

An aerial photograph of a multi-lane highway curving through a lush green landscape. In the background, three large white wind turbines stand prominently against a clear blue sky. The terrain is a mix of green fields, dense forests, and rolling hills. The overall scene conveys a sense of sustainable infrastructure and natural beauty.

**REKA**  
INDUSTRIAL

# Reka Industrial Plc

Half Year Financial Report  
January - June 2022

# Reka Industrial Plc: Profitable growth



Reka Industrial Plc's half year financial report January - June 2022

## January - June 2022

- Reka Industrial group's turnover was EUR 100.8 million (78.4 million)
- EBITDA was EUR 6.7 million (6.2 million)
- The Operating result was EUR 3.8 million (3.5 million)
- The Group's result for the period was EUR 1.5 million (1.0 million)

Near-term outlook remains the same: In 2022 EBITDA (EUR million) is expected to remain at the same level or improve, provided that predominant conditions due COVID-19 pandemic and the geopolitical situation will not substantially affect to the company's capability to deliver. EBITDA will also be affected to what extent and how quickly we are able to pass on the continuous increase in material costs to sales prices as well as metal price fluctuations.

### Managing director Jukka Poutanen:

Turnover increased in both the cable and rubber industries. About 50 % of the turnover increase in the cable industry is explained by rising metal prices. The rubber industry's turnover in March was EUR 2.9 million, the largest in Reka Rubber's history. Also in June rubber industry reached turnover of EUR 2.9 million.

The rise in energy prices and availability have not affected the company's market demand so far. Wind power construction is believed to continue to accelerate.

Strongly increased procurement prices, global material shortages and logistics challenges have required an increase in inventory to ensure availability and guarantee delivery reliability to customers.

There is still a clear delay in passing on increased acquisition costs to customer prices in both industries.

The impact of metal prices on the value of inventories and the net effect of metal and currency hedging supported in January-June 2022 the cable industry's EBITDA by EUR 0.4 million, compensating sharply and still rapidly rising acquisition costs, which can only be passed on to customer prices with a delay.

Both industries have had procurement and delivery capacity challenges. COVID-19 and supply chain logistics have required a lot of effort to ensure material deliveries.

The cable industry has succeeded in serving customers reliably despite ongoing sourcing challenges. The delivery capacity of the rubber hose production in Poland was weak at the beginning of the year and there were problems also in second quarter,

although delivery volumes were significantly higher than before.

The main focus of the remedial measures on hose production in Poland is to increase the production capacity of hose production and to streamline the production process. The changes made are already visible in the delivery volumes, but the personnel situation has remained challenging. The share of temporary labor has been increased. The expansion of the rubber industry's space in Poland was operational as planned during April.

Investments in current assets are reflected in the operating cash flow, which was EUR 0.1 million at the end of June.

The demand situation in both industries is good. The Nordic cable market is growing and is expected to grow in the coming years. Cable industry's market share in Finland is strong and we aim to increase our market share in the other Nordic countries. The rubber industry has a strong position in its selected market segments. Order volumes have continued to grow.

Green Bond funded projects have been taken forward and new ones are ongoing. Green bond investor letter was published in March 2022.

In the cable industry, investments have been made, specially to the projects relating to wind power and decreasing energy consumption. The rubber industry is currently working with customers on prototypes and pre-kits for products needed for electric commercial vehicles. Related volume deliveries will begin in 2023.

We publish the key figures without IAS 19 defined benefit pension liability entries, as changes in the discount rate fluctuate the IAS 19 figures. Now that

the reference interest rate rose by a couple of percentage points, there is no longer an uncovered liability.

### Major events during the financial period

Negotiations on the additional space of the rubber industry's Polish unit were completed in early January. The additional space was completed in early April and the first deliveries from the new warehouse were shipped after Easter. With the arrangement, the hose production capacity and productivity of the Polish production unit can be clearly increased. Customer demand is still growing, and the change will enable us to better meet the growing volume needs.

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

Russia started a large-scale invasion of Ukraine on February 24, 2022. In 2021, the value of sales in the cable business to Russia was 0.4 %, to Ukraine 0.0 % and to Belarus 0.0 % of the Group's net sales. In 2022, sales to Russia have stopped and related operations have been shut down. The rubber industry has no sales to these countries. The rubber industry also has no procurement from these countries. The cable industry has acquired some of the aluminum it uses from Russia. The share of Russian aluminum has decreased in 2022 and its replacement by suppliers from other regions is underway.

In May the US-based Clearfield Inc. entered into an agreement to acquire the entire share capital of Nestor Cables Oy. Reka Industrial's share of Nestor Cables Oy's shares is 22.94 %.

