer relationships	-376	-376
Product brands and trademarks	0	-137
Other intangible assets	-192	-425
Total	-568	-937
Tangible non-current assets		
Buildings	-58	-294
Machinery and equipment	-164	-2,074
Other tangible assets	-100	-208
Total	-322	-2,576
Right-of-use assets		
Bulidings	-377	-1,236
Machinery and equipment	-44	-150
Impairment of buildings	-7	-130
Total	-428	-1,516
Total depreciation and impairment	-1,317	-5,029

Reka Cables was classified as discontinued operations starting November 2022. After the classification according to IFRS 5 the depreciations of Reka Cables have not been noticed.

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 credit losses classified as financial expenses are recognized as other operating expenses.

EUR 1,000	2023	2022
Short-term variable compensation	-401	-356
Other variable compensation	-418	-1,082
Rental expenses total	-819	-1,437
Machinery and property maintenance costs	-2,627	-4,058
Sales and marketing expenses	-1,086	-1,163
Voluntary personnel expenses	-819	-1,004
Other expenses	-2,285	-4,149
Total	-7,636	-11,811

Other expenses include remunerations to the Auditors as follows:

EUR 1,000	2023	2022
KPMG Oy Ab		
Audit	86	120
Certification services	47	7
Tax services	8	0
Other services	31	5
Other companies		
Audit	29	11

1.6. Research and development expenses

Accounting policy

Research and development costs are recognized 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 0.9 million in research and product development (EUR 1.5 million in 2022). The investments were allocated EUR 0.5 million to the continuing operations and EUR 0.4 million to the discontinued operations. During the financial period, total of EUR 0.0 million (EUR 0.3 million in 2022) of the development costs of new products and product families were activated in the balance sheet.

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 recognized as expenses in income statement in the financial period during which they have incurred. Direct transaction costs related to a specified loan, are included in the original allocated acquisition costs of a financial liability and are noticed as interest costs by using the effective interest method. The unrealized and realized exchange rate differences relating to financing are recognized in financial income and expenses.

Revenue recognition principle

Interest income is recognized using the effective interest method or according to given market valuation. Interest income consists of interest revenue of guarantee capital investments, loan receivables and deposits as well as realized and unrealized revenues of other cash equivalents. Dividend income is recognized when the right to receive the dividend is established.

Financial income

EUR 1,000	2023	2022
Interest revenues	836	92
Changes in the fair value of financial assets	831	0
Exchange rate differences	266	440
Total	1,932	532

Financial expenses

EUR 1,000	2023	2022
Interest expenses	-405	-1,100
Interest expenses on lease liabilities	-441	-374
Exchange rate differences	-335	-761
Financial expenses on sale receivables	-1,283	-1,926
Other financial expenses	-496	-397
Total	-2,961	-4,557
Total exchange rate differences	-70	-321

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	2023	2022
Pension costs - Defined benefit plans	-427	4,539
Interest expense - Defined benefit plans	158	-77
Taxes - Defined benefit plans	54	-893
Total	-215	3,571

In 2022, the positive figure in pension costs is mainly due to capital guarantee investment, discount rate changes and reclassification according to IFRS 5.

1.9. Taxes

Accounting policy

Income taxes include taxes calculated based on the taxable profit for the period and change in deferred income tax receivables and liabilities. The current tax is measured using each country’s tax rates that have been enacted by the end of the reporting period or enacted later. The income taxes are noticed through profit and loss statement except when taxes relate to items noticed through comprehensive income or directly in equity. In such cases also the taxes are booked accordingly.

Deferred tax assets related to individual companies are recognized if it is probable, based on an evaluation, that the deferred tax assets can be utilized before the expiry of unused tax losses or unused tax-related credits and interests. Deferred tax assets are recognized to the extent that it is likely that taxable income will be created in the future, against which the temporary difference can be utilized. Deferred tax assets and liabilities are defined using tax percentage (and tax laws) that most probably are enacted when the asset is realized or otherwise benefited or the liability is paid. The tax is measured using each country’s tax rates of the reporting year or following year´s tax rates that have been enacted by the end of the reporting period.

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

EUR 1,000	2023	2022
Taxes payable on profit	-945	-1,343
Taxes from previous financial periods	0	-28
Deferred tax on temporary differences	333	210
Total	-612	-1,161

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

EUR 1,000	2023	2022
Result before taxes	35,096	10,139
Share of the result of associated companies and entries of the IAS 19 defined benefit plan in the income statement are presented after taxes	-191	4,005
Taxable result	35,287	6,134
Taxes calculated at the domestic tax rate	7,057	1,227
Effect of tax-exempt income	-6,639	-160
Effect of non-deductible expenses	60	2
Effect of different tax rates applicable to foreign subsidiaries	-5	8
Taxes from previous financial years/previously unused interest expenses	0	28
Other items	138	56
Taxes on the income statement	612	1,161

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, excluding possible own shares held by the company.
.
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.

	2023	2022
Profit from the financial period attributable to the shareholders of the parent company, EUR 1,000	34,483	8,978
Weighted average numbers of shares		
during the period (number)	5,983,210	5,972,856
Undiluted earnings per share	5.76	1.50
Weighted diluted average numbers of shares		
during the period (number)	5,983,210	5,972,856
Earnings per share adjusted for dilution	5.76	1.50
Earnings per share:		
Earnings per share attributable to the shareholders of the parent, continuing operations		
before dilution, EUR	5.14	0.92
after dilution, EUR	5.14	0.92
Earnings per share attributable to the shareholders of the parent, discontinued operations		
before dilution, EUR	0.62	0.58
after dilution, EUR	0.62	0.58
Earnings per share attributable to the shareholders of the parent		
before dilution, EUR	5.76	1.50
after dilution, EUR	5.76	1.50
Number of shares	5,983,210	5,972,856

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 or at fair value of business combination. 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 recognized 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 Group defines the interest rate for additional loan for each

subsidiary, taking into account the length of the lease agreement. The used interest rate effects on lease liabilities, the amount of fixed assets and division of depreciation and interest expenses. The lease liability is valued at amortized cost and effective interest is used.

- In cash flow statement, the new lease agreement is included in investments. Interest expenses and taxes are included in cash flow from operating activities. The change of lease liability is presented in its own row in cash flow for financing activities.
- 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 (EUR 5,000 or less). These rental agreements are booked as costs to the Income statement during the rental period.

