REKA INDUSTRIAL

Reka Industrial - Group

Financial statements and Board of Directors Report

1.1. – 31.12.2020

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Board of Director´s report

The Reka Industrial Group's turnover in 2020 was EUR 120.4 million (97.5 million). Its result for the full year was EUR 1.0 million (-1.4 million). EBITDA was EUR 9.4 million (4.8 million) and operating result was EUR 4.5 (0.4) million.

Major events during the financial year

Subsidiary Reka Cables received in January 2020 a substantial contract for underground power cables from Scandinavia. The total value of the contract is approximately EUR 9 million. The deliveries will be made during 2020-2022.

The company bought June 2020 all shares of Reka Rubber from the biggest shareholder, Reka Ltd. The purchase price, EUR 7.5 million, was paid by cash. According to the third-party expert fairness opinion, acquired by the independent committee of the Board of Directors, the price paid for the shares is fair from financial point of view for Reka Industrial Plc.

On 24th of June 2020, the AGM approved the corporate acquisition of Reka Rubber and the acquisition was implemented after the AGM on 25th of June 2020. The financial figures of Reka Rubber were consolidated to the Group figures as of 30 June 2020 as there was no significant difference between implementation and end of June figures. On the purchase price allocation, positive difference of EUR 0.4 million was formed and this amount was booked through consolidated income statement. The operating result include EUR 0.2 million of expenses relating the acquisition.

Via corporate acquisition the company formed a new business, rubber industry, adjacent to the cable industry. This is step from investment company to an industrial conglomerate.

The new Group is expected to benefit bigger size, different seasons of the businesses and sharing best practices. Different seasons of the businesses lessens the effects of seasonal fluctuations to the result of the company.

Extraordinary Shareholders Meeting held in November, accepted the name change. The company's business name was decided Reka Industrial Plc and the old business name remained as auxiliary business name.

Consolidated financial status and performance indicators

	2020	2019	2018
Turnover, EUR million	120.4	97.5	103.8
EBITDA, EUR million	9.4	4.8	3.5
Operating profit, %	3.8	0.4	1.0
Results for the period,	1.0	-1.4	-0.5
ROI, %	10.8	2.4	8.4
IAS 19 corrected Return on Equity, %	16.1	-14.3	-4.5
IAS 19 corrected Gearing, %	219.1	188.2	104.4
IAS 19 corrected Equity ratio, %	19.3	16.8	25.5
Earnings per share	0.16	-0.24	-0.09
Gross investments, EUR million	12.7	8.2	2.4

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

The Group joined the pension fund in 2015. Reka Industrial presents alternative key figures so that the effects of IAS 19 recognition of defined benefit pension liabilities are eliminated from the income statement and balance sheet items of the key figures to better monitor the development of operations. The items included in the operating result of the income statement have been changed in the 2020 reporting and the comparative information has been changed accordingly. The entries of the IAS 19 defined benefit plan in the income statement are presented below the operating result as a separate item before the share of the result of associated companies. In this way, the development of Reka Industrial's business can be better monitored.

On 31 December 2020, Reka Industrial Group companies entered into an arrangement to remove the defined benefit plan in accordance with IAS 19 by entering into an agreement with Reka Ltd whereby Reka Industrial Group companies pay a fixed (24%) pension contribution and are not liable for any other obligations arising from the operations, liabilities or financial situation of Reka Pension Fund. According to the management of Reka Industrial Group, this is a defined contribution plan, in which case a change will be made in 2021 IFRS reporting.

The company itself monitors the EBITDA ratio and thus it has been added to the 2020 reported alternative key figures. The comparative information has been added accordingly.

According to Reka Industrial´s interpretation of the ESMA guidelines the EBITDA, operating profit, IAS 19 corrected return on equity (ROE), IAS 19 corrected gearing, the IAS 19 corrected equity ratio, return on investment (ROI) and gross investments can be counted as alternative performance measures.

Calculation of key financial indicators:

$$\text{IAS 19 corrected Return on equity (ROE) \%} = \frac{\text{IAS 19 corrected result for the period}}{\text{Shareholders' equity excluding effects of IAS 19 bookings (average)}} \times 100$$

$$\text{IAS 19 corrected Equity ratio, \%} = \frac{\text{Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings}}{\text{Balance sheet total - advances received excluding effects of IAS 19 bookings}} \times 100$$

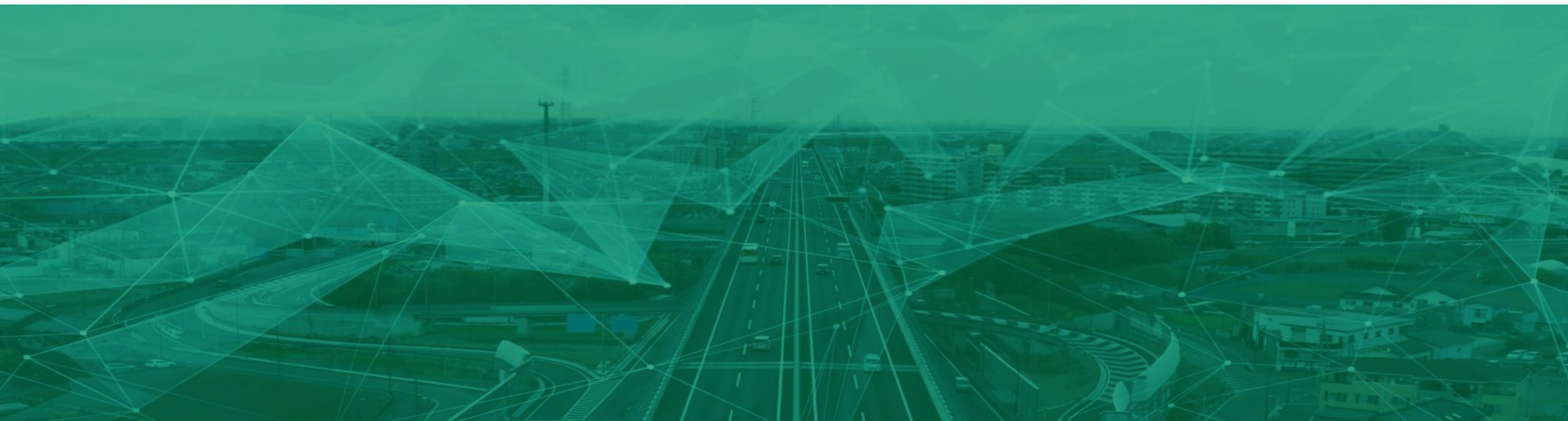
$$\text{IAS 19 corrected Gearing, \%} = \frac{\text{Interest-bearing liabilities - cash and cash equivalents, liquid financial and investment securities}}{\text{Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings}} \times 100$$

$$\text{Return on investment (ROI) \%} = \frac{\text{Profit before taxes + interest and other financial expenses}}{\text{[Balance sheet total - obligatory provisions and non-interest-bearing liabilities] (average)}} \times 100$$

Operating profit = the net amount formed when from the net sales are deducted the purchase costs adjusted by the change in the stocks of non-finished and finished goods as well as expenses for production for personal use. Also deducted from the net sales are personnel expenses without IAS 19 defined benefit pension arrangements related items, depreciation, amortization and any impairment losses arising. Also, other operating income and expenses are taken into account.

Gross investments = New investments made to tangible and intangible assets and Right of Use assets

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



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

EUR 1,000	2020	2019	2018
Result for the period	957	-1,440	-527
IAS 19 eliminations	895	-2	507
Result for the period in IAS 19 adjusted Performance Measures	1,852	-1,443	-20
IAS 19 effect on non-interest-bearing liabilities	3,666	3,870	4,107
IAS 19 effect on Shareholders' equity	-2,933	-2,731	-3,441
IAS 19 effect on Balance sheet total	733	1,138	665
Shareholders' equity in Financial statements	11,066	6,962	8,170
IAS 19 eliminations	2,933	2,731	3,441
Shareholders' equity in IAS 19 adjusted Performance Measures	13,999	9,694	11,612
Balance sheet total in Financial Statements	73,150	58,942	46,278
IAS 19 eliminations	-733	-1 138	-665
Balance sheet total in IAS 19 adjusted Performance Measures	72,417	57,804	45,613

Balance sheet and financing

At the end of the financial year the interest-bearing liabilities were EUR 33.5 (25.0) million, of which other than finance lease liabilities were EUR 25.6 (15.6) million. Some of the interest-bearing liabilities involve financial covenants, all of which were fulfilled at the balance sheet date. More information about the covenants is provided in the notes of the consolidated financial statements. In the end of the financial period the balance sheet total stood at EUR 73.2 million (58.9).

Reka Industrial Plc bought in June 2020 all shares of Reka Rubber. The purchase price, EUR 7.5 million, was paid by cash. The purchase was funded by EUR 7.5 million bank loan. Reka Rubber was consolidated to the Group figures as of 30 June 2020.

The Group arranged the ownership of real estate situating in Keuruu. Reka Industrial Plc bought the real estate by using purchase option of related sale and lease agreement. Purchase price due purchase option was EUR 1.0 million. Reka Industrial Plc sold the real estate further to Reka Pension fund with fair value of EUR 2.3 million. 10-year rental agreement was made with Reka Pension fund relating the real estate. The fair value of the real estate was defined by third party experts. With the funding occurred due arrangements, Reka Industrial paid back its short-term loan EUR 1.2 million. The arrangement did not have significant result effect.

Subsidiary Reka Cables did EUR 2.3 million guarantee capital investment into Reka Pension fund. The arrangement is described more in detail in the notes in the consolidated financial statements.

At the end of the year 2019, Reka Industrial Plc successfully issued EUR 10 million in senior secured green bonds (the Bonds). The tenor of the euro-denominated Bonds is five (5) years, with maturity date falling on the 6th of December 2024. The Bonds carry a fixed annual coupon at 6.00 per cent, payable annually on the 6th of December.

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

COVID-19

The COVID-19 pandemic has not affected to the market demand in the cable business. However, COVID-19 pandemic restricted the growth during the second quarter of the year. COVID-19 has caused additional costs and delivery delays as personnel has been more than usual on sick leave to eliminate the possible infection risk. The additional costs due COVID-19 pandemic is estimated to stress operating result of cable business EUR 0.6 - 0.9 million. The additional costs have arisen from increased sick leave, overtime to replace them and additional staff, as well as increased freight costs due to the efforts to minimize delays due to sick leave through small and express deliveries.

In rubber business the COVID-19 pandemic has affected the customer demand. The volumes of part of the customers have been lower than usual due to whether the market demand of the customer, delivery problems of other suppliers, temporal closing of factories or combination of these factors.

COVID-19 pandemic has not significantly affected to the material procurement of cable nor rubber businesses. So far COVID-19 pandemic has not affected to the payment behaviour of the customers.

Business acquisitions

Reka Industrial Plc bought June 2020 all shares of Reka Rubber from the biggest shareholder of Reka Industrial, Reka Ltd. The purchase price, EUR 7.5 million, was paid by cash. On 24th of June 2020, the AGM approved the corporate acquisition of Reka Rubber and the acquisition was implemented after the AGM on 25th of June 2020. The financial figures of Reka Rubber were consolidated to the Group figures as of 30 June 2020 as there was no significant difference between implementation and end of June figures. On the purchase price allocation, positive difference of EUR 0.4 million was formed and this amount was booked through consolidated income statement in June 2020. The operating result include EU 0.2 million of expenses relating the acquisition.

Reka Rubber is one of the leading European manufacturers of small and medium-sized rubber components to the heavy vehicle and machine building industries. Reka Rubber has manufacturing units in Finland (Aura) and in Poland (subsidiary in Dopiewo). In addition to that the rubber products are manufactured in Asia through the subcontracting network managed by Reka Rubber.

Via corporate acquisition the company formed a new business, rubber industry, adjacent to cable industry

Segments

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

Cable segment

The Cable segment’s turnover was EUR 111.2 million (97.4). EBITDA was EUR 10.0 million (5.1 million).

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

The industry's key raw materials are copper, aluminum and plastics. During the review period, price fluctuations for copper and aluminum have been significant.

At the beginning of the year the price of copper was EUR 5,481 per tonne and the price of aluminum was EUR 1,603 per tonne. At the end of the December 2020, the price of copper was EUR 6,308 and the price of aluminum EUR 1,612.

At its highest point, the daily price of copper during the review period was EUR 6,499 per tonne in December, and at its lowest in March, at EUR 4,283 per tonne. The price of aluminum has been at its highest in December, when it was EUR 1,709 per tonne, and its lowest in April, when it was EUR 1,308 per tonne.

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

Investments fulfilled, EUR 4.9 million (8.2 million in 2019) were targeted at developing new products, and improving productivity, material- and energy efficiency.