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

### Key figures

	1-6/2022	1-6/2021	1-12/2021
Turnover, EUR million	100.8	78.4	158.1
EBITDA, EUR million	6.7	6.2	11.3
Operating result, % from turnover	3.8	4.4	3.5
Result for the period, EUR million	1.5	1.0	1.0
Earnings per share, EUR	0.26	0.17	0.17
Net cash provided by operating activities, EUR million	0.1	4.2	8.6
IAS 19 corrected ROI, %	16.2	16.6	15.4
IAS 19 corrected Equity ratio, %	16.2	20.1	21.4

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

An appeal against the negative decision of the Administrative Court was made to the Supreme Administrative Court in August 2021, as the matter is significant in principle. The Supreme Administrative Court has now stated that the subsidiary merge carried out in 2015 is tax neutral.

In accordance with the decision of the Supreme Administrative Court, the retroactive entry of EUR 1.1 million to equity made in 2021 has been cancelled and the comparison data from previous years has been updated accordingly. EUR 0.2 million has been taken into account through the income statement.

Reka Industrial presents alternative key figures so that the effects of IAS 19 recognition of defined benefit pension liabilities are eliminated from the key figures' income and balance sheet items in order to better monitor the development of operations.

The entries of the IAS 19 defined benefit plan in the income statement are presented below the operating

result as a separate item before the share of the result of associated companies. In this way, the development of Reka Industrial's business can be better monitored.

### **Turnover and operating result**

Reka Industrial Group's turnover was EUR 100.8 million (78.4 million). EBITDA was EUR 6.7 million (6.2 million) and operating result was EUR 3.8 million (3.5 million). The Group's result for the review period was EUR 1.5 million (1.0 million).

### **Balance sheet and financing**

At the end of the review period, the balance sheet totalled EUR 94.9 million. On 31 December 2021 the balance sheet totalled at EUR 72.2 million.

The IAS 19 pension liability in the financial statements was EUR 5.0 million. The reference rate of the discount rate for pension liabilities increased by 2 percentage points during the review period, and with that the IAS 19 pension liability was eliminated, and on June 30, 2022, the balance sheet has an IAS 19 pension receivable of EUR 3.8 million.

Reka Cables Ltd updated the financing of its EUR 3 million bank loan. In the arrangement, the loan repayment period was extended and the interest rate was clearly reduced.

Reka Cables Ltd increased its loan limit from EUR 5.0 million to EUR 8.0 million. EUR 5.4 million of the loan limit was used at the end of June 2022. In addition, Reka Cables increased the limits related to trade receivables by EUR 3.0 million.

On June 30, 2022, the Group's interest-bearing loans excluding IFRS 16 leases were EUR 26.8 million (December 31, 2021, EUR 20.9 million). Of this amount EUR 13.0 million is long-term (December 31, 2021, EUR 14.4 million). Short-term interest-bearing loans include EUR 6.2 million of account limits used on June 30, 2022. Unused account limits at the end of June were EUR 2.8 million. Recourse related to financing of accounts receivables and included to interest-bearing loans was EUR 3.2 million in the end of June 2022 (December 31, 2021, EUR 1.2 million). Recourse arises in a situation where there is a delay in financing the accounts receivable at the end of the month and due to customer-specific or total limit being reached. The recourse is removed when the customer has paid the receivable in question.

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

An appeal against the negative decision of the Administrative Court was made to the Supreme Administrative Court in August 2021, as the matter is significant in principle. The Supreme Administrative Court has now stated that the subsidiary merge carried out in 2015 is tax neutral. Reka Industrial takes into account the decision of the Supreme Administrative Court in its half-year report and records the EUR 1.3 million it paid to the tax authority in short-term receivables.

### **COVID-19**

The pandemic has not reduced customer demand in 2022. COVID-19 has caused additional costs as personnel has been more than usual on sick leave to eliminate the possible infection risk.

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

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

### **Segments**

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

#### **Cable segment**

The Cable segment's turnover was EUR 85.0 million (66.0 million). EBITDA was EUR 5.6 million (5.5 million).

Reka Cables Ltd's domestic sales increased strongly 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 variations of copper and aluminum have been significant. The prices of plastics have risen strongly, and availability has become more difficult.

At the beginning of the year the price of copper was EUR 8,558 per tonne and the price of aluminium was EUR 2,478 per tonne. At the end of June 2022, the price of copper was EUR 7,932 per tonne and the price of aluminum EUR 2,306 per tonne.