The management uses its judgement when defining the interest rate for additional loan, which describes that interest rate the Group would have to pay when borrowing a similar amount of money under similar conditions in a similar economic environment.

Impairment of tangible assets

The Group evaluates yearly 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 recognized on buildings is EUR 0.9 (0.8) 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 1/1/2023	222	1,573	8,898	6	81	10,781
Increase	20	22	275	80	672	1,069
Decrease	0	-7	0	0	-208	-215
Transfers between items	0	0	16	80	-96	0
Exchange rate differences	15	91	44	6	6	163
Acquisition costs 31/12/2023	257	1,680	9,233	173	456	11,799
Accumulated depreciation and impairment 1/1/2023	0	334	7,507	3	0	7,846
Depreciation	0	60	266	25	0	351
Accumulated depreciation and impairment 31/12/2023	0	394	7,773	28	0	8,197
Book value 1/1/2023	222	1,240	1,392	108	81	2,938
Book value 31/12/2023	257	1,286	1,461	144	456	3,602

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Motor vehicles	Advance payments and acquisitions in progress	Total
Acquisition costs 1/1/2022	487	14,495	44,838	520	877	61,217
Increase	0	118	2,733	7	717	3,573
Decrease	-120	-5,306	0	-17	-5	-5,448
Transfer to assets classified for sale	-142	-7,480	-39,975	-502	-462	-48,561
Transfers between items	0	-254	1,299	0	-1,045	0
Exchange rate differences	-4	0	3	1	-1	0
Acquisition costs 31/12/2022	222	1,573	8,898	6	81	10,781
Accumulated depreciation and impairment 1/1/2022	0	3,007	34,237	412	0	37,659
Depreciation	0	617	2,541	55	0	3,214
Transfer to assets classified for sale	0	-2,333	-29,271	-464		-32,068
Decrease	0	-958	0	0	0	-958
Accumulated depreciation and impairment 31/12/2022	0	334	7,507	3	0	7,846
Book value 1/1/2022	487	11,488	10,601	108	877	23,556
Book value 31/12/2022	222	1,240	1,392	3	81	2,938

Right-of-use assets:

EUR 1,000	Machinery and equipment	Buildings	Total
Acquisition costs 1/1/2023	422	7,555	7,977
Increase	70	48	118
Decrease	-49	-22	-71
Acquisition costs 31/12/2023	443	7,581	8,024
Accumulated depreciation and impairment 1/1/2023	258	4,440	4,698
Depreciation for the period	46	377	423
Accumulated depreciation and impairment 31/12/2023	304	4,817	5,121
Book value 1/1/2023	164	3,115	3,278
Book value 31/12/2023	139	2,764	2,903

EUR 1,000	Machinery and equipment	Buildings	Total
Acquisition costs 1/1/2022	1,254	10,835	12,089
Increase	593	5,473	6,066
Transfers to assets classified for sale	-1,431	-8,758	-10,189
Exchange rate differences	6	5	11
Acquisition costs 31/12/2022	422	7,555	7,977
Accumulated depreciation and impairment 1/1/2022	704	7,211	7,915
Depreciation for the period	426	2,801	3,227
Transfers to assets classified for sale	-873	-5,702	-6,574
Impairment	0	130	130
Accumulated depreciation and impairment 31/12/2022	258	4,440	4,698
Book value 1/1/2022	550	3,624	4,175
Book value 31/12/2022	164	3,115	3,278

2.2. Intangible non-current assets

Accounting policy

Goodwill
Goodwill is recognized 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. Goodwill reflects expected future profits or synergy benefits from acquisitions.

No depreciation is recognized on goodwill, but goodwill is tested for impairment annually or more frequently, if necessary. For this purpose, goodwill is attributed to the units generating cash flow. Goodwill is valued at the original acquisition cost less impairment. Goodwill impairment losses are recorded with an impact on profit and loss and cannot be reversed later.

Research and development expenses
Research and development expenses are recognized in the income statement as expenses, except for development costs that meet the capitalization 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 recognized as expenses previously will not be capitalized later. Depreciation will start as soon as the asset is ready for use. The depreciation period is 3 to 10 years, during which capitalized expenses are depreciated on a straight-line basis and recognized 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 recognized in the balance sheet and recognized 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 recognized in the balance sheet and depreciated as expenses on a straight-line basis in the income statement over their useful lives. 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. 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 useful lives of intangible assets are:

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

Any gains or losses from the disposal of intangible assets are recognized in other operating income and expenses on the income statement.
The company records the usual cloud service arrangements as expenses. At the end of the financial year ERP systems are on company's own server and not in a cloud service solution. Research expenses are not capitalized.

EUR 1,000	Goodwill	Customer relations	Development expenses	Other intangible	Total
Acquisition costs 1/1/2023	0	3,757	0	2,959	6,716
Acquisition costs 31/12/2023	0	3,757	0	2,959	6,716
Accumulated depreciation and impairment 1/1/2023	0	940	0	2,564	3,502
Depreciation	0	376	0	192	568
Accumulated depreciation and impairment 31/12/2023	0	1,316	0	2,756	4,070
Book value 1/1/2023	0	2,817	0	395	3,213
Book value 31/12/2023	0	2,442	0	203	2,645

EUR 1,000	Goodwill	Customer relations	Development expenses	Other intangible	Total
Acquisition costs 1/1/2022	3,252	3,757	1,343	7,942	16,293
Tranfers to assets classified for sale	-3,252	0	-1,343	-4,982	-9,577
Acquisition costs 31/12/2022	0	3,757	0	2,959	6,716
Accumulated depreciation and impairment 1/1/2022	0	564	388	6,738	7,689
Depreciation	0	376	0	0	376
Tranfers to assets classified for sale	0	0	-388	-4,174	-4,562
Accumulated depreciation and impairment 31/12/2022	0	940	0	2,564	3,502
Book value 1/1/2022	3,252	3,193	955	1,204	8,604
Book value 31/12/2022	0	2,817	0	395	3,213

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.

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 the balance sheet values.

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

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 recognized when the book value of an asset is higher than the recoverable amount. The impairment loss is recorded 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 recognized, the useful life of the asset being depreciated is reassessed. An impairment loss recognized in 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 book value of the asset without recognition of the impairment loss. An impairment loss recognized in goodwill will not be 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.