Turnover for Nestor Cables Group, an associated company in the segment, was in 2020 EUR 32.0 million (31.5). The operating result was positive and better than year before. Nestor Cables' equity turned positive and the profit share of EUR 0.4 million has been taken into Groups result and in the balance sheet value of the associated company.

Rubber segment

Reka Rubber was consolidated to the Group as of 30 June 2020. The rubber segment's turnover in the Group was EUR 9.2 million and EBITDA was EUR 0.2 million. EBITDA is burdened by EUR 0.1 million of expenses relating the acquisition.

COVID-19 pandemic has affected rubber industry's volumes. Customers production plants have mainly opened now.

Major events after the review period

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

Share price and trading volume

In 2020, a total of 1,821,180 (961,796 in 2019) of Reka Industrial's B shares were traded on NASDAQ Helsinki for a total of EUR 5.1 million (2.0), representing 31.0 (16.4) percent of total number of the shares. At the end of trading on 31 December 2020, the share price was EUR 3.52 (2.04 31.12.2019), and the average share price for 2020 was EUR 2.79 (2.12). The lowest quotation in 2020 was EUR 1.81 (1.72) and the highest quotation was EUR 4.10 (2.50). The company´s market capitalization was valued at EUR 20.9 million (12.2 31.12.2019) on 31 December 2020.

Group structure and shareholders

Reka Industrial Plc is the parent company of the Group, which includes the Reka Industrial fully owned subsidiary Reka Rubber Ltd and Alnus Ltd and its subsidiaries and associated companies. The parent company is domiciled in Hyvinkää. On 31 December 2020, Reka industrial had 10,837 shareholders (10,869). The largest shareholder, Reka Ltd, held 50.7 percent (50.8) of the shares and 65.8 percent (65.8) of the votes. Reka Industrial Plc is therefore part of the Reka Group. Reka Ltd is domiciled in Juupajoki.

On 31 December 2020, the combined holding of the ten largest shareholders was 56.4 percent (56.1 on 31 December 2019) of the shares and percent 69.7 (69.5 31 December 2019) of the votes.

The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,963,648 (2,958,529) of Reka Industrial´s B shares on 31 December 2020.

Risks and uncertainty factors

Reka Industrial’s financial risks include currency, interest rate, commodity, liquidity, credit, and investment risks. Financial risks and the related protection measures are described in more detail in notes to the financial statements. The company’s future risk factors are related to the development of its business segments.

In the cable segment, the most significant risks are related to market development, fluctuations of raw material prices and currencies as well as working capital management in various situations. During considerable seasonal changes, suppliers’ terms of payment effect significantly on the ability to ensure competitive delivery times through sufficient inventories. Also, operation models are being developed to balance out the effects of seasonal changes on the load rates of factories. In cable business, COVID-19 pandemic has caused extra costs and delivery delays. It is difficult to estimate the effect of the pandemic for the future. The additional costs are expected to continue in 2021.

In the cable segment the key raw materials are metals (copper and aluminum) and plastics. In the metals purchases partial price hedging is used with the aid of commodity derivatives. Important with metals are the development of both the dollar-denominated price and the USD / EUR exchange rate. Currency hedges are also made for the main selling currencies. Partial price fixing is used with electricity.

The financial situation in euro area and political uncertainties may have effect on purchase amount of the customers in rubber business as well to the start of new projects. COVID-19 pandemic has affected to the purchase amounts in customers and it is difficult to estimate the effect of pandemic for the future. COVID-19 pandemic is expected to have negative effect on purchase amounts of the customers also in 2021. Due

COVID-19 pandemic the rubber business got EUR 100 thousand support from Business Finland to develop its products, marketing, and competitiveness. The development measures ongoing.

The trade sanctions of USA increase of customs tariffs for the products as well Brexit can have negative effect on customer volumes in rubber industry. Also, the increased competition by Asian actors in euro area can have effect on customer's purchase decisions.

The Group has carried out and is carrying out the simplifications of the Group structure with mergers. Tax authority has questioned the tax neutrality of the subsidiary merge carried out in 2015. Reka Industrial has filed for changes in its tax assessment notice. Reka Industrial has the opinion that the merge is universal succession and therefore tax neutral. The difference of opinion of the Reka Industrial and tax authority is EUR 1.2 million.

Research and development

The Group invested a total of EUR 1.1 million in research and product development (EUR 0.3 million in 2019). The investments were allocated EUR 1.0 million to the Cable Segment and EUR 0.1 million to the Rubber Segment. The Rubber segment has been included since June 30, 2020. During the financial period, total of EUR 0.3 million (EUR 0.2 million in 2019) of the development costs of new products and product families were activated in the balance sheet.

Personnel

During the financial year, the Group employed an average of 386 people (247 in 2019 and 251 in 2018). At 31 December of 2020, the Group employed 520 (245 in 2019 and 252 in 2018) people, of whom 270 (244 in 2019 and 252 in 2018) worked in the Cable segment , 249 in the Rubber segment and 1 (1 in 2019 and 0 in 2018) in Group administration. The Group paid a total of EUR 15.5 million (10.7 million in 2019 and 11.3 million in 2018) in performance-based salaries and fees in 2020. The Rubber segment has been included since June 30, 2020.

Environment

Caring for the environment and continuous improvement are part of daily operations in Reka Industrial. Reka Cables´ environmental management system is certified according to ISO 14001 standard. Reka Rubber's environmental management system is certified with IASO 14001 since 2007. Reka Rubber has had an environmental permit since 2007.

Decisions of Annual General Meetings

The Annual General Meeting

The Annual General Meeting was held on 24 June 2020, in Hyvinkää.

The AGM approved the financial accounts for the 2019 accounting period and granted the Company's Board and the Managing Director discharge from liability for the 2019 accounting period.

The AGM resolved, in accordance with the Board's proposal, that no dividends will be paid for the financial year 2019 and profit EUR 1,068,591.57 of 2019 will be transferred to the profit / loss account of previous financial years.

The AGM decided to accept the remuneration policy for governing bodies.

The AGM approved the proposed annual remuneration of EUR 10,000 for the members of the Board of Directors, EUR 12,500 for the chairman of the Board and an attendance remuneration of EUR 600 per each meeting for the Board and the committees. The AGM approved that the members of the Board are compensated for their travel expenses.

Circa 40 per cent of the annual remunerations will be paid with the shares of the company. Transfer to the shares is made by using the average share price of Reka Industrial Plc's B-share in May 2020 and the shares will be handed over in June 2021.

The AGM resolved that the members of the Board be paid a bonus based on the development of the company's B share price, the amount of which is EUR 1,000 for the chairman of the Board and EUR 500 for the ordinary members of the Board, multiplied by annual return based on the share price development of Reka Industrial Plc's class B share (average share price in May 2021 – average share price in May 2020). Should the annual return exceed 50 per cent, the bonus shall be paid in accordance with 50 per cent. So the highest multiplier when counting remuneration is 50. Circa 40 per cent of the bonuses 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 2021, and the shares will be handed over in June 2021.

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 four (4) and re-elected the following persons to the Board: Markku E. Rentto, chairman; Jukka Koskinen, deputy chairman and Marjo Matikainen-Kallström and Ari Järvelä as 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 Leenakaisa Winberg as responsible auditor, as the Company's auditor for a term that expires at the end of the Annual General Meeting of 2021.

The AGM approved, in accordance with the shareholders' proposal, that company's Articles of Association 14 § to be changed as follows:

14 § Notice of general meeting and registration
Notice of the General Meeting shall be published on the Company's website no earlier than three (3) months before the record date of the General Meeting and not later than three (3) weeks prior to the record date, nevertheless, always at least nine (9) days prior mentioned record date. In order to attend the General Meeting, a shareholder must register with the Company no later than on the date specified in the notice of the meeting, which may be at least ten (10) days prior to the meeting.

The AGM approved, in accordance with the Board's proposal, the corporate acquisition, where company is buying all the shares of Reka Rubber Ltd ("Reka Rubber") from the biggest shareholder of Reka Industrial Plc, Reka Ltd. The corporate acquisition is implemented on June 25 2020.

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

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

The AGM authorized, in accordance with the Board of Director's proposal, the Board of Directors to take the Company's own shares as pledge from Reka Ltd as collateral of possible compensation responsibility according to the terms of the sale and purchase agreement. Taking the shares as pledge is implemented latest in connection with implementation of the corporate acquisition according to the terms of the pledge agreement. No remuneration is paid from shares taken as pledge. Taking shares as pledge does not effect on the equity of the Company.

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

The authorization of acquiring and taking own shares as pledge is proposed to remain in force until the next Annual General Meeting, however no longer than 18 months.

The maximum number of class B shares acquired or taken as pledge in total is 588,076. The proposed 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.

For the possible realization of the own shares taken as pledge The AGM authorized, in accordance with the Board of Director's proposal, the Board of Directors to decide on the handover of its own shares in one or more batch, with or without compensation. The maximum number of class B shares acquired or taken as pledge in total is 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. Authorization will be valid until 30 September 2021.

Extraordinary Shareholder Meeting

The Extraordinary Shareholders' Meeting of Reka Industrial Plc was held on 24 November 2020, in Hyvinkää.

The Extraordinary Shareholders' Meeting decided to accept in accordance with the shareholders' proposal to amend the Articles of Association 1 § Business Name as follows:

1 § Business name
The company's business name is Reka Industrial Oyj, in English Reka Industrial Plc.

The Extraordinary Shareholders' Meeting decided to accept in accordance with the shareholders' proposal to amend the Articles of Association 3 § Line of Business as follows:

3 § Line of Business
The company's line of business is to create and implement the Group's strategy and to plan and implement financially appropriate investments directly or through its subsidiaries. The company's line of business is to carry out manufacturing and other business related to the electrical and technical rubber industry, as well as research and development activities, either directly or through its subsidiaries or associated companies. The company is also in charge of owning and managing shares, stakes, securities and other assets, supervising the operations of its subsidiaries and associated companies and other business units, and providing centralized operational, strategic, administrative, financial, risk management, financial management and other services for its' subsidiaries and associated companies. The Company may also engage in financing activities, and acquire, own, manage, lease and trade in real estate, securities and other financial instruments. Activities can be operated both in Finland and abroad. The company may also carry on its business under its auxiliary business names.

The Extraordinary General Meeting decided on the remuneration of the members of the Board of Directors and the committee members as follows:

The performance bonus of the Board members decided by the Annual General Meeting on June 24 is valid until November 24, 2020. From June 24, 2020 to November 24, 2020, the members of the Board of Directors will be paid a performance bonus of EUR 1,000 for the Chairman of the Board and EUR 500 for the members of the Board, multiplied by the development of Neo Industrial Plc's B share price (October 2020 average exchange rate - May 2020 average exchange rate).

Circa 40 per cent of the performance bonus will be paid with the shares of the company. Conversion into the shares is made by using weighted average price of the company's B share in October 2020 and the shares will be handed over in December 2020.

The annual remuneration of the members of the Board of Directors decided by the Annual General Meeting on June 24 is valid until November 24, 2020. As of November 25, 2020, the annual remuneration (12 months) of the members of the Board of Directors is EUR 18,000 and that of the Chairman of the Board EUR 25,000. Members of the Board are compensated for their travel expenses.

Circa 40 per cent of the annual remunerations will be paid with the shares of the company. Conversion into the shares is made by using weighted average price of the company's B share in December 2020 and the shares will be handed over in April 2021.

The Extraordinary Shareholders' Meeting approved the annual remuneration of EUR 2,500 for the committee members. No separate meeting fees to be paid.

The Extraordinary Shareholders' Meeting approved, in accordance with the shareholders’ proposal, that the number of members of the Board shall be fife (5) and re-elected the following persons to the Board: Markku E. Rentto, chairman; Ari Järvelä, deputy chairman and Marjo Matikainen-Kallström as members of the Board. The Extraordinary Shareholders' Meeting approved, in accordance with the shareholders’ proposal, Matti Hyytiäinen and Olli-Heikki Kyllönen as new members of the Board. No deputy members were elected.

Audit committee

The audit committee is responsible for monitoring the company´s financial situation and financial reporting. It is also responsible for evaluating internal control and risk management as well as compliance with legislation and regulations. Moreover, the committee communicates with the auditor and reviews the auditor´s reports. The audit committee reports to the Board of Directors. The members of Reka Industrial Plc´s audit committee are Marjo Matikainen-Kallström and Ari Järvelä. In 2020, Reka Industrial´s audit committee reviewed business risks, balance sheet values, financing and liquidity, test calculation procedures, the consolidation of Reka Rubber and the allocation of the purchase price. In guidance to internal audit measures the emphasis was on ensuring going concern and both process and ICT risk management played major role.

Corporate governance statement

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

Shares and share capital

Reka Industrial Plc´s share capital is divided into A and B shares. At the end of 2020, its total share capital was EUR 24,081,440, and the number of shares was 6,020,360. The total number of shares includes 53,572 B shares held by Reka Industrial Plc. The holding presents 0.9 percent of the company´s share capital and 0.6 percent of the votes. The company held no A shares. Reka Industrial Plc´s B shares (REKA) are listed on the exchange list of NASDAQ Helsinki.