At its highest point, the daily price of copper during the review period was EUR 9,855 per tonne in March, and at its lowest in June, at EUR 7,874 per tonne. The price of aluminium has been at its highest in March, when it was EUR 3,660 per tonne, and its lowest in June, when it was EUR 2,306 per tonne.

Turnover for Nestor Cables Group, an associated company in the segment, in January-June 2022 was EUR 23.4 million (16.2 million). EBITDA was positive and bigger than year before.

### **Rubber segment**

Rubber segment's turnover was EUR 15.9 million (12.5 million). EBITDA was EUR 1.4 million (1.1 million).

EBITDA in the rubber industry is burdened by overtime at the Polish factory and high staff turnover. Processes and techniques are further developed and the number of temporary workers has been increased.

### **Investments**

During the review period the investments totalled to EUR 1.5 million (1.3 million), of which the investments in the cable business were EUR 1.1 million (1.2 million) and in the rubber business EUR 0.3 million (0.1 million). Other investments include smaller IT and maintenance investments to the rental premises.

### **Personnel**

In January-June 2022, the Group employed an average of 588 (576) people. At the end of the review period, the personnel of the Group was 590 (578) employees, of which 304 (294) represented the Cable segment and 285 (283) represented the Rubber segment.

### **Annual General Meeting decisions**

The Annual General Meeting (AGM) of Reka Industrial Plc was held on 6 April 2022, in Hyvinkää.

The AGM approved the financial accounts for the 2021 accounting period and granted the Company's Board and the Managing Director discharge from liability for the 2021 accounting period.

The AGM resolved, in accordance with the Board's proposal, that for the 2021 accounting period a dividend of 0,09 per share will be paid. The AGM resolved to pay the dividend on 20 April 2022 to shareholders who on the record date of the dividend payment, 8 April 2022, are registered in the Company's shareholder register maintained by Euroclear Finland Ltd.

In accordance with the Board's proposal, the Annual General Meeting decided to approve the company's 2021 remuneration report. According to the Companies Act, the decision is advisory.

The AGM approved the proposed annual remuneration (12 months) of EUR 25,000 for the members of the Board of Directors, EUR 32,000 for the chairman of the Board and EUR 2,500 for the committee members. No separate meeting fees to be paid. The AGM approved that the members of the Board are compensated for their travel expenses.

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

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

The AGM approved, in accordance with the shareholders' proposal, that the number of members of the Board shall be five (5) and re-elected the following persons to the Board: Markku E. Rentto, chairman; Ari Järvelä, deputy chairman and Matti Hyytiäinen, Olli-Heikki Kyllönen and Leena Saarinen 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 Jukka Rajala as responsible auditor, as the Company's auditor for a term that expires at the end of the Annual General Meeting of 2023.

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

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

The maximum number of class B shares to be acquired together with the number of shares previously held as pledged by the company, may not exceed a total of 588,076. The amount corresponds to approximately 9.77 per cent of all the shares in the Company and in total 10,0 per cent of the Company's class B shares. The Board of Directors is entitled to decide on all other matters pertaining to acquiring of the Company's own shares.

The authorization is proposed to remain in force until the next Annual General Meeting, however not later than October 6, 2023. The authorization replaces the authorization given by the previous Annual General Meeting on April 8, 2021 to repurchase and pledge the company's own shares.

In accordance with the Board's proposal, the Annual General Meeting authorized the Board to decide on handover of own shares. The amount of shares to be handed over in total can be maximum 588,076 B

shares, which corresponds to approximately 9.77 per cent of all the shares of the Company and in total 10.0 per cent of the Company's class B shares, depending on the situation on the date of the notice. The authorization entitles the Board of Directors to decide on all other conditions for the handover of shares, including the right to deviate from the shareholders' pre-emptive subscription right.

The authorization is valid until the next Annual General Meeting, however not later than April 30, 2023. The authorization replaces the authorization given by the previous Annual General Meeting on April 8, 2021 for the handover of own shares.

### Shares and share capital

Reka Industrial Plc's share capital is divided into A and B shares. On 30 June 2022, its total share capital was EUR 24,082,000 and the number of shares was 6,020,360. The total number of shares includes 48,105 shares held by Reka Industrial. The holding represents 0.8% of the company's share capital and 0.5% of the votes. The company held no A shares. Reka Industrial Plc's B shares (REKA) are listed on the main list of NASDAQ Helsinki.