2.3. Guarantee capital investments

Accounting policy

Long-term investments or investments where the repayment depends on the other party are recognized in non-current investments. Guarantee capital investments are long-term investments and they support Reka Pension fund's solvency.

Guarantee capital investment is a strategic investment in the Reka Pension fund and it is recognized at fair value through other items in comprehensive income. In Financial Statements 2023, guarantee capital investment's fair value is estimated to correspond to the amount of the original investment and to the amount of investment received through the sale of the shares of Reka Cables Ltd in 2023. The investment has been described in more detail in note 3.4. Related-party events.

In 2022 Reka Rubber Ltd made a guarantee capital investment of EUR 5.7 million and in 2019 Reka Cables Ltd made a guarantee capital investment of EUR 2.3 million in the Reka Pension Fund. The guarantee capital investment supports the solvency of the pension fund. The interest paid on the guarantee capital investment is 4 % p.a.

When Reka Cables Ltd joined Nexans Group at the end of April 2023, the EUR 2.3 million guarantee capital investment made by Reka Cables Ltd remained at the Reka Industrial Group.

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 utilized before the expiry of unused tax losses or unused tax-related credits.
Deferred tax assets are recognized to the extent that it is likely that taxable income will be created in the future, against which the temporary difference can be utilized.
In the notes on deferred taxes, the netted deferred tax assets and liabilities are presented separately In accordance with IAS 12.

Changes in deferred taxes during 2023:

EUR 1,000	
Deferred tax receivables 1/1/2023	**1,201**
Provisions	120
Deferred tax receivables on losses and unused interest costs	297
IFRS 16 right-of-use assets	42
, of which deferred tax receivable	44
, of which deferred tax liability	-2
Other items	-1
Deferred tax receivables 31/12/2023	**1,660**

EUR 1,000	
Deferred tax liabilities 1/1/2023	**-1,122**
Accumulated depreciation difference	31
Purchase price allocation	75
IAS 19 defined benefit pension receivable	-828
Other items	-159
Deferred tax liabilities 31/12/2023	**-2,003**

Changes in deferred taxes during 2022:

EUR 1,000	
Deferred tax receivables 1/1/2022	**2,525**
Provisions	48
Valuation of derivatives at fair value	104
Deferred tax receivables on losses and unused interest costs	-233
IFRS 16 right-of-use assets	180
, of which deferred tax receivable	197
, of which deferred tax liability	-17
IAS 19 defined benefit pension receivable	-995
Coil provision	-53
Credit loss provision	4
Adjustment of discontinued operations	-387
Other items	9
Deferred tax receivables 31/12/2022	**1,201**

EUR 1,000	
Deferred tax liabilities 1/1/2022	**-1,601**
Accumulated depreciation difference	-479
Valuation of derivatives at fair value	107
Purchase price allocation	796
IAS 19 defined benefit pension receivable	-470
Adjustment of discontinued operations	549
Other items	-24
Deferred tax liabilities 31/12/2022	**-1,122**

Confirmed losses of the Group companies expire in 2033 or later.
The assessment of deferred tax assets related to unused losses is based on the forecasts of separate companies, which have been subjected to sensitivity analyses.

2.5. Inventories

Accounting policy

Inventories are recognized 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

The Group regularly reviews inventories for obsolescence and turnover, and for a possible reduction in net realisable value below cost and recognizes 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	2023	2022
Materials and supplies	1,898	2,026
Production in progress	379	540
Finished products	1,538	1,879
Total	3,816	4,445

In 2023, a total of EUR 0.1 million (0.0) of impairments were realized.

2.6. Current receivables

Accounting policy

The IFRS 9 standard covers an accounting guidance model for expected credit losses and which is applied to the determination of impairments recorded on financial assets. The bad debt allowances are made based on age analysis and are represented as adjustments to the sales receivables.

EUR 1,000	2023	2022
Sales receivables	2,100	1,742
Other receivables	931	3,057
Total	3,031	4,799

Age distribution of sales receivables:

EUR 1,000	2023	2022
Undue	1,806	1,474
less than 30 days	135	191
less than 60 days	128	16
less than 90 days	0	11
more than 90 days	31	49
Total	2,100	1,742

Regarding open sales receivables the allowance of expected credit losses totalled EUR 21 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	2023	2022
EUR	2,642	3,454
PLN	389	1,346
Total	3,031	4,799

2.7. Financial assets

Accounting policy

Investment are recognized at fair value when the Group becomes party to the contract. The value of investments are updated using third-party market value reports.

Gains and losses arising from changes in fair value are recognized in financial income and/or expenses.

Money market deposits are recognized at nominal value in the balance sheet and interest revenue is recognized in interest receivables. Escrow accounts are recognized at nominal value.

Financial assets valid on 31 December 2023:

EUR 1,000	Positive current values	Negative current values	Current net values 2023	Current net values 2022	Nominal values 2023	Nominal values 2022
Investments						
Mandatum -funds	10,535		10,535	0	10,000	0
Lähi-Tapiola -funds	10,267		10,267	0	10,000	0
Aristoi -funds	3,028		3,028	0	3,000	0
Money market deposits	10,300		10,300	0	10,300	0
Escrow -account	4,000		4,000	0	4,000	0
Total	**38,131**	**0**	**38,131**	**0**	**37,300**	**0**

Investments included in financial assets have been valued using third-party market value reports (hierarchy level 2).

Funds are interest investments related to corporate loans and short-term interests. Aristoi -financial management is an investment portfolio including money market deposits, investments in bonds (companies and state) and other commodities. Withdrawal from the funds is possible within 2 banking days.

2.8. Cash and cash equivalents

EUR 1,000	2023	2022
Cash and bank	319	802

2.9. Shareholders' equity

The parent company's share capital by share series:

	2023		2022	
	Number	Shareholders' equity	Number	Shareholders' equity
		EUR 1,000		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), and the maximum number of B-shares is 9.6 million (9.6). 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.

The AGM 2023 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, 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 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 November 24, 2024. The authorization replaces the authorization given by the previous Annual General Meeting on April 6, 2022, 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, however not later than November 24, 2024. The authorization replaces the authorization given by the previous Annual General Meeting on April 6, 2022, for the handover of own shares.