Company shares	31/12/2020	31/12/2019	31/12/2018
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	53,572	68,610	72,439

Acquisition and transfer of the company´s own shares

On 31 December 2020, the company held a total of 53,572, 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 2020, Reka Industrial Plc has paid remuneration and incentives to the Board of Directors with shares, totalling to 15,038 shares.

Dividend policy

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

Dividend proposal

The parent company's unrestricted equity stood at EUR 3,032,499.82 including the result of the review period EUR 193,536.54. The Board proposes to the Annual General Meeting that dividend of EUR 0,05 will be paid for 2020. No dividends were paid for 2019.

Near-term outlook

In 2021 EBITDA (EUR million) is expected to be stay the same or improve, provided that predominant conditions due COVID-19 pandemic will not substantially affect to the company's capability to deliver.

Annual general meeting 2021

Reka Industrial Plc's Annual General Meeting will be held in Hyvinkää on 8 April 2021 at 2.00 pm. A separate notice will be published in March.

Hyvinkää, 10 March 2021

Reka Industrial Plc
Board of Directors

Consolidated income statement (IFRS)

EUR 1,000	Note	1/1-31/12/2020	1/1-31/12/2019	
TURNOVER	1.1.	**120,436**	**97,478**	
Change in inventories of finished products and production in progress		2,439	-2,461	
Production for own use		268	8	
Other operating income	1.2.	1,180	280	
Materials and services		-87,667	-70,524	
Personnel expenses	1.3.	-18,261	-13,821	*
Depreciation and impairment	1.4.	-4,908	-4,384	
Other operating expenses	1.5.	-8,954	-6,161	
		-115,903	-97,064	
Operating result		**4,533**	**414**	*
Financial income	1.7.	124	106	
Financial expenses	1.7.	-3,246	-2,524	*
IAS 19 defined benefit pension arrangements related items	1.8.	-895	2	*
Share of the result of associated companies		371	114	
Result before taxes		**888**	**-1,888**	
Taxes	1.9.	70	447	*
Result for the period		**957**	**-1,440**	
Profit or loss attributable to				
Shareholders of the parent		957	-1,440	
Non-controlling interests		0	0	
		957	-1,440	
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	1.10.	0.16	-0.24	
Number of shares		5,966,788	5,951,750	

Consolidated statement of comprehensive income (IFRS)

Result	957	-1,440
Other comprehensive items that may subsequently reclassified to statement of income		
Translation differences related to foreign units	-50	-14
Change in the value of open customer derivatives	391	180
Taxes of items that may subsequently reclassified to statement of income	-78	-36
Total	263	130
Other comprehensive items that are not subsequently reclassified to statement of income		
Items related to remeasurements of net defined benefit liability	3,566	234
Taxes of items that are not subsequently reclassified to statement of income	-713	-47
Total	2,853	188
Other comprehensive items total	**3,116**	**317**
Total comprehensive income	4,073	-1,123
Total comprehensive income attributable to		
Shareholders of the parent	4,073	-1,123
Non-controlling interests	0	0
	4,073	-1,123

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

Consolidated balance sheet (IFRS)

EUR 1,000	Note	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
Goodwill	2.2.	3,252	3,252
Other intangible assets	2.2.	5,991	1,476
Tangible assets	2.1.	23,097	16,321
Right-of-use assets	2.1.	5,637	8,193
Holdings in associates	2.3.	1,302	930
Receivables	3.4.	2,320	71
Derivative contracts	2.14.	138	0
Deferred tax assets	2.4.	2,498	2,608
Total non-current assets		**44,235**	**32,851**
Current assets			
Inventories	2.5.	19,918	13,832
Sales receivables and other receivables	2.6.	5,517	5,272
Tax receivables from the profit for the financial year		202	0
Derivative contracts	2.14.	463	204
Cash and cash equivalents	2.7.	2,815	6,784
Total current assets		**28,915**	**26,092**
Total Assets		**73,150**	**58,943**
SHAREHOLDERS' EQUITY AND LIBILITIES			
Shareholder's equity			
Share capital		24,082	24,082
Premium fund		66	66
Reserve fund		1,221	1,221
Own shares		0	0
Translation differences		-94	-45
Retained profit		-14,646	-18,798
Other unrestricted equity		436	436
Equity attributable to shareholders of the parent		**11,066**	**6,963**
Non-controlling interest		0	0
Total shareholders´ equity	2.8.	**11,066**	**6,963**
Non-current liabilities			
Deferred tax liabilities	2.4.	1,656	55
Provisions	2.9.	3,446	3,250
Financial liabilities	2.10.	18,363	12,561
Lease liabilities	2.10.	6,224	7,595
IAS19 pension liability		3,666	3,870
Other liabilities		37	11
Derivative contracts	2.14.	2	14
Current liabilities			
Tax liabilities from the profit		70	62
Provisions	2.9.	104	27
Financial liabilities	2.10.	7,225	3,004
Lease liabilities	2.10.	1,679	1,867
Derivative contracts	2.14.	203	184
Accounts payable and other liabilities	2.12.	19,409	19,480
Total liabilities		**62,085**	**51,980**
Shareholders' equity and liabilities		**73,150**	**58,943**

Consolidated statement of changes in shareholders´ equity (IFRS)

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Pension liability IAS 19	Fair value fund	Other unrestricted equity	Retained profit	Shareholder´s equity to the shareholders of the parent	Non-controlling interests	Total shareholders´ equity
Shareholders’ equity 31/12/2018	24,082	66	1,221	0	-30	-2,081	-139	436	-15,383	8,170	0	8,170
Comprehensive income												
Result for the period									-1,440	-1,440	0	-1,440
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						188				188		188
Derivatives							144			144		144
Translation differences					-14					-14		-14
Total comprehensive income					-14	188	144		-1,440	-1,123	0	-1,123
Other changes									16	16		16
Transactions with the owners												
Dividends paid									-119	-119		-119
Payments by own shares									17	17		17
Total transactions with the owners									-102	-102	0	-102
Shareholders’ equity 31/12/2019	**24,082**	**66**	**1,221**	**0**	**-45**	**-1,893**	**4**	**436**	**-16,909**	**6,963**	**0**	**6,963**

EUR 1,000	Share capital	Premium fund	Reserve fund	Own shares	Translation differences	Pension liability IAS 19	Fair value fund	Other unrestricted equity	Retained profit	Shareholder´s equity to the shareholders of the parent	Non-controlling interests	Total shareholders´ equity
Shareholders’ equity 31/12/2019	24,082	66	1,221	0	-45	-1,893	4	436	-16,909	6,963	0	6,963
Comprehensive income												
Result for the period									957	957	0	957
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						2,853				2,853		2,853
Derivatives							313			313		313
Translation differences					-50					-50		-50
Total comprehensive income					-50	2,853	313		957	4,073	0	4,073
Other changes									0	0		0
Transactions with the owners												
Payments by own shares									32	32		32
Total transactions with the owners									32	32	0	32
Shareholders’ equity 31/12/2020	**24,082**	**66**	**1,221**	**0**	**-94**	**960**	**317**	**436**	**-15,920**	**11,066**	**0**	**11,066**

Consolidated cash flow statement (IFRS)

EUR 1,000	1/1-31/12/2020	1/1-31/12/2019
Cash flows from operating activities		
Payments received from operating activities	124,480	96,851
Payments paid on operating activities	-118,905	-86,325
Paid interests and other financial expenses	-3,137	-2,561
Interests received and other financial incomes	1	26
Direct taxes paid	-313	-232
Net cash provided by operating activities	**2,126**	**7,758**
Cash flows from investments		
Acquisition of subsidiaries and new business	-6,236	0
Investments in tangible assets	-4,125	-7,152
Sales of tangible assets	2,321	75
Purchase of associated company shares	0	-1,255
Proceeds from sale of associated company shares	0	2,017
Investments in other assets	-2,300	0
Loans granted	0	-3,200
Loan repayments	0	3,200
Net cash provided by investing activities	**-10,341**	**-6,314**
Cash flows from financing activities		
Increase in loans	11,326	19,438
Decrease in loans	-5,494	-12,901
Payments of finance lease activities	-1,585	-1,968
Dividends paid	0	-119
Net cash provided by financing activities	**4,248**	**4,450**
Change in cash and cash equivalents at the end of the period	**-3,967**	**5,894**
Cash and cash equivalents at beginning of the period	6,784	889
Exchange rate differences	-1	2
Cash and cash equivalents at the end of the period	**2,815**	**6,784**

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

Notes to the consolidated financial statements

General information

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

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

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

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

Reka Industrial Plc’s Board of Directors approved these financial statements for publication at its meeting of 10 March 2021. In accordance with the Limited Liability Companies Act, shareholders have the right to approve or reject financial statements at the Annual General Meeting that is held after the publication of the financial statements. The Annual General Meeting also has the right to decide on making changes to the financial statements.

Accounting policies for the consolidated financial statements ★

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

Principles of preparation

Adherence to IFRS standards
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the IAS standards as well as SIC and IFRIC interpretations effective on 31 December 2020. 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 notes to the consolidated financial statements also comply with Finnish accounting and companies' laws that supplement IFRS regulations.

Applicable new and amended standards and interpretations 31.12.2020

Amendments to References to Conceptual Framework in IFRS Standards
(effective for financial years beginning on or after 1 January 2020)

The revised Framework codifies IASB’s thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.

Definition of a Business – Amendments to IFRS 3 Business Combinations
(effective for financial years beginning on or after 1 January 2020)

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business.

Definition of Material – Amendments to IAS 1 Presentation of Financial Instruments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for financial years beginning on or after 1 January 2020)

The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved.

Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (effective for financial years beginning on or after 1 January 2020)

Amendments have been issued to address uncertainties related to the reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

The effective standards or interpretations have not influenced the consolidated financial statements.

COVID-19

The COVID-19 pandemic has not affected to the market demand in the cable business. However, COVID-19 pandemic restricted the growth during the second quarter of the year. COVID-19 has caused additional costs and delivery delays as personnel has been more than usual on sick leave to eliminate the possible infection risk. The additional costs due COVID-19 pandemic is estimated to stress operating result of cable business EUR 0.6 - 0.9 million. The additional costs have arisen from increased sick leave, overtime to replace them and additional staff, as well as increased freight costs due to the efforts to minimize delays due to sick leave through small and express deliveries.

In rubber business the COVID-19 pandemic has affected the customer demand. The volumes of part of the customers have been lower than usual due to whether the market demand of the customer, delivery problems of other suppliers, temporal closing of factories or combination of these factors.

COVID-19 pandemic has not significantly affected to the material procurement of cable nor rubber businesses. So far COVID-19 pandemic has not affected to the payment behaviour of the customers.

Change in Principles of preparation

The company has updated the definition of operating profit so that all IAS 19 defined benefit plan entries in the income statement are taken into account as a separate item below operating profit. Previously, some entries were taken into account above the operating result and some below. The management has re-evaluated the way the operating result is presented, and its view is that in this way the development of Reka Industrial's business can be better monitored.

IAS 19 defined benefit plans are presented in the income statement below the operating result as a separate item before the share of the result of associated companies

Updated operating result is the net amount formed when from the net sales are deducted the purchase costs adjusted by the change in the stocks of non-finished and finished goods as well as expenses for production for personal use. Also deducted from the net sales are expenses arising from employee benefits without IAS 19 defined benefit pension arrangements related items, depreciation, amortization and any impairment losses. Also, other operating income and expenses are taken into account. The comparative information is changed accordingly.

Use of estimates

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

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

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

On 31 December 2020, Reka Industrial Group companies entered into an arrangement to remove the defined benefit plan in accordance with IAS 19 by entering into an agreement with Reka Ltd whereby Reka Industrial Group companies pay a fixed (24%) pension contribution and are not liable for any other obligations arising from the operations, liabilities or financial situation of Reka Pension Fund. According to the management of Reka Industrial Group, this is a defined contribution plan, in which case a change will be made in 2021 IFRS reporting.

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

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

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

Principles of consolidation

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

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

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

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

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

Foreign currency items

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

Transactions denominated in a foreign currency are recognized in the functional currency, using the exchange rate on the transaction date or a day close to the transaction date. Monetary items denominated in a foreign currency have been translated into the functional currency at the exchange rate on the balance sheet date. Non-monetary items denominated in a foreign currency and recognized at fair value have been translated into the functional currency at the exchange rate on the date of recognition. Other non-monetary items have been recognized at the exchange rate on the transaction date.

Gains and losses arising from transactions denominated in a foreign currency and from the translation of monetary items are recognized in the income statement. The foreign exchange losses and profits from the Group's internal non-current liabilities, however, are included in the change in equity under translation differences. Foreign exchange profits and losses from business operations are included in the corresponding items above the operating profit. Foreign exchange losses and profits related to financing are included in financial income and expenses.