Company shares	30/6/2022	30/6/2021
Company share capital (EUR)	24,082,000	24,082,000
A shares (20 votes per share)	139,600	139,600
B shares (1 vote per share)	5,880,760	5,880,760
Total	6,020,360	6,020,360
B shares held by the company	48,105	44,253

On January-June 2022, a total of 610,841 (853,237), of Reka Industrial Plc's B shares were traded on NASDAQ Helsinki, representing 10.4 % (14.5 %) of the total number of shares. At the end of trading on 30 June 2022 the share price was EUR 3.26 (3.84) and the average share price for the review period was EUR 3.63 (3.83). The lowest quotation in January-June was EUR 2.86 (3.19), with the highest being EUR 4.19 (4.50). The company's market capitalisation was valued at EUR 19.5 million (22.9 million) on 30 June 2022.

### Acquisition of own shares

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

### Group structure and shareholders

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

At the end of the review period, Reka Industrial had 10,506 shareholders (10,676). The largest shareholder, Reka Ltd, held 50.16 % of the shares and 65.4 % of the votes. Reka Industrial Plc is

therefore part of the Reka Group. Reka Ltd is domiciled in Juupajoki.

At the end of June 2022, the combined holding of the ten largest shareholders was 57.8 % of the shares and 70.7 % of the votes. The members of the Board, the Managing Director and the CFO directly and through their controlled corporations owned and controlled on June 30, 2022 a total of 2,965,814 (2,968,466) of Reka Industrial's B shares.

### Risks and uncertainty factors

Reka Industrial's financial risks include currency, interest rate, commodity, liquidity, credit and investment risks. Financial risks and the related protection measures are described in more detail in

notes to the financial statements. The company's future risk factors are related to the development of its business segments.

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

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

### **Near-term outlook**

In 2022 EBITDA (EUR million) is expected to remain at the same level or improve, provided that predominant conditions due COVID-19 pandemic and the geopolitical situation will not substantially affect to the company's capability to deliver. EBITDA will also be affected to what extent and how quickly we are able to pass on the continuous increase in material costs to sales prices as well as metal price fluctuations.

Hyvinkää, 4 August 2022

Reka Industrial Plc  
Board of Directors

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the main selling currencies. Partial price fixing is used with electricity.

The financial situation in euro area and political uncertainties may have effect on purchase amount of the customers in rubber business as well to the start of new projects. The availability of employees poses challenges to the growth of operations. In the Polish plant in particular, staff turnover and the relative share of sick leave are high and require active and multi-channel recruitment and measures to manage absences.

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

### **Major events after the review period**

In May US-based Clearfield Inc. signed an agreement to acquire the entire share capital of Nestor Cables Oy. The transaction was completed after the review period. As a result of the overall arrangement of the deal, Reka Industrial received EUR 2.4 million in cash and the impact on the third quarter result is approximately EUR 1.4 million.

**Consolidated Income Statement (IFRS)**

EUR 1,000

1/1-30/6/2022

1/1-30/6/2021

<b>Turnover</b>	<b>100,848</b>	<b>78,403</b>
Change in inventories of finished products and production in progress	6,636	3,244
Production for own use	31	52
Other operating income	209	217
Materials and services	-82,398	-58,138
Personnel expenses	-12,978	-12,556
Depreciation and impairment	-2,874	-2,764
Other operating expenses	-5,690	-4,986
	-97,064	-74,930
<b>Operating result</b>	<b>3,784</b>	<b>3,473</b>
Financial income	297	140
Financial expenses	-2,049	-2,001
IAS 19 defined benefit plans	-427	-440
Share of the result of associated companies	383	230
<b>Result before taxes</b>	<b>1,988</b>	<b>1,403</b>
Taxes	-448	-378
<b>Result for the period</b>	<b>1,540</b>	<b>1,025</b>
<b>Profit or loss attributable to</b>		
Shareholders of the parent	1,540	1,025
Non-controlling interests	0	0
	1,540	1,025
Earnings per share attributable to the shareholders of the parent before and after dilution, EUR	0.26	0.17
Number of shares	5,972,255	5,976,107

**Consolidated Statement of Comprehensive Income (IFRS)**

<b>Result</b>	1,540	1,025
<b>Other comprehensive items that may subsequently reclassified to statement of income</b>		
Translation differences related to foreign units	-15	40
Change in the value of open customer derivatives	-2,469	215
Taxes of items that may subsequently reclassified to statement of income	494	-43
Total	-1,991	212
<b>Other comprehensive items that are not subsequently reclassified to statement of income</b>		
Items related to remeasurements of net defined benefit liability	9,290	0
Taxes of items that are not subsequently reclassified to statement of income	-1,858	0
Total	7,432	0
<b>Other comprehensive items total</b>	<b>5,441</b>	<b>212</b>
<b>Total comprehensive income</b>	<b>6,981</b>	<b>1,237</b>
<b>Total comprehensive income attributable to</b>		
Shareholders of the parent	6,981	1,237
Non-controlling interests	0	0
	6,981	1,237