	2023		2022	
	Number	EUR 1,000	Number	EUR 1,000
Own shares 1/1	47,504	174	79,253	287
Fee payments	-10,354	-38	-31,749	-113
Own shares 31/12	37,150	136	47,504	174

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 of Directors proposes to the Annual General Meeting that a dividend of EUR 2.00 per share will be paid for 2023. A dividend of EUR 0.20 per share was paid for the financial year 2022. In 2023, in addition to the dividend, a return of capital of EUR 0.20 per share was paid.

2.10. Provisions and contingent liabilities

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 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 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. With the payment the guarantee liability is reversed by the discounted amount of the year.

EUR 1,000	Product warranty provisions	Other provisions	Provision of unpaid purchase price	Total
Provisions 1/1/2023	394	0	1,895	2,289
+ Increase	0	2,310	200	2,510
- Used provisions	-293	0	-85	-378
Provisions 31/12/2023	**101**	**2,310**	**2,010**	**4,421**

EUR 1,000	Product warranty provisions	Other provisions	Provision of unpaid purchase price	Total
Provisions 1/1/2022	555	1,110	1,976	3,641
+ Increase	303	0	0	303
- Used provisions	0	0	-81	-81
Transfers to assets classified for sale	-465	-1,110	0	-1,575
Provisions 31/12/2022	**394**	**0**	**1,895**	**2,289**

When Reka Cables Ltd joined Nexans Group at the end of April 2023, the EUR 2.3 million guarantee capital investment made by Reka Cables Ltd remained at the Reka Industrial Group. In case that Reka Cables Ltd possibly leaves Reka Pension fund in the future, Reka Industrial Group will pay the possible exit fee. Related to the exit fee, a EUR 2.3 million provision is taken into account in the balance sheet.

2.11. 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 using effective interest method. Financial assets and liabilities recognized at fair value are valued based on market quotations.

EUR 1,000	2023	2022
Long-term financial liabilities valued at allocated acquisition cost		
Bank loans	0	8
Lease liabilities	4,818	5,171
Bond	0	7,230
Other loans	0	1,138
Total	4,818	13,547

EUR 1,000	2023	2022
Short-term financial liabilities valued at allocated acquisition cost		
Bank loans	650	3,556
Factoring liability	27	0
Lease liabilities	487	424
Total	1,163	3,980

The Group’s financing loans are whether fixed or Euribor or Wibor based. Lease contracts have fixed interest rates. The Group’s average interest rate on 31 December 2023 was 6.7 % (31 December 2022 5.6 %).

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

EUR 1,000	2023	2022
Less than 6 months	642	424
6 - 12 months	522	3,556
More than 12 months	4,818	13,547
Total	5,981	17,527

EUR 475 thousand of loans are denominated in PLN. All other loans are denominated in euro.

Maturing of lease liabilities:

EUR 1,000	2023	2022
Buildings		
Within 1 year	421	373
1 - 5 years	1,908	2,280
After 5 years	2,792	2,792
Total	5,121	5,445
Machinery and equipment		
Within 1 year	66	52
1 - 5 years	118	98
Total	184	150

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 rubber business.

2.12. Reconciliation of liabilities arising from financing

			Non-effected changes to cash flow			
EUR 1,000	1.1.2023	Cash flow	Acquisition	Exchange rate differences	Transfers to items held for sale	31.12.2023
Long-term liabilities	8,376	-8,547	0	172	0	0
Short-term liabilities	3,556	-5,552	0	93	2,581	677
Finance lease agreements	5,595	-1,013	724		0	5,305
Total financial liabilities	**17,527**	**-15,113**	**724**	**265**	**2,581**	**5,981**

			Non-effected changes to cash flow			
EUR 1,000	1.1.2022	Cash flow	Acquisition	Exchange rate differences	Transfers to items held for sale	31.12.2022
Long-term liabilities	14,422	-3,298	-947		-1,800	8,376
Short-term liabilities	6,525	3	793		-3,765	3,556
Finance lease agreements	6,555	-685	4,275		-4,550	5,595
Total financial liabilities	**27,502**	**-3,979**	**4,121**	**0**	**-10,114**	**17,527**

2.13. Accounts payable and other liabilities

EUR 1,000	2023	2022
Current financial liabilities valued at allocated acquisition cost:		
Accounts payable	1,388	2,914
Personnel expenses allocated by period	1,431	1,182
Accruals and deferred income	549	584
Other liabilities	358	448
Total	3,726	5,129

Accruals and deferred income consist of following items:

EUR 1,000	2023	2022
Accruals to Group companies	26	0
Accruals of interest and other financial items	0	46
Other accruals	524	538
Total	549	584

Non-interest-bearing current liabilities distributed by currency:

EUR 1,000	2023	2022
EUR	3,325	2,996
USD	11	0
PLN	391	2,132
Total	3,726	5,129

2.14. Pension liabilities

Reka Industrial Group's statutory TyEl responsibilities have been taken care of by Reka Pension Fund. The pension fund's management and board of directors are responsible for managing the pension fund's assets.

Change in the net defined benefit liability recognized in balance sheet during financial year

EUR 1,000	Present value of defined benefit obligations	Present value of assets related	Total
1/1/2023	**17,798**	**-22,069**	**-4,271**
Defined benefit pension cost recognized in Income statement			
Cost based on review period's work performance	565	0	565
Interest expense or income	441	-599	-158
	1,006	-599	407
Items due remeasurements			
Profit for assets related to arrangement (except items including in interest expense or income)	0	-1,548	-1,548
Gain (-) / loss (+) arising from changes in financial assumptions	-47	0	-47
Experiential gain (-) / loss (+)	-26	0	-26
	-73	-1,548	-1,621
Payments made by employer to arrangement	0	-138	-138
Acquisitions	-12,589	11,721	-867
Paid benefits	-127	127	0
31/12/2023	**6,015**	**-12,505**	**-6,491**

Change in the net defined benefit liability recognized in balance sheet during previous year