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

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

Operating result and EBITDA

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

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

Adoption of new and amended standards in future financial years

* = not yet endorsed for use by the European Union as of 31 December 2020

Covid-19-Related Rent Concessions – Amendment to IFRS 16 Leases (effective for financial years beginning on or after 1 June 2020)

The amendment allows the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the covid-19 pandemic and only if certain conditions are met.

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

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

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

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

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

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 Presentation of Financial Statements * (to be applied from 1 January 2023)
The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

IFRS 17 Insurance Contracts * (to be applied from 1 January 2023)
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.

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

1. Items related to the profit for the period

1.1 Operating segments

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

Accounting policy of segment information ★

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

Information about geographical areas

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

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

Revenue recognition principle

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

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

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

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

Use of estimates

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

Accounting policy

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

31/12/2020 EUR 1,000	Cable	Rubber	Other operations and eliminations	Group
Turnover	**111,212**	**9,224**	**0**	**120,436**
EBITDA	**10,035**	**245**	**-840**	**9,440**
Unallocated items			-8,483	-8,483
Result before taxes				888
Result for the period				**957**
Assets				
Segment's assets	53,011	13,952	6,187	73,150
Total assets	**53,011**	**13,952**	**6,187**	**73,150**
Liabilities				
Segment's liabilities	33,910	10,257	17,918	62,085
Total liabilities	**33,910**	**10,257**	**17,918**	**62,085**
Assets - liabilities	**19,101**	**3,695**	**-11,731**	**11,066**
Investments	**4,888**	**128**	**7,650**	**12,665**
Depreciations			**4,908**	**4,908**

31/12/2019 EUR 1,000	Cable	Other operations and eliminations	Group
Turnover	**97,439**	**39**	**97,478**
EBITDA	**5,149**	**-350**	**4,798**
Unallocated items		-6,334	-6,334
Result before taxes			-1,888
Result for the period			**-1,440**
Assets			
Segment's assets	48,013	10,930	58,943
Total assets	**48,013**	**10,930**	**58,943**
Liabilities			
Segment's liabilities	34,647	17,333	51,980
Total liabilities	**34,647**	**17,333**	**51,980**
Assets - liabilities	**13,366**	**-6,403**	**6,962**
Investments	**8,167**	**45**	**8,212**
Depreciations		**4,384**	**4,384**

Cable segment´s turnover by product group, EUR million	1-12/2020	1-12/2019
LV energy	23.6	21.0
Power cable	87.6	76.4
Total	**111.2**	**97.4**

Cable segment´s turnover by sales area, EUR million	1-12/2020	1-12/2019
EU-countries	102.7	81.4
Non-EU-countries	8.6	16.0
Total	**111.2**	**97.4**

Rubber segment´s turnover by product group, EUR million	7-12/2020	1-12/2019
Moulded	3.4	0.0
Hoses	4.4	0.0
Other	1.4	0.0
Total	**9.2**	**0.0**

Rubber segment´s turnover by sales area, EUR million	7-12/2020	1-12/2019
EU-countries	8.2	0.0
Non-EU-countries	1.0	0.0
Total	**9.2**	**0.0**

Taken all market areas into the consideration the largest customer Group´s share of the Group´s turnover was 21.0 %, the share of the second largest was 10.0 %. Other separate customer´s share of the Group´s turnover was under 10 %.

On 31 December 2020, non-current assets other than financial instruments and deferred taxes were EUR 41.7 million (EUR 30.2 million) and are located in Finland EUR 39.9 million and in Poland EUR 1.8 million.

1.2. Other operating income

Accounting policy

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

EUR 1,000	2020	2019
Subsidies received	102	55
Rental income	111	93
Revenue recognition of fair acquisition	404	0
Gains on the sale of fixed assets	144	0
Other income	419	131
Total	1,180	280

1.3. Personnel expenses

Accounting policy

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

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

EUR 1,000	2020	2019
Salaries and fees	15 462	10 830
Pension expenses, defined contribution plans	1 953	2 608
Other personnel expenses	846	383
Total	18 261	13 821

Management benefits are presented in note 3.4(”Related-party transactions”).

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

Average number of personnel in the financial period:

	2020	2019
Total,	386	247
of which in Cable segment	265	247
of which in Rubber segment	120	

1.4. Depreciation and impairment

Accounting policy ★

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

EUR 1,000	2020	2019
Depreciation by commodity group		
Intangible non-current assets		
Customer realitionships	-188	0
Product brands and trademarks	-87	-44
Other intangible assets	-177	-50
Total	-451	-94
Tangible non-current assets		
Buildings	-515	-265
Machinery and equipment	-2,148	-1,946
Other tangible assets	-33	-14
Total	-2,695	-2,225
Right-of-use assets		
Buildings	-1,532	-1,911
Machinery and equipment	-179	-140
Impairment of buildings	-51	-13
Total	-1,762	-2,065
Total depreciation and impairment	-4,908	-4,384

1.5. Other operating expenses

Accounting policy

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

EUR 1,000	2020	2019
Short-term variable compensation	-234	-187
Low value variable compensation	0	-115
Other variable compensation	-910	-536
Rental expenses total	-1,144	-838
Machinery and property maintenance costs	-3,051	-1,726
Sales and marketing expenses	-999	-774
Voluntary personal expenses	-648	-476
Expenses incurred for the acquisition of shares in subsidiaries	-214	0
Other expenses	-2,898	-2,346
Total	-8,954	-6,161

Other expenses include remunerations to the Auditors as follows:

EUR 1,000	2020	2019
KPMG Oy Ab		
Audit of the accounts	128	104
Tax services	27	42
Other services	5	0
Other companies		
Audit of the accounts	11	8

1.6. Research and development expenses

Accounting policy

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

The Group invested a total of EUR 1.1 million in research and product development in 2020 (EUR 0.3 million in 2019). During the financial period, total of EUR 0.3 million of the development costs of new products and product families were capitalized in the balance sheet. Reka Industrial's research and development investments were allocated as following, EUR 1.0 million to the cable segment and EUR 0.1 million to the rubber segment (starting from July 1, 2020). Development costs capitalized in the balance sheet are also presented in Note 2.2.

1.7. Financial income and expenses

Accounting policy

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

Revenue recognition principle

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

Accounting policy

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

Financial income

EUR 1,000	2020	2019
Interest revenues	1	26
Exchange rate differences	120	64
Derivatives	0	16
Other financial income	2	1
Total	124	106

Financial expenses

EUR 1,000	2020	2019
Interest expenses	-1,396	-929
Interest expenses on right-of-use assets	-442	-618
Exchange rate differences	-252	21
Financial expenses on sales receivables	-778	-717
Other financial expenses	-379	-282
Total	-3,246	-2,524
Total exchange rate differences	-131	85

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

1.8. IAS 19 defined benefit pension arrangements related items

The items included in the operating result of the income statement have been changed in the 2020 reporting and the comparative information has been changed accordingly. 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	2020	2019
Pension cost - Defined benefit plans	-1,048	94
Interest expense - Defined benefit plans	-71	-91
Taxes - Defined benefit plans	224	-1
Total	-895	2

1.9. Taxes

Accounting policy

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

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

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

EUR 1,000	2020	2019
Taxes payable on profit	-2	-238
Taxes from previous financial periods	0	-3
Deferred tax on temporary differences	71	688
Total	70	447

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

EUR 1,000	2020	2019
Result before taxes	888	-1,888
Share of the result of associated companies and entries of the IAS 19 defined benefit plan in the income statement are presented after taxes	-524	166
Taxable result	1,411	-2,004
Taxes calculated at the domestic tax rate	282	-401
Effect of tax-exempt income	-42	-8
Effect of non-deductible expenses	27	79
Effect of different tax rates applicable to foreign subsidiaries	-2	3
Effect of unrecognised deferred tax receivables related to taxable losses	-72	-4
Taxes from previously unused interest expenses	-495	3
Lease agreements	212	-168
Other items	20	49
Taxes on the income statement	-70	-447

1.10. Earnings per share

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

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

	2020	2019
Profit from the financial period attributable to the shareholders of the parent company, EUR 1,000	957	-1,440
Weighted average numbers of shares during the period	5,966,788	5,951,750
Undiluted earnings per share	0.16	-0.24
Weighted diluted average numbers of shares during the period (number)	5,966,788	5,951,750
Earnings per share adjusted for dilution	0.16	-0.24

Earnings per share:		
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	0.16	-0.24
Number of shares	5,966,788	5,951,750

2. Operating Assets and Liabilities

2.1. Tangible non-current assets

Accounting policy

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

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

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

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

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

The right-of-use assets:

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

Impairment
On the closing date of the financial year, the Group evaluates whether any assets are showing signs of impairment. Values are evaluated by item. Assets classified as finance lease contracts are evaluated by 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 that is handled as financial lease and which financial impact is yearly evaluated by using the assumptions and estimations of the management. Possible changes in these assumptions and estimations may cause changes to the valuation in future years.

The total impairment recognised on buildings is EUR 0.5 (0.7) 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
Acquistion costs 1/1/2020	172	6,662	33,945	270	52	41,101
Increase	0	551	1,466	111	309	2,437
Increase through acquisitions	372	7,718	6,819	0	104	15,014
Decrease	-55	-656	0	-29	0	-740
Transfers between items	0	197	-260	168	-124	-19
Acquistion costs 31/12/2020	489	14,472	41,971	520	341	57,794
Accumulated depreciation and impairment 1/1/2020	0	912	23,599	270	0	24,778
Accumulated depreciation on acquisitions	0	896	6,325			7,221
Depreciation	0	548	2,079	69	0	2,695
Accumulated depreciation and impairment 31/12/2020	0	2,355	32,003	339	0	34,695
Book value 1/1/2020	172	5,749	10,348	0	52	16,321
Book value 31/12/2020	489	12,117	9,968	182	341	23,097

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Motor vehicles	Advance payments and acquisitions in progress	Total
Acquistion costs 1/1/2019	30	1,266	32,756	270	244	34,566
Increase	142	5,396	989	0	52	6,579
Decrease	0	0	-44	0	0	-44
Transfers between items	0	0	244	0	-244	0
Acquistion costs 31/12/2019	172	6,662	33,945	270	52	41,101
Accumulated depreciation and impairment 1/1/2019	0	648	21,649	260	0	22,554
Depreciation	0	265	1,950	10	0	2,225
Accumulated depreciation and impairment 31/12/2019	0	912	23,599	270	0	24,778
Book value 1/1/2019	30	618	11,108	10	244	12,011
Book value 31/12/2019	172	5,749	10,348	0	52	16,321

Right of Use assets:

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

EUR 1,000	Machinery and equipment	Buildings	Total
Acquisition costs 1/1/2019	0	4,346	4,346
Increase in IFRS 16 implementation 1/1/2019	548	12,927	13,475
Increase	47	0	47
Decrease	0	-5,512	-5,512
Acquisition costs 31/12/2019	595	11,761	12,355
Accumulated depreciation and impairment 1/1/2019	0	2,097	2,097
Depreciation for the period	140	1,911	2,052
Impairment	0	13	0
Accumulated depreciation and impairment 31/12/2019	140	4,022	4,162
Book value 1/1/2019	0	2,249	2,249
Book value 31/12/2019	454	7,739	8,193

2.2. Intangible non-current assets

Accounting policy ★

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

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

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

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

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

The estimated useful lives of customer relationships are:

Customer contracts and the related customer relationships	5–10 years

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

The estimated of intangible assets useful lives are as follows:

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

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

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

EUR 1,000	Goodwill	Customer relations	Development expenses	Other intangible	Total
Acquisition costs 1/1/2019	3,252	0	526	5,923	9,701
Increase	0	0	233	146	379
Acquisition costs 31/12/2019	3,252	0	759	6,069	10,080
Accumulated depreciation and impairment 1/1/2019	0	0	116	5,141	5,257
Depreciation	0	0	44	50	94
Accumulated depreciation and impairment 31/12/2019	0	0	160	5,191	5,351
Book value 1/1/2019	3,252	0	410	782	4,443
Book value 31/12/2019	3,252	0	599	877	4,728

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

Impairment testing

Accounting policy ★

Impairment

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

The subsidiaries in the Cable segment constitute a unit generating cash flows. Balance sheet values related to the unit are tested through test calculation. The associated companies are tested separately if any balance sheet values are related to them. Nestor Cables Ltd and Riihimäen Kaapelitehdas Ltd are associated companies. In the 2020 financial statements, Nestor Cables' value in the balance sheet are EUR 0.4 million. The share of Riihimäen Kaapelitehdas Ltd in the balance on 31 December 2020 was EUR 0.9 million.