**Consolidated Balance Sheet (IFRS)**



EUR 1,000

30/6/2022

30/6/2021

## ASSETS

**Non-current assets**

Goodwill	3,252	3,252
Other intangible assets	4,926	5,572
Tangible assets	23,448	22,991
Right-of-use assets	3,347	4,757
Holdings in associates	1,064	1,531
Receivables	2,340	2,320
IAS19 receivables	3,776	0
Derivative contracts	0	202
Deferred tax assets	2,075	2,738
<b>Total non-current assets</b>	<b>44,228</b>	<b>43,364</b>

**Current assets**

Inventories	33,513	24,117
Sales receivables and other receivables	11,433	8,101
Tax receivables from the profit	248	194
Derivative contracts	181	580
Other financial assets	2,946	0
Cash and cash equivalents	1,402	1,164
<b>Total current assets</b>	<b>49,723</b>	<b>34,156</b>

**Non-current assets held for sale****955**      **0****Total Assets****94,907**      **77,520**

## SHAREHOLDERS' EQUITY AND LIABILITIES

30/6/2022

30/6/2021

**Shareholder's equity**

Share capital	24,082	24,082
Premium fund	66	66
Reserve fund	1,221	1,221
Own shares	-174	0
Translation differences	-132	-71
Retained profit	-7,680	-13,700
Other unrestricted equity	436	436
<b>Equity attributable to shareholders of the parent</b>	<b>17,819</b>	<b>12,036</b>
Non-controlling interests	0	0
<b>Total shareholders' equity</b>	<b>17,819</b>	<b>12,036</b>

**Non-current liabilities**

Deferred tax liabilities	2,198	1,648
Provisions	3,588	3,691
Financial liabilities	12,981	15,840
Lease liabilities	4,107	5,369
IAS19 pension liability	0	4,216
Other liabilities	96	28
Derivative contracts	227	0

**Current liabilities**

Tax liabilities from the profit	631	377
Provisions	201	93
Financial liabilities	13,806	6,426
Lease liabilities	1,603	1,697
Derivative contracts	1,889	171
Accounts payable and other liabilities	35,761	25,928
<b>Total liabilities</b>	<b>77,088</b>	<b>65,484</b>

**Shareholders' equity and liabilities****94,907**      **77,520****Consolidated Statement of Changes in Shareholders' Equity (IFRS)**

EUR 1,000	A	B	C	D	E	F	G	H	I	J	K	L
Shareholders' Equity 31/12/2020	24,082	66	1,221	0	-94	960	317	436	-17,083	9,905	0	9,905
*Cancellation of retrospective error correction, subsidiary merger tax									1,163	1,163	0	1,163
Shareholders' Equity 1/1/2021	24,082	66	1,221	0	-94	960	317	436	-15,920	11,068	0	11,068
Comprehensive income												
Result for the period									986	986	0	986
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						-406				-406		-406
Taxes of net defined liability						81				81		81
Derivatives							139			139		139
Taxes of derivatives							-28			-28		-28
Translation differences					-22					-22		-22
Total comprehensive income					-22	-325	111		986	750	0	750
Other change									-7	-7		-7
Transactions with the owners												
Dividends paid									-298	-298		-298
Acquisition of own shares				-287						-287		-287
Payments by own shares									28	28		28
Total transactions with the owners				-287					-271	-558	0	-558
<b>Shareholders' equity 31/12/2021</b>	<b>24,082</b>	<b>66</b>	<b>1,221</b>	<b>-287</b>	<b>-116</b>	<b>635</b>	<b>428</b>	<b>436</b>	<b>-15,212</b>	<b>11,253</b>	<b>0</b>	<b>11,253</b>

EUR 1,000	A	B	C	D	E	F	G	H	I	J	K	L
Shareholders' equity 31/12/2021	24,082	66	1,221	-287	-116	635	428	436	-15,212	11,253	0	11,253
Comprehensive income												
Result for the period									1,540	1,540	0	1,540
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						9,290				9,290		9,290
Taxes of net defined liability						-1,858				-1,858		-1,858
Derivatives							-2,469			-2,469		-2,469
Taxes of derivatives							494			494		494
Translation differences					-15					-15		-15
Total comprehensive income					-15	7,432	-1,975		1,540	6,981	0	6,981
Transactions with the owners												
Dividends paid									-535	-535		-535
Payments by own shares				113					7	120		120
Total transactions with the owners				113					-528	-415	0	-415
<b>Shareholders' equity 30/06/2022</b>	<b>24,082</b>	<b>66</b>	<b>1,221</b>	<b>-174</b>	<b>-132</b>	<b>8,067</b>	<b>-1,547</b>	<b>436</b>	<b>-14,200</b>	<b>17,819</b>	<b>0</b>	<b>17,819</b>