EUR 1,000	Present value of defined benefit obligations	Present value of assets related	Total
1/1/2022	**21,737**	**-16,758**	**4,979**
Defined benefit pension cost recognized in Income statement			
Cost based on review period's work performance	1,385	0	1,385
Interest expense or income	346	-269	77
	1,731	-269	1,462
Items due remeasurements			
Profit for assets related to arrangement (except items including in interest expense or income)	0	697	697
Gain (-) / loss (+) arising from changes in financial assumptions	-4,245	0	-4,245
Experiential gain (-) / loss (+)	682	0	682
	-3,563	697	-2,867
Payments made by employer to arrangement	0	-5,925	-5,925
Acquisitions	-1,920	0	-1,920
Paid benefits	-187	187	0
31/12/2022	**17,798**	**-22,069**	**-4,271**

Significant assumptions behind insurance mathematical calculations	2023	2022
Discount rate	3.65%	4.28%
Inflation	2.35%	2.60%
Increase of pensions	2.00%	2.70%

Sensitivity analysis, EUR 1,000

	Effect on pension liability	2023	2022
Discount rate			
	0.5 %-increase	-541	-525
	0.5 %-decrease	624	606
Pension increase			
	0.5 %-increase	597	583
	0.5 %-decrease	-544	-529
Life expectancy			
	1 year increase	169	162
	1 year decrease	-164	-157

Assets related to defined benefit plan are divided to categories as follows, %	2023	2022
Interest instruments	33.2 %	31.2 %
Equity instruments	33.6 %	27.0 %
Properties	27.5 %	37.2 %
Other instruments	5.7 %	4.6 %
	100.0 %	100.0 %

In addition to companies belonging to Reka Group, also Reka Cables Ltd and some related party companies of Reka Ltd have joined to Reka Pension Fund. Other companies also have the opportunity to join Reka Pension Fund. The assets of Reka Pension Fund are approximately EUR 43.1 million and pension liabilities are approximately EUR 34.2 million. Subsidiary Reka Rubber Ltd has made EUR 5.7 million guarantee capital investment and the Group has also 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 2024 total EUR 1.0 (2023: 4.2) million. Contributions in 2024 are based on 24.85 % pension contribution.

2.15. 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. The parent company's Board of Directors or the audit committee operating under the Board of Directors are 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. 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).

Interest rate risk
The Group's interest rate risks arise from borrowing. Leases have fixed interest rates. The reference rate for other external loans is 1- and 3-month Euribor as well as 1-month Wibor. On 31 December 2023 lease liabilities with fixed interest rates totalled to EUR 5.3 million. Liabilities with variable interest rates totalled to EUR 0.7 million.

On the closing date of the financial year, the Group's average financing rate for external loans was 6.7 percent (6.4). If the average interest rate had been 1 percentage point higher, it would have affected the Group's result before taxes by EUR -0.1 million (-0.2).

Commodity risk
The key raw material for the Rubber segment is rubber. There are no commodity derivatives in use in the Rubber segment. Price fixings are used to hedge the price of electricity.

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 optimizing circulation of working capital and controlling liquidity risk.

The financial covenants (Equity ratio and loan servicing margin) of the financing in the Polish subsidiary were met with at the balance sheet date. The Group has not other financial covenants.

EUR 1,000	Balance sheet value	Cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31.12.2023						
Repayable bank loans	8	8	8	0	0	0
Loan limits	642	642	642	0	0	0
Regression of sales receivables	26	26	26	0	0	0
Lease liabilities	5,305	7,071	823	1,560	2,154	2,534
Accounts payable and other liabilities	3,726	3,726	3,726	0	0	0
Total	9,707	11,474	5,226	1,560	2,154	2,534

EUR 1,000	Balance sheet value	Cash flow	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31.12.2022						
Repayable bank loans	2,409	2,409	2,400	8	0	0
Loan limits	881	881	881	0	0	0
Regression of sales receivables	274	274	274	0	0	0
Bond	7,230	7,230	0	7,230	0	0
Other loans	1,138	1,138	0	1,138	0	0
Lease liabilities	5,595	7,728	779	1,251	2,247	3,452
Accounts payable and other liabilities	5,139	5,139	5,129	10	0	0
Total	22,667	24,800	9,464	9,637	2,247	3,452

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

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 the Rubber segment, 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 receivables 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 14.9 %. 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. Investments are presented more in note 2.7.

2.16. 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.

2.17. Fair values of financial assets and liabilities

Investments included in financial assets have been valued using third-party market value reports (hierarchy level 2). Other cash and cash equivalents as well as receivables and liabilities are recognized 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 hierarchy levels of financial assets are presented in note 2.7. Fair values and those hierarchy levels of other items 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. Only Reka Cables Ltd had customer-specific hedges and therefore there are not any items subject to hedge accounting on the closing date of the financial year.

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, that are not recognized in the balance sheet, are presented in this note.

EUR 1,000	31/12/2023	31/12/2022
Loans from financial institutions	677	7,549
Bond	0	7,230
Granted business mortgages	1,800	27,800
Granted real estate mortgages	1,900	8,900
Book value of pledged securities	0	8,969
Granted guarantees	0	3,148
Guarantees and payment commitments	0	1,220

The amount of corporate mortgages on December 31, 2023 was EUR 1.8 million.
One million euros of corporate mortgages are held by the financier but available to the company if necessary.

Investment commitments
On December 31, 2023, the investment commitments for tangible fixed assets amounted to EUR 1.2 million (3.3).

Commitments to rental agreements less than 12 months or low value were on December 31, 2023, total EUR 0.1 million (0.9).

3.2. Group structure

The Reka Industrial Group's internal parent companies, subsidiaries, and associated companies 31.12.2023:

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 Rubber Ltd	Finland	Hyvinkää	100.00	100.00
Reka Rubber Polska SP Z.O.O.	Poland	Dopiewo	100.00	100.00
Alnus Ltd	Finland	Helsinki	100.00	100.00
Metsämarkka 1 Ltd	Finland	Hyvinkää	100.00	100.00

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:

1 000 euroa	1-12/2023	1-12/2022
Other purchases	-562	-847
Other income	7	5
Guarantee commissions	-18	-70
Sales receivables and other receivables at the end of the period	168	556

Reka Ltd has earlier guaranteed financing and other agreements of the Reka Industrial Group. Reka Industrial paid a guarantee commission for guarantees.

The Reka Industrial Group uses the Reka Group level finance and supporting systems as well as related licenses and virtual servers.