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

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

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

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

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

Use of estimates

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

The key assumptions

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

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

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

Assumptions used in the cash flow analysis, %	**2019**
Terminal value growth 2024 -	2
WACC (Pre-Tax)	6.42

	2020	2019
Sensitivity analysis	Value used, %	Value used, %
WACC (Pre-Tax)	6.36 – 17.34	6.42 – 15.99

According to the results of the impairment tests, the Group has no need to recognise impairments. The recoverable amount determined in impairment testing exceeds the book value of the units tested.
Based on the sensitivity calculations, the present value of future cash flows is larger than the investments, when discount rate is under 17.35 %.

2.3. Holdings in associates

EUR 1,000	2020	2019
At the beginning of the period	930	1,578
Share of profit	372	114
Increase	0	1,255
Decrease	0	-2,017
At the end of the period	1,302	930

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

Turnover for Nestor Cables Group, an associated company in the Cable segment, was EUR 32.0 million (31.5 million). The operating result was positive and better than year before. Nestor Cables' equity turned positive and thus the profit share of EUR 0.4 million has been taken into account in the Group's result and in the balance sheet value of the associated company share.

The value of shares regarding Riihimäen Kaapelitehdas Ltd on the consolidated balance sheet, EUR 0.9 million, consists of acquisition price of the transaction completed in August 2019 added with the share of the result after the purchase. In addition, the effect of earlier owned shares of Riihimäen Kaapelitehdas Ltd, sold in August 2019, has been taken into account.

EUR 1,000	2020	2019
Nestor Cables Ltd, Oulu		
Share	22.94 %	22.94 %
Assets	17,545	18,187
Liabilities	16,002	18,686
, of which subordinated loans	5,505	5,505
Turnover	32,036	31,452
Profit	2,036	1,008
Value on the consolidated balance sheet	355	0
Riihimäen Kaapelitehdas Ltd, Riihimäki		
Share	20.19 %	20.19 %
Assets	10,437	10,819
Liabilities	6,505	7,356
, of which subordinated loans	0	0
Turnover	1,283	1,269
Profit	257	145
Value on the consolidated balance sheet	947	930

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

2.4. Deferred tax assets and liabilities

Accounting policy

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

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

Changes in deferred taxes during 2020:

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

Changes in deferred taxes during 2019:

EUR 1,000	1/1/ 2019	Recorded in the income statement	31/12/ 2019
Deferred tax receivables			
Provisions	79	3	81
Derivatives recognised in current value	0	1	1
Deferred tax receivables on losses	944	398	1,342
IFRS 16 right-of-use assets	16	235	251
IAS 19 pension liability	822	-47	774
IFRS 15 coil provision	115	36	150
Credit loss provision	0	8	8
Total	1,975	634	2,608
Deferred tax liabilities			
Accumulates depreciation difference	-27	-2	-29
Other items	0	-26	-26
Total	-27	-28	-55

Confirmed losses of the Group companies expire in 2024 or later.

Evaluation of deferred tax receivables is based on forecasts of Cable segment and for which sensitivity analyses have been carried out. Deferred tax receivables of the Group´s parent company have been fully used during 2016. There are no unused deferred tax receivables in the rubber industry.

2.5. Inventories

Accounting policy

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

Use of estimates

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

EUR 1,000	2020	2019
Materials and supplies	6,435	4,589
Production in progress	5,672	4,608
Finished products	7,811	4,635
Total	19,918	13,832

In 2020 there is recognised inventory impairment of EUR 0.3 million. In 2019 there was recognised inventory impairment of EUR 0.4 million.

2.6. Current receivables

Accounting policy

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

EUR 1,000	2020	2019
Sales receivables	3,608	3,337
Other receivables	1,909	1,936
Total	5,517	5,272

Age distribution of Sales receivables:

EUR 1,000	2020	2019
Undue	3,481	2,925
less than 30 days	68	245
less than 60 days	19	65
less than 90 days	0	11
more than 90 days	39	90
Total	3,608	3,337

Regarding open sales receivables the allowance of expected credit losses totalled EUR 11 thousand (EUR 118 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	2020	2019
EUR	3,632	5,113
SEK	135	17
DKK	80	0
RUB	17	19
NOK	14	123
PLN	1,640	0
Total	5,517	5,272

2.7. Cash and cash equivalents

EUR 1,000	2020	2019
Cash and bank	2,815	6,784

2.8. Shareholders' equity

The parent company's share capital by share series

	2020		2019	
	Number	Shareholders equity EUR 1,000	Number	Shareholders equity EUR 1,000
Series A (20 vote/share)	139,600	558	139,600	558
Series B (1 vote/share)	5,880,760	23,524	5,880,760	23,524
	6,020,360	24,082	6,020,360	24,082

Reka Industrial Plc has two series of shares. The maximum number of A shares is 0.2 million (0.2 million in 2019), and the maximum number of B shares is 9.6 million (9.6 million). 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.

	2020		2019	
	Number	EUR 1,000	Number	EUR 1,000
Own shares 1/1	68,610	0	72,439	0
Fee payments	-15,038	0	-3,829	0
Own shares 31/12	53,572	0	68,610	0

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

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

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

Dividends
The Board proposes to the Annual General Meeting that dividend of EUR 0,05 will be paid for 2020. No dividends were paid for 2019

2.9. Provisions

Accounting policy

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

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

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

Use of estimates

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

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

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

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

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

EUR 1,000	Product warranty provisions	Other provisions	Provision of unpaid purchase price	Total
Provisions 1/1/2019	388	570	2,192	3,150
Increase	17	178	0	195
Decrease	0	0	-68	-68
Provisions 31/12/2019	**405**	**748**	**2,124**	**3,277**

2.10. Financial liabilities

Accounting policy ★

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

EUR 1,000	2020	2019
Long-term financial liabilities valued at allocated acquisition cost		
Bank loans	9,017	4,400
Lease liabilities	6,224	7,595
Bond	7,093	7,034
Other loans	2,253	1,128
Total	24,587	20,156
Short-term financial liabilities valued at allocated acquisition cost		
Bank loans	4,954	1,917
Other loans	2,271	1,087
Lease liabilities	1,679	1,867
Total	8,904	4,871

The Group's financing loans are whether fixed or Euribor based. Lease contracts have fixed interest rates. The Group's average interest rate on 31 December 2020 was 4.7 percent (31 December 2019 5.1 percent).

On 31 December 2020 EUR 2.6 million of the Bonds were stocked. Amount stocked is not noticed in the balance sheet.

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

EUR 1,000	2020	2019
Less than 6 months	1,699	1,867
6-12 months	7,206	3,004
More than 12 months	24,587	20,157
Total	33,491	25,027

All loans are denominated in euro.

Maturing of lease liabilities:

EUR 1,000	2020	2019
Buildings		
Within 1 year	1,530	1,725
1-5 years	4,913	5,792
After 5 years	1,079	1,482
Total	7,522	8,999
Machinery and equipment		
Within 1 year	147	142
1-5 years	234	321
Total	381	463

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

2.11. Reconciliation of liabilities arising from financing

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

			Non-effected changes to cash flow			
EUR 1,000	1/1/2019	Cash flow	Acquisition	Exchange rate changes	Current value changes	31/12/2019
Long-term liabilities	4,089	9,183	-344		-366	12,561
Short-term liabilities	5,575	-2,646	75			3,004
Finance lease agreements	3,346	-1,968	8,085			9,462
Total financial liabilities	**13,009**	**4,569**	**7,816**	**0**	**-366**	**25,027**

2.12. Accounts payable and other liabilities

EUR 1,000	2020	2019
Current financial liabilities valued at allocated acquisitions cost:		
Accounts payable	10,473	9,551
Personnel expenses allocated by period	4,319	2,989
Accruals and deferred income	2,551	4,802
Other liabilities	2,066	2,138
Total	19,409	19,480

Accruals and deferred income consist of following items:

EUR 1,000	2020	2019
Internal accruals	60	108
Accruals of interest and other financial items	62	7
Tax liabilities	0	2,386
Accrued discounts	1,506	1,924
Other accruals	924	378
Total	2,551	4,802

Non-interest-bearing current liabilities distributed by currency:

EUR 1,000	2020	2019
EUR	18,043	19,042
USD	0	182
RUB	16	15
DKK	46	24
NOK	78	84
SEK	100	134
PLN	1,127	0
Other currency	1	0
Total	19,409	19,480

2.13. Pension liabilities

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

On 31 December 2020, Reka Industrial Group companies entered into an arrangement to eliminate the defined benefit plan in accordance with IAS 19 by entering into an agreement with Reka Ltd whereby Reka Industrial Group companies pay a fixed (24%) pension contribution and are not liable for any other obligations arising from the operations, liabilities or financial situation of Reka Pension Fund. According to the management of Reka Industrial Group, this is a defined contribution plan, in which case a change will be made in 2021 IFRS reporting.

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

EUR 1,000	Present value of defined benefit obligations	Present value of assets related	Total
1/1/2020	**11,322**	**-7,452**	**3,870**
Defined benefit pension cost recognised in Income statement			
Cost based on review period´s work performance	1,048	0	1,048
Interest expense or income	183	-112	71
	1,231	-112	1,119
Items due to remeasurements			
Profit for assets related to arrangement (except items including in Interest expense or income)	0	-1,349	-1,349
Gain (-) / loss (+) arising from changes in financial assumptions	-1,018	0	-1,018
Experiential gain (-) / loss (+)	1,523	0	1,523
	504	-1,349	-845

Payments made by employer to arrangement	0	-2,721	-2,721
Acquisitions	5,819	-3,575	2,244
Paid benefits	-226	226	0
31/12/2020	**18,650**	**-14,984**	**3,666**

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

EUR 1,000	Present value of defined benefit obligations	Present value of assets related	Total
1/1/2019	**9,991**	**-5,885**	**4,107**
Defined benefit pension cost recognised in Income statement			
Cost based on review period´s work performance	848	0	848
Interest expense or income	228	-137	91
	1,076	-137	940
Items due to remeasurements			
Profit for assets related to arrangement (except items including in Interest expense or income)	0	-571	-571
Gain (-) / loss (+) arising from changes in financial assumptions	977	0	977
Experiential gain (-) / loss (+)	-640	0	-640
	337	-571	-234
Payments made by employer to arrangement	0	-942	-942
Paid benefits	-83	83	0
31/12/2019	**11,320**	**-7,452**	**3,870**

Significant assumptions behind insurance mathematical calculations		2020	2019
Discount rate		1.53 %	1.46 %
Inflation		1.38 %	1.39 %
Increase of pensions		0.36 %	0.52 %
Sensitivity analysis, EUR 1,000			
		Effect on pension liability 2020	2019
Discount rate			
	0.5 %-increase	-2,025	-1,243
	0.5 %-decrease	2,391	1,468
Pension increase			
	0.5 %-increase	2,199	1,315
	0.5 %-decrease	-1,967	-1,178
Life expectancy			
	1 year increase	515	323
	1 year decrease	-501	-314

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

%	2020	2019
Interest instruments	43.2 %	46.7 %
Equity instruments	26.0 %	21.5 %
Properties	26.9 %	20.7 %
Other instruments	3.9 %	11.1 %
	100.0 %	100.0 %

In addition to companies belonging to Reka Group also some related party companies of Reka Ltd have joined to Reka Pension Fund. The Assets of Reka Pension Fund are approximately EUR 35.4 million and pension liabilities are approximately EUR 31.0 million. Subsidiary Reka Cables Ltd did EUR 2.3 million guarantee capital investment into Reka Pension Fund.

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

The Group expects to pay contributions in financial year 2021 total EUR 3.5 (2019: 2.5) million. Contributions in 2021 are based on 24% pension contribution.

2.14. Financial risk management

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

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

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

The Group has carried out and is carrying out the simplifications of the Group structure with mergers. Tax authority has questioned the tax neutrality of the subsidiary merge carried out in 2015. Reka Industrial has filed for changes in its tax assessment notice. Reka Industrial has the opinion that the merge is universal succession and therefore tax neutral. The difference of opinion of the Reka Industrial and tax authority is EUR 1.2 million.

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

The U.S. dollar is important for the Group, because the prices of the metals it purchase are determined based on the dollar. The combined effect of metal and pulp prices and the USD/EUR ratio is essential to the Group. If the dollar had been 10 percent stronger against the euro on the closing date of the financial period, its effect on the operating result before taxes would have been EUR -2.5 million (-2.4). Had the dollar been 10 percent weaker, its effect would have been EUR 2.5 million (2.4).

Interest rate risk
The Group's interest rate risks arise from borrowing.
Leases and part of external loans have fixed interest rates. The reference rate for other external loans is 3-month Euribor. At 31 December 2020 lease liabilities with fixed interest rates totalled to EUR 7.9 million and other interest-bearing fixed rate liabilities totalled EUR 10.8 million. Liabilities with variable interest rates totalled EUR 14.8 million at 31 December 2020.