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

Explanations for the letter codes:

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

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

## Consolidated Cash Flow Statement (IFRS)

EUR 1,000	1/1-30/6/2022	1/1-30/6/2021
<b>Cash flows from operating activities</b>		
Payments received from operating activities	102,168	78,860
Payments paid on operating activities	-100,228	-72,667
Paid interests and other financial expenses	-1,788	-1,755
Interests received and other financial incomes	92	38
Direct taxes paid	-140	-268
<b>Net cash provided by operating activities</b>	<b>105</b>	<b>4,208</b>
<b>Cash flows from investments</b>		
Investments in tangible assets	-1,564	-1,402
Sales of tangible assets	-4	18
<b>Net cash provided by investing activities</b>	<b>-1,568</b>	<b>-1,384</b>
<b>Cash flows from financing activities</b>		
Increase in loans	11,796	381
Decrease in loans	-5,294	-3,696
Payments of finance lease activities	-904	-864
Dividends paid	-535	-298
<b>Net cash provided by financing activities</b>	<b>5,063</b>	<b>- 4,477</b>
<b>Change in cash and cash equivalents at the end of the period</b>	<b>3,601</b>	<b>-1,653</b>
Cash and cash equivalents at beginning of the period	767	2,815
Exchange rate differences	-20	2
<b>Cash and cash equivalents at the end of the period</b>	<b>4,348</b>	<b>1,164</b>

## Notes to the Consolidated Financial Statements

### Accounting policies

This unaudited interim report has been prepared in accordance with IAS 34 requirements for interim reports. This interim report has been prepared in accordance with the same principles as the financial statements for 2021. Since there were no other financial assets in the 2021 financial statements, the principle of preparing cash and other financial assets is described in the half-year interim report. The Group has adopted following new or amended IAS/IFRS standards and interpretations effective from January 1, 2022, but these do not have essential effect on the financial statements.

### Cancellation of retrospective error correction

The Administrative Court has stated in its' decision in July 2021 that the subsidiary merge carried out in 2015 is not tax neutral. A total of EUR 1.3 million has been taken into account in the figures for the financial year 2021 following the decision of the Administrative Court. EUR 1.1 million have been recorded in equity and EUR 0.2 million have been recorded in financial expenses. All payments to the tax authority had been made by the end of 2021.

An appeal against the negative decision of the Administrative Court was made to the Supreme Administrative Court in August 2021, as the matter is significant in principle. The Supreme Administrative Court has now stated that the subsidiary merge carried out in 2015 is tax neutral.

In accordance with the decision of the Supreme Administrative Court, the retroactive entry of EUR 1.1 million in equity made in 2021 has been canceled and the comparison data from previous years has been updated accordingly. The 0.2 million euros taken into account in the financial expenses of the income statement of the comparison year have been taken into account in the financial items through the income statement of the review period. The total amount of EUR 1.3 million is recorded in short-term receivables in the half-year report.

### Cash and other financial assets

Cash and other financial assets consist of cash and account balances, deposits and other short-term investments. Cash and other financial assets are included in the cash flow statement.

Cash and account balances, as well as bank deposits with a maturity of three months or less, are taken into account in the cash balance.

Bank deposits with a maturity of more than three months, other deposits with a maximum of 12 months, as well as all short-term investments and short-term investments are taken into account in the balance sheet's other financial assets.

### COVID-19

The COVID-19 pandemic has not affected to the market demand in the cable segment. COVID-19 has caused additional costs and delivery delays as personnel has been more than usual on sick leave to eliminate the possible infection risk.

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

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

## Segment information

At this point the industrial operating segments of Reka Industrial Group are cable business and rubber business. All other operations are categorised to group Other operations and eliminations.