Transactions with the Reka Pension fund:

EUR 1,000	1-12/2023	1-12/2022
Purchase of real estate	0	6,200
Paid pension expenses	-1,494	-2,721
Rental expenses	-639	-289
Financial income	320	92
Financial expenses	0	-4
Guarantee capital investment	8,000	8,000
Other debts at the end of the period	47	240
Other receivables at the end of the period	27	92

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 have been processed in IFRS through benefit-based calculation.

In 2022 Reka Rubber Ltd made a guarantee capital investment of EUR 5.7 million and 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.

When Reka Cables Ltd joined Nexans Group at the end of April 2023, the EUR 2.3 million guarantee capital investment made by Reka Cables Ltd remained at Reka Industrial Group. In case Reka Cables Ltd would leave Reka Pension Fund in the future and if in such case Reka Pension Fund would charge any exit fee, the fee will be paid by Reka Industrial Group. Relating to the possible exit fee, there is an expense provision of EUR 2.3 million in the balance sheet of the Group.

Transactions with associated companies:

EUR 1,000	1-12/2023	1-12/2022
Sales		
Nestor Cables Ltd	0	21
Other purchases		
Nestor Cables Ltd	0	187
Leasing rents		
Riihimäen Kaapelitehdas Ltd	396	1,119

Nestor Cables Ltd was sold in July 2022.

Leasing rents to Riihimäen Kaapelitehdas Ltd consisted of rents paid by Reka Cables Ltd. Reka Cables Ltd belonged to the Reka Industrial Group until the end of April 2023.

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 Metsämarkka 1 Ltd.

Management fringe benefits and other related-party transactions:

EUR 1,000	2023	2022
Salaries and other short-term fringe benefits	952	829
Pension benefits, defined contribution plans	121	112
Total	1,073	940

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 2023:

- 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 50,000 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 May 2023, and the shares will be handed over in June 2023.

Due to Reka Industrial's ownership structure, member of the Board of Directors can be a 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 an important company project (financing, acquisition, contract).
The remuneration according to the target remuneration agreements of the management team members is included in the breakdown below.

Salaries and other fringe benefits by person:

EUR 1,000	2023	Of which paid by shares	2022
Salaries and fees:			
Poutanen Jukka, Managing Director	528		503
Tulander Sari, CFO / President and CEO	189		159
Board of Directors:			
Hyytiäinen Matti	25	10	25
Järvelä Ari	7	0	28
Kyllönen Olli-Heikki	6	0	25
Marttila Päivi	19	10	0
Raita Eeva	19	10	0
Rentto Markku E.	97	10	62
Saarinen Leena	44	20	28
Tolvanen Ville	19	10	0
Total	952	70	829

The amounts above include statutory pension insurances as follows: Jukka Poutanen EUR 89 thousand (EUR 85 thousand), Sari Tulander EUR 32 thousand (EUR 27 thousand).

Transactions with other related parties:

EUR 1,000	1-12/2023	1-12/2022
Rental incomes	10	8
Other purchases	17	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 financial period

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

Income statement of the parent company (FAS)

	Note	1/1-31/12/2023	1/1-31/12/2022
TURNOVER	1	839,816.96	2,030,280.92
Other operating income	2	151,158.34	129,156.30
Personnel expenses	3	-592,069.33	-414,752.46
Depreciation and impairment	4	-103,028.42	-75,533.16
Other operating expenses	5	-1,115,530.48	-1,158,030.06
OPERATING RESULT		-819,652.93	511,121.54
Financial income and expenses	6	20,052,063.00	1,000,742.00
RESULT BEFORE TAXES AND APPROPRIATIONS		19,232,410.07	1,511,863.54
Appropriations	7	2,490.02	-9,055.91
Taxes	8	-83,227.08	-179,640.66
RESULT FOR THE PERIOD		19,151,673.01	1,323,166.97

Balance sheet of the parent company (FAS)

	Note	31/12/2023	31/12/2022
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	239,393.57	255,758.78
Tangible assets	10	662,841.96	669,734.24
Other investments	11	7,885,202.64	7,885,202.64
		8,787,438.17	8,810,695.66
CURRENT ASSETS			
Non-current receivables	12	0.00	23,038,400.00
Current receivables	13	27,096,158.29	11,910,140.55
Other cash equivalents		23,830,587.74	0.00
Cash and cash equivalents		5,056.71	321,665.59
		50,931,802.74	35,270,206.14
ASSETS		59,719,240.91	44,080,901.80

	Note	31/12/2023	31/12/2022
SHAREHOLDERS' EQUITY AND 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		-136,380.06	-174,390.26
Retained profit		1,378,242.08	2,412,161.72
Other unrestricted equity		435,611.31	435,611.31
Result for the period		19,151,673.01	1,323,166.97
		46,198,240.92	29,365,644.32
ACCUMULATED APPROPRIATIONS	15	55,152.84	57,642.86
OBLIGATORY PROVISIONS	16	3,681,017.78	3,687,733.65
NON-CURRENT LIABILITIES	17	83,227.08	8,536,308.03
CURRENT LIABILITIES	18	9,701,602.30	2,433,572.94
SHAREHOLDERS' EQUITY AND LIABILITIES		59,719,240.91	44,080,901.80

Cash flow statement of the parent company (FAS)

	1/1-31/12/2023	1/1-31/12/2022
Cash flow from operating activities:		
Payments received from operating activities	11,251,847.58	995,910.55
Payments paid on operating activities	-816,217.08	-999,278.52
Paid interests and other financial expenses	-563,592.00	-648,487.71
Interests received and other financial income	11,040,952.93	563,620.01
Dividends received	39.56	400,051.52
Direct taxes paid	-201,609.64	-43,721.10
Cash flow from operating activities	**20,711,421.35**	**268,094.75**
Cash flow from investments:		
Investments in tangible and intangible fixed assets	-79,770.93	-305,082.94
Granted loans	-7,250,000.00	0.00
Loan repayments	22,660,194.89	2,326,000.00
Cash flow from investments	**15,330,423.96**	**2,020,917.06**
Cash flow from financing activities:		
Decrease in loans	-10,138,790.03	-1,444,444.00
Dividends paid and other distribution of profits	-2,389,076.42	-534,701.08
Cash flow from financing activities	**-12,527,866.45**	**-1,979,145.08**
Change in cash and cash equivalents	**23,513,978.86**	**309,866.73**
Cash and cash equivalents at the beginning of the period	321,665.59	11,798.86
Cash and cash equivalents at the end of the period	**23,835,644.45**	**321,665.59**

Notes to the parent company's 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).