On the closing date of the financial year, the Group's average financing rate for external loans was 4.7 percent (5.1 in 2019). If the average interest rate had been 1 percentage point higher, it would have affected the Group's result before taxes by EUR -0.4 million (-0.3 million in 2019).

Commodity risk
In the Cable segment, the key raw materials are metals (copper and aluminium) and plastics. Partial price hedging through commodity derivatives is used in metal purchases. In terms of metals, the development of dollar prices is important for the Group, as is the development of the USD/EUR ratio. If the market value of aluminium had been 10 percent higher on the closing date of the financial period, its effect on the operating result before taxes would have been EUR 0.3 million (0.2) in terms of commodity derivatives. Had the market value of aluminium been 10 percent lower, its effect on the operating result before taxes would have been EUR -0.3 million (-0.2 million). If the market value of copper had been 10 percent higher on the closing date of the financial period, its effect on the operating result before taxes would have been EUR 0.2 million (0.4) in terms of commodity derivatives. Had the market value of copper been 10 percent lower, its effect on the operating result before taxes would have been EUR -0.2 million (-0.4).

The key raw material for the Rubber Industry, which is part of the Group's industrial investments, is rubber. There are no commodity derivatives in use in the rubber industry.

Partial price fixing is used with 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 optimising circulation of working capital and controlling liquidity risk.

The Green Bond includes covenants (ownership, equity ratio and net debt to EBITDA). The covenant terms were met at 31.12.2020.

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

The financial covenants of the Group's other financing (equity ratio and net debt to EBITDA) were met at the balance sheet date.

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

EUR 1,000	Balance sheet value	Cash flow	less than 1 year	1 - 2 years	2 - 5 years	More than 5 years
31/12/2019						
Bank loans	6,317	6,317	1,378	1,456	1,650	1,833
Other loans	9,248	9,248	1,087	0	7,034	1,128
Lease liabilities	9,462	11,248	2,296	2,273	4,745	1,934
Accounts payable and other liabilities	19,480	19,480	19,480	0	0	0
Total	44,508	46,293	24,241	3,728	13,428	4,895
Commodity derivatives	183	183	197	-14	0	0
Financial derivatives	-178	-178	-178	0	0	0

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

Credit risk
The Group manages its credit risk by regularly monitoring the credit rating of its key partners – customers, suppliers, and other partners – and by regularly and actively monitoring customer payment behaviour and external information. In addition, Reka Cables Ltd has customer-specific credit insurance. In the rubber industry, credit risk is managed through credit limits integrated into the ERP system. The Group also manages its credit risk through market-specific and customer-specific payment terms. The Group's maximum credit risk corresponds to the book value of financial assets at the end of the financial period. Major part of the sales receivable is not due. Age analysis of sales receivable is presented in enclosure 2.6. Taken all market areas into the consideration the largest customer Group´s share of the Group´s turnover was 21.0 % and the share of the second largest was 10.0 %. Other separate customer´s share of the Group´s turnover was under 10 %.

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

Accounting policy ★

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

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

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

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

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

EUR 1,000	Positive current values	Negative current values	Current net values 2020	Current net values 2019	Nominal values 2020	Nominal values 2019
Currency derivatives						
Forward exchange agreements	21	-169	-147	-178		
Raw material options						
Metal derivatives	580	-36	544	183	4,437	5,829
Total derivatives	601	-205	396	5	4,437	5,829

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

2.15. Capital management

The Group invests in industrial companies. In capital management, it monitors key figures, such as return on investment (ROI), equity ratio, operating profit, and earnings per share.

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

2.16. Fair values of financial assets and liabilities

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

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

Guarantee capital investment into Reka Pension Fund is strategic investment recognised in fair value through other comprehensive income statement items. On 31 December 2020 fair value of guarantee capital investment is estimated to correspond the amount of original investment. Investment is presented more accurately in Note 3.4. Related-party events.

3. Other notes

3.1. Contingent liabilities and commitments

Accounting policy ★

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

EUR 1,000 euroa	31/12/2020	31/12/2019
Loans from financial institusions	13,952	7,254
Bond	7,093	7,034
Granted business mortgages	23,800	21,000
Granted real estate mortgages	19,093	7,151
Book value of pledged securities	35,134	26,165
Guarantees and payment commitments	6	226

The amount of corporate mortgages on December 31, 2020 was EUR 27.8 million. At the balance sheet date, EUR 4 million of corporate mortgages were under company's own control. Corporate mortgages have been used since the balance sheet date.

Investment commitments
On December 31, 2020 the investment commitments for tangible fixed assets amounted to EUR 1.5 million (EUR 0.4 million).

Commitments to rental agreements less than 12 months or low value were on December 31, 2020 total EUR 0.5 million.

3.2. Group structure

The Reka Industrial Group's internal parent companies, subsidiaries, and associated companies 31.12.2020:

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

3.3. Acquisitions

On June 2, 2020, Reka Industrial Plc announced that it had signed an agreement to purchase the entire share capital of Reka Rubber Ltd ("Reka Rubber") from Reka Industrial's largest shareholder, Reka Ltd, for EUR 7.5 million in cash. The completion of the corporate acquisition was conditional to the acceptance of Reka Industrial's Annual General Meeting. The Annual General Meeting approved the acquisition on June 24, 2020, and the transaction was completed after the Annual General Meeting on June 25, 2020. The financial figures of Reka Rubber were consolidated to the Group figures as of 30 June 2020 as there was no significant difference between implementation and end of June figures.

According to the third-party expert fairness opinion, acquired by the independent committee of the Board of Directors, the price paid for the shares is fair from financial point of view for the buyer.

Reka Rubber is one of the leading European manufacturers of small and medium-sized rubber components to the heavy vehicle and machine building industries. Reka Rubber has manufacturing units in Finland (Aura) and in Poland (subsidiary in Dopiewo). In addition to that the rubber products are manufactured in Asia through the subcontracting network managed by Reka Rubber.

On the purchase price allocation, positive difference of EUR 0.4 million was formed and this amount was booked through consolidated income statement. The operating result includes EUR 0.2 million of expenses relating the acquisition.

Via corporate acquisition the company formed a new business, rubber industry, adjacent to the cable industry.

Purchase price allocation

EUR 1,000	IFRS book values of the acquired company before consolidation	Fair value allocation	Fair values recorded in the consolidation
Acquired net assets			
Intangible assets	795	3,757	4,552
Tangible assets	3,329	3,835	7,164
Right-of-use assets	123	0	123
Inventories	3,027	220	3,247
Deferred tax assets	451	0	451
Sales receivables and other receivables	2,055	0	2,055
Cash and bank receivables	1,268	0	1,268
Provisions	-21	0	-21
Deferred tax liability	-73	-1,562	-1,636
Lease liabilities, long-term	-62	0	-62
IAS 19 liability	-2,244	0	-2,244
Financial liabilities, long-term	-2,872	0	-2,872
Other liabilities, long-term	-41	0	-41
Lease liabilities, short-term	-51	0	-51
Financial liabilities, short-term	-1,338	0	-1,338
Accounts payable and other liabilities	-2,691	0	-2,691
Total	1,654	6,250	7,904
Goodwill/ Revenue recognition of fair acquisition			-404
Acquisition cost			7,500

Reka Industrial Plc bought June 2020 all shares of Reka Rubber from the biggest shareholder of Reka Industrial, Reka Ltd. The purchase price, EUR 7.5 million, was paid by cash.

Via corporate acquisition the company formed new business, rubber industry, adjacent to cable industry. This is step from Investment company to an industrial conglomerate.

The new Group is expected to benefit bigger size, different seasons of the businesses and sharing best practices. Different seasons of the businesses lessens the effects of seasonal fluctuations to the result of the company.

Considering Reka Rubber's acquired net assets, the fair values exceeded the acquisition cost and the resulting positive difference of 0.4 million has been taken into account in other operating income. The largest items in the fair value allocations were customer relationships and the fair values of appraisers outside production properties in relation to the book value. The fair value of inventories is also higher than the carrying amount. Reka Rubber has long-term customers and the allocation of their fair value had a significant effect on the cost-effectiveness of the transaction. Current receivables are accruals or current trade receivables. These have been valued at book value.

Expenses related to the acquisition of Reka Rubber, totalling EUR 0.2 million, have been taken into account in other operating expenses.

If Reka Rubber had been acquired on January 1, 2020, the Group's turnover would have been EUR 130.7 million, EBITDA EUR 9.6 million and operating profit EUR 4.1 million. Reka Rubber's turnover after the acquisition in 2020 were EUR 9.2 million, EBITDA EUR 0.4 million and net result EUR -0.1 million.

3.4. Related-party events

The Group´s related parties include the subsidiaries and associated companies, other companies belonging to the Reka Group, Reka Pension Fund, the Group´s Board of Directors and their close family members as well as management group and their close family members. Also related parties include companies, that have ownership connection through the owner who has significant decision power, or that belong to the related-party companies via the management or board members. Reka Industrial's management group consists of Managing Director and CFO.

Reka Industrial Plc, and therefore also the Reka Industrial Group, belong to the Reka Group. Reka Ltd has a 50.74 percent holding of shares and a 65.76 percent holding of votes.

Related-party transactions

Transactions with the Reka Group

EUR 1,000	1-12/2020	1-12/2019
Payments to Lease liabilities and interest expenses	0	-262
Other purchases	-619	-149
Other income	13	44
Interest revenues	0	25
Guarantee commissions	-63	0
Interest expenses	0	-138
Purchase of real estate	0	5,300
Acquisitions	-7,500	0
Sales receivables and other receivables at end of the period	1,031	1,032
Loans	0	139

Reka Industrial Plc bought June 2020 all shares of Reka Rubber from the biggest shareholder of Reka Industrial, Reka Ltd. The purchase price, EUR 7.5 million, was paid by cash. According to the third-party expert fairness opinion, acquired by the independent committee of the Board of Directors, the price paid for the shares is fair from financial point of view for Reka Industrial Plc.

At the end of June 2019, the Cable segment acquired the production property located in Keuruu from Reka Ltd. Until the acquisition, the Cable segment was tenant on the property in question.

Reka Ltd has guaranteed Reka Industrial Group's financing and other agreements. Reka Industrial pays a guarantee commission on the guarantees.

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

Transactions with Reka Pension fund:

EUR 1,000	1-12/2020	1-12/2019
Purchase of shares	0	1,255
Purchase of real estate	2,258	0
Paid pension expenses	-2,179	-3,438
Rental expenses	-123	0
Guarantee capital investment	2,300	0
Other debts at the end of the period	213	0

Reka Group's pension insurances were transferred into Reka's Pension Fund in 31 December 2015. Because of the transfer, pension liabilities of Reka Industrial Group have been processed in IFRS through benefit-based calculation. With the acquisition of Reka Rubber, IAS 19 pension liabilities related to the rubber business of EUR 2.2 million were included in the balance sheet in June 2020.

On 31 December 2020, Reka Industrial Group companies entered into an arrangement to remove the defined benefit plan in accordance with IAS 19 by entering into an agreement with Reka Ltd whereby Reka Industrial Group companies pay a fixed (24%) pension contribution and are not liable for any other obligations arising from the operations, liabilities or financial situation of Reka Pension Fund. According to the management of Reka Industrial Group, this is a defined contribution plan, in which case a change will be made in 2021 IFRS reporting. In 2020, defined benefit plans (arising from the pension plan) IFRS entries in accordance with IAS 19 increased expenses in the income statement by EUR -0.9 (0.0) million and reduced liabilities through comprehensive income by EUR 2.9 (0.2) million. In 2020, no additional contributions were paid (EUR -0.9 million).

The Group arranged the ownership of real estate situating in Keuruu. Reka Industrial Plc bought the real estate by using purchase option of related sale and lease agreement. Purchase price due purchase option was EUR 1.0 million. Reka Industrial Plc sold the real estate further to Reka pension fund with fair value of EUR 2.3 million. 10-year rental agreement was made with Reka Pension fund relating the real estate. The fair value of the real estate was defined by third party experts. With the funding occurred due arrangements, Reka Industrial paid back its short-term loan EUR 1.2 million. The arrangement did not have significant result effect.

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

Transactions with associated companies

EUR 1,000	1-12/2020	1-12/2019
Sales		
Nestor Cables Ltd	74	54
Leasing rents		
Riihimäen Kaapelitehdas Ltd	1,031	1,024

Reka Industrial sold the shares it acquired in 2016 from Riihimäen Kaapelitehdas Ltd in August 2019. The cable segment bought in August 2019 share of Riihimäen Kaapelitehdas Ltd. Riihimäen Kaapelitehdas Ltd is a limited liability company that owns a property in Riihimäki where Reka Cables Ltd is the tenant. The other owners of Riihimäen Kaapelitehdas Ltd are Riihimäen Tilat ja Kehitys and Reka Pension Fund.