<b>30/6/2022</b>	<b>Cable</b>	<b>Rubber</b>	<b>Other operations and eliminations</b>	<b>Group</b>
EUR 1,000				
<b>Turnover</b>	<b>85,018</b>	<b>15,943</b>	<b>-114</b>	<b>100,848</b>
<b>EBITDA</b>	<b>5,597</b>	<b>1,445</b>	<b>-384</b>	<b>6,658</b>
Unallocated items			-5,118	-5,118
Result before taxes				1,988
<b>Result for the period</b>				<b>1,540</b>
<b>Assets</b>				
Segment's assets	69,187	18,330	7,389	94,907
<b>Total assets</b>	<b>69,187</b>	<b>18,330</b>	<b>7,389</b>	<b>94,907</b>
<b>Liabilities</b>				
Segment's liabilities	52,397	8,695	15,996	77,088
<b>Total liabilities</b>	<b>52,397</b>	<b>8,695</b>	<b>15,996</b>	<b>77,088</b>
<b>Assets - liabilities</b>	<b>16,791</b>	<b>9,635</b>	<b>-8,606</b>	<b>17,819</b>
<b>Investments</b>	<b>1,146</b>	<b>275</b>	<b>127</b>	<b>1,547</b>
<b>Depreciations</b>			<b>2,874</b>	<b>2,874</b>
<b>30/6/2021</b>	<b>Cable</b>	<b>Rubber</b>	<b>Other operations and eliminations</b>	<b>Group</b>
EUR 1,000				
<b>Turnover</b>	<b>66,014</b>	<b>12,472</b>	<b>-82</b>	<b>78,403</b>
<b>EBITDA</b>	<b>5,470</b>	<b>1,140</b>	<b>-373</b>	<b>6,238</b>
Unallocated items			-5,213	-5,213
Result before taxes				1,403
<b>Result for the period</b>				<b>1,025</b>
<b>Assets</b>				
Segment's assets	56,980	17,978	2,563	77,520
<b>Total assets</b>	<b>56,980</b>	<b>17,978</b>	<b>2,563</b>	<b>77,520</b>
<b>Liabilities</b>				
Segment's liabilities	37,827	10,976	17,844	66,648
<b>Total liabilities</b>	<b>37,827</b>	<b>10,976</b>	<b>17,844</b>	<b>66,648</b>
<b>Assets - liabilities</b>	<b>19,153</b>	<b>7,002</b>	<b>-15,282</b>	<b>10,873</b>
<b>Investments</b>	<b>1,158</b>	<b>106</b>	<b>49</b>	<b>1,313</b>
<b>Depreciations</b>			<b>2,764</b>	<b>2,764</b>

Cable segment's turnover by product group, EUR million	1-6/2022	1-6/2021
LV energy	20.8	15.4
Power cable	64.3	50.6
<b>Total</b>	<b>85.0</b>	<b>66.0</b>

Cable segment's turnover by sales area, EUR million	1-6/2022	1-6/2021
EU-countries	81.2	61.8
Non-EU-countries	3.9	4.2
<b>Total</b>	<b>85.0</b>	<b>66.0</b>

Rubber segment's turnover by product group, EUR million	1-6/2022	1-6/2021
Moulded	5.4	4.8
Hoses	8.1	6.0
Other	2.4	1.7
<b>Total</b>	<b>15.9</b>	<b>12.5</b>

Rubber segment's turnover by sales area, EUR million	1-6/2022	1-6/2021
EU-countries	14.5	11.2
Non-EU-countries	1.4	1.3
<b>Total</b>	<b>15.9</b>	<b>12.5</b>

Taken all market areas into the consideration the largest customer Group's share of the Group's turnover was 24.2%. Other separate customer's share of the Group's turnover was under 10 %.

### Other income

EUR 1,000	1-6/2022	1-6/2021
Subsidies received	58	69
Rental income	82	65
Other income	68	83
<b>Total</b>	<b>209</b>	<b>217</b>

### Other expenses

EUR 1,000	1-6/2022	1-6/2021
Short-term variable compensation	-117	-131
Other variable compensation	-544	-489
Rental expenses total	-661	-621
Machinery and property maintenance costs	-2,192	-1,980
Sales and marketing expenses	-499	-296
Voluntary personal expenses	-449	-356
Other expenses	-1,889	-1,733
<b>Total</b>	<b>-5,690</b>	<b>-4,986</b>

## Change in non-current assets

EUR 1,000	1-6/2022	1-6/2021
Book value at the beginning of the period	27,731	28,734
Investments	1,542	1,363
Depreciation	-2,441	-2,347
Translation differences	-37	0
Book value at the end of the period	26,795	27,749

## Contingent liabilities and commitments

EUR 1,000	30/6/2022	30/6/2021
Loans from financial institutions	16,044	11,737
Bond	7,192	7,124
Granted business mortgages	26,800	23,800
Granted real estate mortgages	19,093	19,093
Book value of pledged securities	35,134	35,134
Granted guarantees	4,408	0
Guarantees and payment commitments	2,006	1,512

## Investment commitments

Investment commitments for tangible fixed assets amounted to EUR 3.4 million on 30 June 2022 (EUR 5.8 million on 30 June 2021).

## Liquidity management

In addition to negotiating financing and payment terms, measures to improve the circulation of inventory and release capital from assets are ways to ensure the adequacy of financing and readiness for payment.