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. Intangible rights are depreciated over a period of 5 years and 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. Realized and unrealized 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

	2023	2022
Turnover from consulting and management services	839,816.96	2,030,280.92
	839,816.96	2,030,280.92

2. Other operating income

	2023	2022
Rental income from others	148,860.24	129,156.30
Other income	2,298.10	0.00
	151,158.34	129,156.30

3. Personnel expenses

	2023	2022
Salaries and fees	535,668.37	380,537.13
Pension expenses	45,941.79	29,848.32
Other personnel expenses	10,459.17	4,367.01
	592,069.33	414,752.46
Of which		
Management's salaries and fees	288,634.15	25,019.44
Board of Directors' fees	235,677.94	166,822.04
	524,312.09	191,841.48

	2023	2022
Average number of staff	1	1

4. Depreciation and impairment

	2023	2022
Depreciation on intangible assets	16,365.21	4,626.15
Depreciation on machinery and equipment	3,510.87	3,510.83
Depreciation on other tangible assets	79,139.74	63,383.58
Depreciation on buildings	4,012.60	4,012.60
	103,028.42	75,533.16
Total depreciation and impairment	103,028.42	75,533.16

5. Other operating expenses

	2023	2022
Rents	209,660.67	198,823.67
Voluntary personnel expenses	2,151.78	3,194.66
Audit of the accounts	116,529.36	51,221.03
Consultant services	59,818.59	191,298.23
Sales and marketing	33,757.00	57,119.80
Machinery and property maintenance costs	150,518.99	157,877.27
Change in obligatory provisions	193,284.13	129,848.68
Other expenses	349,809.96	368,646.72
	1,115,530.48	1,158,030.06

Fees paid to the auditors

The amounts are included in other operating expenses	2023	2022
Annual audit of the accounts	48,500.00	37,693.03
Tax services	1,459.36	0.00
Certification services	46,610.00	13,528.00
Other services	19,960.00	0.00
	116,529.36	51,221.03

6. Financial income and expenses

Financial income	2023	2022
Dividend yield from Group companies	19,000,000.00	400,000.00
Dividend yield from others	39.56	51.52
Interest and financial income from Group companies	759,332.91	1,285,227.91
Interest and financial income from others	849,300.60	0.00
	20,608,673.07	1,685,279.43
Financial expenses		
Interest and financial expenses to Group companies	-10,000.01	-50,208.54
Interest and financial expenses to others	-546,610.06	-634,328.89
	-556,610.07	-684,537.43
Total financial income and expenses	20,052,063.00	1,000,742.00

7. Appropriations

	2023	2022
Change in cumulative accelerated depreciation	2,490.02	-9,055.91
Total appropriations	2,490.02	-9,055.91

8. Taxes on the income statement

	2023	2022
Income taxes	0.00	179,640.66
Change in deferred tax	-83,227.08	0.00
Taxes total	-83,227.08	179,640.66

NOTES TO THE BALANCE SHEET

9. Intangible assets

	2023	2022
Acquisition costs 1/1	267,438.03	197,703.03
Increase	0.00	69,735.00
Acquisition costs 31/12	267,438.03	267,438.03
Accumulated depreciation 1/1	-11,679.25	-7,053.10
Depreciation according to plan	-16,365.21	-4,626.15
Accumulated depreciation 31/12	-28,044.46	-11,679.25
Book value 31/12	239,393.57	255,758.78

10. Tangible assets

	2023	2022
Land and water areas		
Acquisition costs 1/1	29,685.00	29,685.00
Acquisition costs 31/12	29,682.00	29,685.00
Book value 31/12	29,685.00	29,685.00

Buildings	2023	2022
Acquisition costs 1/1	100,315.00	100,315.00
Acquisition costs 31/12	100,315.00	100,315.00
Accumulated depreciation 1/1	-18,391.09	-14,378.49
Depreciation according to plan	-4,012.60	-4,012.60
Accumulated depreciation 31/12	-22,403.69	-18,391.09
Book value 31/12	77,911.31	81,923.91

	2023	2022
Other tangible assets		
Acquisition costs 1/1	790,283.52	554,935.58
Increase	79,770.93	235,347.94
Acquisition costs 31/12	870,054.45	790,283.52
Accumulated depreciation 1/1	-232,158.19	-165,263.78
Depreciation according to plan	-82,650.57	-66,894.41
Accumulated depreciation 31/12	-314,808.76	-232,158.19
Book value 31/12	555,245.69	558,125.33

11. Other investments

	2023	2022
Acquisition costs 1/1	7,885,202.64	7,885,202.64
Acquisition costs 31/12	7,885,202.64	7,885,202.64

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

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

12. Non-current receivables

	2023	2022
Subordinated loan receivables from Group companies	0.00	13,600,000.00
Non-current interest receivables from Group companies	0.00	9,438,400.00
Total	0.00	23,038,400.00

13. Current receivables

	2023	2022
Sales receivables	3,052.50	5,209.30
Sales receivables from Group companies	0.00	575,261.44
Current loan receivables from Group companies	7,250,000.00	9,060,194.89
Interest receivables from Group companies	42,503.50	71,687.13
Accrued income from Group companies	427,591.74	545,464.59
Dividend receivables from Group companies	19,000,000.00	0.00
Other receivables	13,295.79	0.00
Accrued income	359,714.76	1,652,323.20
Total	27,096,158.29	11,910,140.55

Material items of accrued income:

	2023	2022
Accrued income from Group companies	427,591.74	545,464.59
Accrued accounts payable	158,059.51	142,438.22
Accrued financial expenses	0.00	149,878.04
Tax receivables	146,953.55	1,325,756.96
Other accrued income	54,701.70	34,249.98
Total	787,306.50	2,197,787.79

14. Shareholders’ equity

	2023	2022
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	-174,390.26	-287,308.00
Payments by own shares	38,010.20	112,917.74
Own shares 31/12	-136,380.06	-174,390.26
Retained profit 1/1	2,412,161.72	2,940,172.76
Payments by own shares	31,989.80	6,690.04
Dividends paid	-2,389,076.42	-534,701.08
Retained profit 31/12	1,378,242.08	2,412,161.72
Other unrestricted profit 1/1	435,611.31	435,611.31
Other unrestricted profit 31/12	435,611.31	435,611.31
Result for the period	19,151,673.01	1,323,166.97
Unrestricted equity 31/12	20,829,146.34	3,996,549.74
Shareholders' equity 31/12	46,198,240.91	29,365,644.32

Distributable unrestricted equity

	2023	2022
Other unrestricted equity fund	435,611.31	435,611.31
Retained profit	1,378,242.08	2,412,161.72
Net profit/loss	19,151,673.01	1,323,166.97
Total distributable unrestricted equity	20,965,526.40	4,170,940.00

The parent company's share capital by share series	Number	2023 Share capital	Number	2022 Share capital
		EUR 1,000		EUR 1,000
Series A (20 vote/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, 2023, the company held a total of 37,150 of its own shares (47,504 on December 31, 2022).