Management fringe benefits and other related party transactions

EUR 1,000	2020	2019
Salaries and other short-term fringe benefits	711	698
Pension benefits, defined contribution plans	92	81
Total	803	779

The Group's Board of Directors and management group have been defined as key management personnel of the company. Annual remuneration is paid to the members of the Board of Directors. Until the Extraordinary General Meeting on November 24, 2020, a separate meeting attendance remuneration was paid, and travel expenses were compensated for the Board of Directors and its committees. In addition, the Board of Directors had a bonus system and the terms of the bonus system was decided each year in the Annual General meeting. The Extraordinary General Meeting on November 24, 2020, removed the bonus system and the meeting attendance remuneration. Instead, the annual remuneration was increased, and it was decided to pay an annual remuneration to the committee members. Travel expenses will be compensated also in the future.

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 2020 Annual General Meeting:

- Confirmed the annual remuneration of the members of the Board of Directors at EUR 10,000 and the annual remuneration of the Chairman of the Board at EUR 12,500, and an attendance remuneration of EUR 600 per each meeting for the Board and the committees. The AGM confirmed 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 2021, and the shares will be handed over in June 2021.
- The AGM resolved that the members of the Board be paid a bonus based on the development of the company's B share price, the amount of which is EUR 1,000 for the chairman of the Board and EUR 500 for the ordinary members of the Board, multiplied by annual return based on the share price development of company's class B share (average share price in May 2021 – average share price in May 2020). Should the annual return exceed 50 per cent, the bonus shall be paid in accordance with 50 per cent. So, the highest multiplier when counting remuneration is 50.
- Circa 40 per cent of the bonuses 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 2021, and the shares will be handed over in June 2021.

The 2020 Extraordinary General Meeting:

- Decided to waive the performance bonus decided by the Annual General Meeting on June 24, 2020. In addition, it was resolved that the performance bonus of the Board members and meeting attendance remuneration decided by the Annual General Meeting on June 24 is valid until November 24, 2020.
- Decided that as of November 25, 2020, the annual remuneration (12 months) of the members of the Board of Directors is EUR 18,000 and that of the Chairman of the Board EUR 25,000. Members of the Board are compensated for their travel expenses. It was decided that the annual remuneration of EUR 2,500 for the committee members. No separate meeting fees to be paid.
- Circa 40 per cent of the annual remunerations was decided to be paid with the shares of the company. Conversion into the shares is made by using weighted average price of the company's B share in December 2020 and the shares will be handed over in April 2021.

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

Members of the management group have target bonus agreements which are included in the breakdown below.

Salaries and other fringe benefits by person:

EUR 1,000	2020	Of which paid by shares	2019
Salaries and fees:			
Sohlström Ralf, Managing Director	0		270
Jukka Poutanen, Managing Director	439		134
Tulander Sari, CFO	106		59
Termination benefits	0		107
Board of Directors:			
Rentto Markku E.	32	2	38
Koskinen Jukka	71	3	58
Matikainen-Kallström Marjo	30	1	16
Järvelä Ari	30	1	14
Hyytiäinen Matti	2		
Kyllönen Olli-Heikki	2		
Total	711	6	698

The amounts above include statutory pension insurances as follows: Jukka Poutanen EUR 74 thousand (24), Sari Tulander EUR 18 thousand (10), Ralf Sohlström EUR 0 thousand (47 in 2019)

During January 1, 2019 - July 31, 2019 the Group CFO was not employed by the company and therefore her rewards are handled as other purchases with other related parties, in total EUR 19 thousand. The Group CFO is employed by the company since August 1, 2019.

Transactions with other related parties:

EUR 1,000	1-12/2020	1-12/2019
Other purchases	18	41
Rental incomes	12	0

Other related parties consist of companies that have an ownership relationship through the owner who has significant decision power, or that belong to the related-party companies via the management or board members or their close family members.

The Group has no other significant transactions, receivables or liabilities or guarantees with related parties.

3.4. Major events after the end of the financial period

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

Income statement of the parent company (FAS)

	Notes	1/1-31/12/2020	1/1-31/12/2019
TURNOVER	1	1,353,371.61	356,300.20
Other operating income	2	1,272,807.82	829,775.74
Personnel expenses	3	-255,775.87	-138,094.77
Depreciation and impairment	4	-30,178.84	-23,470.97
Other operating expenses	5	-781,363.17	-749,965.15
OPERATING RESULT		1,558,861.55	274,545.05
Financial income and expenses	6	-338,764.56	1,024,414.91
RESULT BEFORE TAXES AND APPROPRIATIONS		1,220,096.99	1,298,959.96
Appropriations	7	-1,012,636.43	-4,193.92
Taxes	8	-13,924.02	-226,174.47
RESULT FOR THE PERIOD		193,536.54	1,068,591.57

Balance sheet of the parent company (FAS)

	Notes	31/12/2020	31/12/2019
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	193,068.14	195,486.34
Tangible assets	10	365,205.40	242,923.32
Other investments	11	7,885,202.64	170,791.48
		8,443,476.18	609,201.14
CURRENT ASSETS			
Non-current receivables	12	21,760,000.00	21,760,000.00
Current receivables	13	16,789,529.36	13,912,238.52
Cash and cash equivalents		142,513.61	6,237,216.50
		38,692,042.97	41,909,455.02
ASSETS		47,135,519.15	42,518,656.16
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
Retained profit		2,403,351.97	1,302,669.45
Other unrestricted equity		435,611.31	435,611.31
Result for the period		193,536.54	1,068,591.57
		28,401,594.40	28,175,966.91
ACCUMULATED APPROPRIATIONS	15	36,673.98	24,037.55
OBLIGATORY PROVISIONS	16	3,944,819.78	4,093,785.59
NON-CURRENT LIABILITIES	17	11,594,096.28	8,538,360.73
CURRENT LIABILITIES	18	3,158,334.71	1,686,505.38
LIABILITIES		47,135,519.15	42,518,656.16

Parent company cash flow statement (FAS)

EUR 1,000	1/1-31/12/2020	1/1-31/12/2019
Cash flow from operating activities:		
Payments received from operating activities	1,618,135.88	144,902.67
Payments paid on operating activities	-1,221,992.59	-1,400,922.31
Paid interests and other financial expenses	-844,650.84	-366,259.46
Interests received and other financial income	1,788,295.37	60.68
Direct taxes paid	-268,011.44	-212,935.71
Cash flow from operating activities	**1,071,776.38**	**-1,835,154.13**
Cash flow from investments:		
Investments in tangible and intangible fixed assets	-1,228,675.06	-45,255.06
Proceeds from sale of tangible fixed assets	2,257,500.00	0.00
Acquired shares in subsidiaries	-7,714,411.16	0.00
Sales of associated company shares	0.00	2,016,681.04
Loans granted	-7,412,000.00	-3,200,000.00
Loan repayments	3,614,461.95	3,735,982.26
Cash flow from investments	**-10,483,124.27**	**2,507,408.24**
Cassh flow from financing activities:		
Increase in loans	7,500,000.00	10,600,000.00
Decrease in loans	-4,183,355.00	-6,002,417.27
Dividends paid and other distribution of profits	0.00	-118,919.12
Group contributions received/paid	0.00	667,000.00
Cash flow from financing activities	**3,316,645.00**	**5,145,663.61**
Change in cash and cash equivalents	**-6,094,702.89**	**5,817,917.72**
Cash and cash equivalents at the beginning of the period	6,237,216.50	419,298.78
Cash and cash equivalents at the end of the period	**142,513.61**	**6,237,216.50**

Notes to parent company financial statements (FAS)

Accounting policies

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

Valuation principles

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

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

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

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

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

Comparability of the profit

Profit is comparable to previous year's profit.

Foreign currency items

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

Notes to the income statement

1. Turnover

	2020	2019
Turnover from consulting and management services	1,353,371.61	356,300.20
	1,353,371.61	356,300.20

2. Other operating income

	2020	2019
Rental income from Group companies	800.00	0.00
Rental income from other companies	93,140.16	93,259.85
Profit on sales of assets	1,178,867.66	736,515.89
	1,272,807.82	829,775.74

3. Personnel expenses

	2020	2019
Salaries and fees	239,134.15	129,543.07
Pension expenses	14,284.00	7,691.88
Other personnel expenses	2,357.72	859.82
	255,775.87	138,094.77
of which		
Management´s salaries and fees	123,026.72	55,794.74
Board of Directors´ fees	132,749.15	82,300.03
	255,775.87	138,094.77

On 31 December 2020, Reka Industrial entered into an arrangement with Reka Ltd whereby Reka Industrial pays a fixed (24%) pension contribution and is not liable for any other obligations arising from the operations, liabilities or financial situation of Reka Pension Fund.

4. Depreciation and impairment

	2020	2019
Depreciation on intangible assets	2,418.20	2,216.69
Depreciation on machinery and equipment	3,510.83	3,510.85
Depreciation on other tangible assets	20,237.21	13,730.83
Depreciation on buildings	4,012.60	4,012.60
	30,178.84	23,470.97
Total depreciation and impairment	30,178.84	23,470.97

5. Other operating expenses

	2020	2019
Rents	180,492.32	181,173.36
Voluntary personnel expenses	2,943.05	1,455.39
Audit of the accounts	108,490.60	74,531.88
Consultant services	68,422.52	165,801.33
Sales and marketing	52,141.67	59,939.75
Machinery and property maintenance costs	90,328.70	139,934.55
Change in obligatory provisions	51,034.19	13,461.51
Other expenses	227,510.12	113,667.38
	781,363.17	749,965.15

Fees paid to the auditors

The amounts are included in other operating expenses	2020	2019
Annual audit of the accounts	74,770.00	28,697.00
Tax services	27,728.00	40,142.00
Other services	4,850.00	0.00
	107,348.00	68,839.00

6. Financial income and expenses

Financial income	2020	2019
Dividend yield from others	0.00	56.12
Interest and financial income from Group companies	545,344.82	1,376,622.99
Interest and financial income from other companies	0.00	4.56
	545,344.82	1,376,683.67
Financial expenses		
Interest and financial expenses to Group companies	-41,744.27	-78,488.39
Interest and financial expenses to other comapanies	-842,365.11	-273,780.37
	-884,109.38	-352,268.76
Total financial income and expenses	-338,764.56	1,024,414.91

7. Appropriations

	2020	2019
Change in cumulative accelerated depreciation	-12,636.43	-4,193.92
Group contributions paid	-1,000,000.00	0.00
Total appropriations	-1,012,636.43	-4,193.92

8. Taxes on the income statement

	2020	2019
Income taxes	13,924.02	226,174.47
Taxes total	13,924.02	226,174.47

Notes to the balance sheet

9. Intangible assets

Intangible assets	2020	2019
Acquisition costs 1/1	197,703.03	185,612.00
Increase	0.00	12,091.03
Acquisition costs 31/12	197,703.03	197,703.03
Accumulated depreciation 1/1	-2,216.69	0.00
Depreciation according to plan	-2,418.20	-2,216.69
Accumulated depreciation 31/12	-4,634.89	-2,216.69
Book value 31/12	193,068.14	195,486.34

10. Tangible assets

Land and water areas	2020	2019
Acquisition costs 1/1	29,685.00	29,685.00
Increase	0.00	0.00
Acquisition costs 31/12	29,685.00	29,685.00
Book value 31/12	29,685.00	29,685.00

Buildings	2020	2019
Acquisition costs 1/1	100,315.00	100,315.00
Increase	1,078,632.34	0.00
Decrease	-1,078,632.34	0.00
Acquisition costs 31/12	100,315.00	100,315.00
Accumulated depreciation 1/1	-6,353.29	-2,340.69
Depreciation according to plan	-4,012.60	-4,012.60
Accumulated depreciation 31/12	-10,365.89	-6,353.29
Book value 31/12	89,949.11	93,961.71

Machinery and equipment	2020	2019
Acquisition costs 1/1	219,583.74	186,419.71
Increase	150,042.72	33,164.03
Acquisition costs 31/12	357,085.79	219,583.74
Accumulated depreciation 1/1	-100,307.13	-83,065.45
Depreciation according to plan	-23,748.04	-17,241.68
Accumulated depreciation 31/12	-124,055.17	-100,307.13
Book value 31/12	233,030.62	119,276.61

11. Other investments

Holdings in Group companies:

	2020	2019
Acquisition costs 1/1	170,791.48	1,450,956.63
Increase	7,714, 411.16	0.00
Decrease	0.00	-1,280,165.15
Acquisition costs 31/12	7,885,202.64	170,791.48

Holdings in Group companies	Business ID	Share capital EUR 1,000	Number of shares 2020	Number of shares 2019
Alnus Ltd, Helsinki	0762281-4	168	1,000	1,000
Reka Rubber Ltd, Hyvinkää	0870234-9	168	10	0

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

12. Non-current receivables

	2020	2019
Subordinated loan receivables from Group companies	13,600,000.00	13,600,000.00
Non-current interest receivables from Group companies	8,160,000.00	8,160,000.00
Total	21,760,000.00	21,760,000.00

13. Current receivables

	2020	2019
Sales receivables	7,482.25	13,573.26
Sales receivables from Group companies	617,305.00	488,679.21
Current loan receivables from Group companies	14,826,347.55	11,028,809.50
Interest receivables from Group companies	42,151.81	1,292,602.36
Accrued income from Group companies	192,455.01	240,024.77
Other receivables	10,870.28	2,280.00
Accrued income	1,092,917.46	846,269.42
Total	16,789,529.36	13,912,238.52

Material items of accrued income

	2020	2019
Accrued income from Group companies	192,455.01	240,024.77
Accrued accounts payable	124,135.76	126,346.04
Accrued financial expenses	335,773.40	364,325.00
Tax receivables	632,247.04	354,817.58
Other accrued income	761.26	780.80
Total	1,285,372.47	1,086,294.19

14. Shareholders´equity

	2020	2019
Share capital 1/1		
Series A	558,400.00	558,400.00
Series B	23,523,040.00	23,523,040.00
Share capital 31/12	24,081,440.00	24,081,440.00
Premium fund 1/1	66,400.00	66,400.00
Premium fund 31/12	66,400.00	66,400.00
Reserve fund 1/1	1,221,254.58	1,221,254.58
Reserve fund 31/12	1,221,254.58	1,221,254.58
Restricted equity 31/12	25,369,094.58	25,369,094.58
Own shares 1/1	0.00	0.00
Payments by own shares	0.00	0.00
Own shares 31/12	0.00	0.00
Retained profit 1/1	2,371,261.02	1,404,588.57
Payments by own shares	32,090.95	17,000.00
Dividends paid	0.00	-118,919.12
Retained profit 31/12	2,403,351.97	1,302,669.45
Other unrestricted equity 1/1	435,611.31	435,611.31
Other unrestricted equity 31/12	435,611.31	435,611.31
Result for the period	193,536.54	1,068,591.57
Unrestricted equity 31/12	3,032,499.82	2,806,872.33
Shareholders´equity 31/12	28,401,594.40	28,175,966.91

The parent company´s share capital by share series	2020 Number	2020 Shareholders´ equity	2019 Number	2019 Shareholders´ equity
Series A (20votes/share)	139,600	558	139,600	558
Series B (1 vote/share)	5,880,760	23,523	5,880,760	23,523
	6,020,360	24,081	6,020,360	24,081

15. Accumulated appropriations

	2020	2018	Change
Difference between depreciation accoring to plan and depreciation in accordance with the Finnish Business Tax Act (EVL)	36,673.98	24,037.55	12,636.43

16. Obligatory provisions

	2020	2019
Rental loss provision	744,819.78	693,785.59
Payment guarantee for the purchase price of premises (Avilon Fibres Ltd)	3,200,000.00	3,400,000.00
Total obligatory provisions	3,944,819.78	4,093,785.59

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).
The remaining amount of the guarantee at 31 December 2020 is EUR 3.2 million, which is paid annually by amounts of EUR 0.2 million until year 2035.

17. Non-current liabilities

	2020	2019
Bank loans	3,055,55.55	0.00
Green Bond	7,400,000.00	7,400,000.00
Other liabilities	1,138,540.73	1,138,360.73
Total	11,594,096.28	8,538,360.73

18. Current liabilities

	2020	2019
Bank loans	1,444,444.45	1,183,355.00
Accounts payable	145,558.65	314,681.65
Accruals and deferred income	316,367.61	173,207.90
Other short-term liabilities	0.00	7,200.00
Other liabilities to Group companies	1,251,964.00	8,060.83
Other liabilities	0.00	0.00
Total	3,158,334.71	1,686,505.38

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

Material items of accrued liabilities

	2020	2019
Personnel expenses allocated by period	50,463.82	62,505.52
Tax liability	0.00	51,889.82
Other accrued liabilities	265,903.79	58,812.56
Total	316,367.61	173,207.90

19. Contingent liabilities

EUR 1,000	2020	2019
Granted business mortgages	7,714,411.16	0.00
Total	7,714,411.16	0.00

Financial lease and other lease liabilities

	2020	2019
Maturing within 1 year	179,960.04	180,758.48
Maturing in 1 to 5 years	719,840.16	723,033.92
Maturing after 5 years	1,739,613.72	1,928,090.45
Total	2,639,413.92	2,831,882.85

20. List of bookkeeping books and vouchers

List of bookkeeping books and vouchers and their preservation:

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

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

During financial year 2020 the following voucher classes were used:

1	General ledger
10	Payroll seasoning
26	Payments of sales receivable
32	Payments of accounts payable
35	Purchase invoices
40	Sales invoices
60	Memorandums
90	Seasonal vouchers
96	Payroll
99	Note vouchers

Board’s proposal to the Annual General meeting

The parent company’s unrestricted equity stood at EUR 3,032,499.82 including the result of the review period EUR 193,536, The Board proposes to the Annual General Meeting that dividend of EUR 0,05 will be paid for 2020. No dividends were paid for 2019.

Signatures of the Financial Statement and Board of Directors´ report

Hyvinkää, 10 March 2021

MARKKU E.RENTTO
Markku E. Rentto
Chairman

ARI JÄRVELÄ
Ari Järvelä

MARJO MATIKAINEN-KALLSTRÖM
Marjo Matikainen-Kallström

MATTI HYYTIÄINEN
Matti Hyytiäinen

OLLI-HEIKKI KYLLÖNEN
Olli-Heikki Kyllönen

JUKKA POUTANEN
Jukka Poutanen
Managing Director

Auditor’s note

We have issued the auditor’s report today.

Helsinki, 10 March 2021

KPMG OYAB
Authorized Public Audit Firm

LEENAKAISA WINBERG
Leenakaisa Winberg
KHT

Shareholders 31.12.2020

Reka Industrial Plc´s ten largest shareholders on December 31 2020

	A-class shares	B-class shares	Shares total	Proportion of equity %	Prpportion of votes %
Reka Oy	139,400	2,915,549	3,054,949	50.74	65.76
Sinkko Erkki		57,000	57,000	0.95	0.66
Reka Industrial Oyj		53,573	53,573	0.89	0.62
Tikkanen Vesa		46,938	46,938	0.78	0.54
Vilpponen Aki		42,000	42,000	0.70	0.48
Haloan Oy		36,087	36,087	0.60	0.42
Lainema Matti		30,000	30,000	0.50	0.35
Rentto Markku E.		27,238	27,238	0.45	0.31
Käkelä Aulis		25,500	25,500	0.42	0.29
Viljanen Mikko		25,101	25,101	0.42	0.29
Other shareholders	200	2,621,774	2,621,974	43.55	30.28
Total	139,600	5,880,760	6,020,360	100.00	100.00

Ownership by type of shareholder

Type of shareholder	Share-holders no.	Share-holders %	Shares total	Proportion of equity %	Proportion of votes %
Companies	194	1.79	3,309,546	54.97	68.74
Financial institutions and insurance companies	6	0.06	61,800	1.03	0.95
Public organisations	60	0.55	44,980	0.75	0.52
Non-profit organisations	185	1.71	108,742	1.81	1.25
Households	10,367	95.79	2,453,130	40.75	28.29
Outside Finland	11	0.10	3,588	0.06	0.25
Nominee registered	8	0.00	38,574	0.64	0.45
Not in the book-entry securities system			0	0.00	0.00
Total	10,823	100.00	6,020,360	100.00	100.00

Ownership by the amount held

Shares held	Share-holders no.	Share-holders %	Shares total	Proportion of equity %	Proportion of votes %
1 - 50	4,743	43.82	133,696	2.22	1.55
51 - 100	2,650	24.49	230,428	3.83	2.67
101 - 1 000	3,000	27.72	993,720	16.51	11.47
1 001 - 10 000	404	3.73	1,011,814	16.81	11.68
10 001 -	26	0.24	3,650,702	60.64	72.63
Not in the book-entry securities system			0	0.00	0.00
Total	10,823	100.00	6,020,360	100.00	100.00

Management's shareholding
The members of the Board, the Managing Director and the CFO directly owned and controlled a total of 2,963,648 (2,958,529) of Reka Industrial's B shares on 31 December 2020. Reka Industrial held 53,572 (68,610) of its own shares on 31 December 2020.

Shares and share capital
Reka Industrial Plc's share capital was EUR 24,081,440 (24,081,440) on 31 December 2020. The share capital is divided into 6,020,360 shares. Of the shares, 139,600 are A shares with 20 votes per share and 5,880,760 are B shares with one vote per share. The total number of votes is 8,672,760, of which A series represents 2,792,000 votes and B series represents 5,880,760 votes. The total number of shares includes 53,572 (68,610) B shares owned by Reka Industrial. The company's Articles of Association do not include any redemption clauses. There are no shareholder agreements.

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

Auditor's Report

To the Annual General Meeting of Reka Industrial Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Reka Industrial Plc (business identity code 0693494-7) for the year ended 31 December 2020. The financial statements comprise consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

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

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

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

Basis for Opinion

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

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

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

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

Materiality

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

Key Audit Matters

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

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue recognition (Refer to Accounting policies for the consolidated financial statements and note 1.1)	
Revenue recognition is one of our focus areas due to following, for example: — Volumes of individual sales transactions are relatively large. — The Group uses different pricing models, client contract templates as well as sales channels. — Part of the client contracts include terms for storing products on behalf of the client. — The user rights in the sales-related IT systems are relatively extensive.	Our audit procedures covered assessment of the sales-related internal control environment, as well as testing of the operating effectiveness of the associated key controls. We also carried out both analytical and substantive audit procedures. Our audit procedures included key person interviews and assessment of the appropriateness of the revenue recognition principles and practices applied. We inspected the contents of the essential sale 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 appropriateness of revenue recognition on accrual basis. Our work also included consideration of rebates and discount practices and the process for recognising credit notes, as well as testing of related controls and accounting material. In addition, we considered the appropriateness of the Group's disclosures in respect of revenues.

Financing arrangements of the Group (Refer to Accounting policies for the consolidated financial statements and notes 2.10 and 2.14)

The Group has continued arrangements relating to its financing during 2020 as its liquidity position has been occasionally challenging, in particular due to the seasonal nature of its operations.

In the financial year 2020 financing arrangements were also executed to carry out the acquisition of Reka Kumi Ltd. The financing arrangements increased the net loan balance by EUR 5.8 million in 2020.

At the end of the financial year 2019, the company issued EUR 10 million in senior secured green bonds ("Bonds"), with the tenor of five years. At the year-end 2020 EUR 2.6 million of the Bonds are stored and the carrying amount of the Bonds determined by using the effective interest rate method was EUR 7.1 million as at 31 December 2020.

Bank loans include financial covenants.

We discussed regularly the ongoing and planned financing arrangements with the Group management.

Our audit procedures included assessment of the administrative and contractual documents regarding the financing decisions made. We also assessed the reasonableness of the cash flow estimates prepared by the Group management.

Our audit procedures included evaluating the appropriateness of the recognition principles applied in relation to the financing arrangements and examining the accuracy of the related entries by performing substantive procedures.

In addition, we considered the appropriateness of the Group's disclosures in respect of financing.

Related party transactions (Refer to Accounting policies for the consolidated financial statements and notes 3.3 and 3.4)

The company has significant transactions with its related parties. In the financial year 2020 the company carried out the following transactions, for example:

- The acquisition of Reka Kumi Ltd from the largest shareholder of the company (Reka Ltd), with a cash consideration of EUR 7.5 million.
- The company sold a property in Keuruu, purchased from a third party, to Reka Eläkekassa at fair value EUR 2.3 million and entered into a 10-year lease on the property with the Fund. This lease replaced the previous lease in force with the former owner.
- Reka Kaapeli Ltd made a guarantee capital investment of EUR 2.3 million into Reka Eläkekassa to support the solvency of the Fund.

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 and contractual documents 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 with the above-mentioned materials also assessed the consistency of accounting treatment regarding related party transactions with the above-mentioned material.

- At 31 December 2020, Reka Industrial Group companies entered into an arrangement with Reka Ltd whereby Reka Industrial Group companies pay a fixed (24%) pension contribution. With this arrangement the company also aims to finally transfer the insurance and investment risks to Reka Ltd, and to account for the pension plan as a defined contribution plan in the future. The juridical impact assessment is pending.

- Given the significance and variety of related party transactions, the accuracy and adequacy of related disclosures are becoming more important.

Consequently, related party transactions are one of our focus areas.

In addition, we considered the appropriateness of the Group's disclosures in respect of related party transactions.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 29 March 2012, and our appointment represents a total period of uninterrupted engagement of 9 years.

Other Information

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

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

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

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

Helsinki 10 March 2021

KPMG OY AB

LEENAKAISA WINBERG
Authorised Public Accountant, KHT

REKA
INDUSTRIAL

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