15. Accumulated appropriations

	2023	2022	Change
Difference between depreciation according to plan and depreciation in accordance with the Finnish Business Tax Act (EVL)	55,152.84	57,642.86	-2,490.02

16. Obligatory provisions

	2023	2022
Rental loss provision	881,017.78	887,733.65
Payment guarantee for the purchase price of premises (Avilon Fibres Ltd)	2,800,000.00	2,800,000.00
Total obligatory provisions	3,681,017.78	3,687,733.65

In 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), but it reversed back to guarantee obligation in 2023. The remaining amount of the guarantee on 31 December 2023 is EUR 2.8 million, which is paid annually by amounts of EUR 0.2 million until year 2035.

17. Non-current liabilities

	2023	2022
Green Bond	0.00	7,400,000.00
Other liabilities	0.00	1,136,308.03
Total	0.00	8,536,308.03

18. Current liabilities

	2023	2022
Bank loans	0.00	1,611,112.00
Accounts payable	82,453.74	502,541.23
Accruals and deferred income	53,264.78	224,353.59
Other current liabilities	7,635.69	79,248.89
Other current liabilities to Group companies	9,558,248.09	16,317.23
Total	9,701,602.30	2,433,572.94

Material items of accrued liabilities:

	2023	2022
Personnel expenses allocated by period	27,533.82	89,951.36
Tax liability	0.00	54,656.09
Other accrued liabilities	25,730.96	79,746.14
Total	53,264.78	224,353.59

19. Contingent liabilities

	2023	2022
Liabilities secured by mortgages	0.00	1,611,112.00
Guarantees given on own behalf or on behalf of subsidiaries	0.00	3,148,000.00
Granted business mortgages	0.00	7,714,411.16
Total	0.00	12,473,523.16

Lease liabilities

	2023	2022
Maturing within 1 year	212,534.88	208,223.52
Maturing in 1 to 5 years	850,139.52	832,894.08
Maturing after 5 years	1,416,899.20	1,596,380.32
Total	2,479,573.60	2,637,497.92

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 electric archive (Turuntie 11, 21380 Aura). Vouchers are preserved in electric form in cloud service offered by accounting system supplier.

During financial year 2023 the following voucher classes were used:

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 20,965,526.40, of which the result for the period is EUR 19,151,673.01. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 2.00 per share will be paid for 2023. A dividend of EUR 0.20 per share was paid for the financial year 2022. In 2023, in addition to the dividend, a return of capital of EUR 0.20 per share was paid.

Signatures of the Financial Statement and Board of Directors' report

Hyvinkää 12 March 2024

LEENA SAARINEN
Leena Saarinen
Chairperson

MATTI HYYTIÄINEN
Matti Hyytiäinen

PÄIVI MARTTILA
Päivi Marttila

EEVA RAITA
Eeva Raita

MARKKU E. RENTTO
Markku E. Rentto

VILLE TOLVANEN
Ville Tolvanen

SARI TULANDER
Sari Tulander
President and CEO

Auditor's note

We have issued the auditor's report today.

Helsinki 12 March 2024

KPMG Oy Ab
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 Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Reka Industrial Oyj (business identity code 0693494-7) for the year ended 31 December, 2023. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows 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 IFRS Accounting Standards 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.	— 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.

- The user rights in the sales-related IT systems are relatively extensive.

- We inspected the contents of the key 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.

The sale of Reka Cables Ltd and presentation as discontinued operations (Refer to Accounting policies for the consolidated financial statements)

- Reka Industrial sold the shares of Reka Cables Ltd to Nexans Group on 26 April 2023.
- The purchase price of the shares is EUR 53 million.
- On 10 November 2022, Reka Industrial signed an agreement with Nexans Group regarding the sale of all outstanding shares of Reka Cables Ltd. With the signing of the agreement, Reka Industrial's Cable segment ended and Reka Cables Ltd and

- We inspected the documentation related to the sales arrangement completed during the financial year and evaluated the accounting treatment of the transaction in relation to the applicable accounting principles.
- We assessed the classification, valuation and presentation of the discontinued operations in the consolidated statement of comprehensive income and in the notes to the consolidated financial statements.

its subsidiaries were classified as discontinued operations already at the financial statements of 2022.

- The transaction was conditional to the approval of the Extraordinary General Meeting and approvals of authorities. The Extraordinary General meeting approved the transaction on 15 December 2022. The authorities approved the transaction in April 2023.
- A sales profit of EUR 31,0 million has been recognised in the consolidated statement of comprehensive income and presented in other operating income as part of the discontinued operations.
- The result of discontinued operations is reported separately from the income and expenses of continuing operations in the consolidated income statement, for year 2023 for the period of four months, 1 January – 20 April 2023.
- Due to the significance of the Cable business we considered the accounting treatment and presentation of the transaction as a key audit matter.

- We tested the accuracy of the sales profit calculations prepared by management. We have also considered the impact of the transaction to the most significant balance sheet items.
- In addition, we evaluated the adequacy of the disclosures in relation to the sale of the business.

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 IFRS Accounting Standards 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 12 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 and the information included in the Annual Report, but does not include the financial statements or our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. 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 12 March 2024
KPMG OY AB
JUKKA RAJALA
Authorised Public Accountant, KHT

Reka Industrial Plc

Kankurinkatu 4–6

05800 Hyvinkää

info@reka.eu

www.rekaindustrial.fi