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.

In 2022 Reka Cables updated the financing of its bank loan. In the arrangement, the loan (EUR 3 million) repayment period was extended and the interest rate was clearly reduced.

Strongly increased procurement prices, global material shortages and other supply chain problems have required an increase in inventory to ensure availability and to guarantee delivery reliability to customers. Reka Cables increased its loan limit from EUR 5.0 million to EUR 8.0 million. 5.4 million of the loan limit was used at the end of June 2022.

At the end of June 2022, EUR 0.8 million of the EUR 1 million account limit of the Polish unit of the rubber industry was used.

The Group uses sales of accounts receivables as a part of optimising circulation of working capital and liquidity management. During the review period, Reka Cables increased the limits related to the financing of trade receivables by three million euros. Recourse related to financing of accounts receivables and included to interest-bearing loans was EUR 3.2 million in the end of June 2022 (December 31, 2021, EUR 1.2 million). Recourse arises in a situation where there is a delay in financing the accounts receivable at the end of the month and due to customer-specific or total limit being reached. The recourse is removed when the customer has paid the receivable in question.



EUR 1,000	Balance sheet value	Cash flow	Less than 1 year	1–2 years	2–5 years	More than 5 years
<b>30/6/2022</b>						
Repayable bank loans	6,806	6,806	3,015	2,891	900	0
Loan limits	6,165	6,165	6,165	0	0	0
Regression of sales receivables	3,185	3,185	3,185	0	0	0
Bond	7,192	7,192	0	0	7,192	0
Other loans	3,439	3,439	1,441	1,851	146	0
Lease liabilities	5,710	5,792	1,815	2,076	755	1,147
Accounts payable and other liabilities	27,065	27,065	27,065	0	0	0
<b>Total</b>	<b>59,563</b>	<b>59,644</b>	<b>42,687</b>	<b>6,818</b>	<b>8,993</b>	<b>1,147</b>
Derivatives						
Commodity derivatives	-2,113	-2,113	-1 886	-227	0	0
Financial derivatives	179	179	179	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
<b>30/6/2021</b>						
Repayable bank loans	9,499	9,499	1,910	3,900	3,689	0
Loan limits	568	568	568	0	0	0
Regression of sales receivables	1,670	1,670	1,670	0	0	0
Bond	7,124	7,124	0	0	7,124	0
Other loans	3,404	3,404	2,277	0	1 128	0
Lease liabilities	7,067	8,138	2,406	3,447	979	1,307
Accounts payable and other liabilities	18,190	18,190	18,190	0	0	0
<b>Total</b>	<b>47,522</b>	<b>48,593</b>	<b>27,020</b>	<b>7,347</b>	<b>12,919</b>	<b>1,307</b>
Derivatives						
Commodity derivatives	695	695	493	202	0	0
Financial derivatives	-84	-84	-84	0	0	0

According to the decision of the Supreme Administrative Court, the EUR 1.3 million recovered from the tax authority is expected to be paid during the third quarter. With the transaction related to Nestor Cables, Reka Industrial received EUR 2.4 million in cash after the review period. Inventories on June 30, 2022 were EUR 33.5 million and therefore EUR 10.2 million higher than on December 31, 2021 and EUR 9.4 million higher than at the end of June last year. In the third quarter, inventory rotation will be enhanced, and with the generated cash flow, used limits will also be reduced. The company sells the trade receivables and thus the cash flows arising from the sale of the inventory are reflected in the company's cash flow in a short time.

### Valid derivative contracts

EUR 1,000	Positive Current values	Negative current values	Current net values 30/6/2022	Current net values 31/12/2021	Nominal values 30/6/2022	Nominal values 31/12/2021
<b>Currency derivatives</b>						
Forward exchange agreements	181	-3	179	21		
<b>Raw material options</b>						
Metal derivatives	0	-2,113	-2,113	515	13,209	6,938
<b>Total derivatives</b>	<b>181</b>	<b>-2,116</b>	<b>-1,934</b>	<b>536</b>	<b>13,209</b>	<b>6,938</b>

## Related-party events

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

Reka Industrial Plc, and therefore also the Reka Industrial Group, belong to the Reka Group. Reka Ltd has a 50.16 percent holding of shares and a 65.36 percent holding of votes.

## Related-party transactions

### Transactions with the Reka Group

EUR 1,000	1-6/2022	1-6/2021
Other purchases	-499	-425
Other income	2	5
Guarantee commissions	-70	-104
Sales receivables and other receivables at end of the period	521	1,068
Other debts at the end of the period	36	0

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

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

### Transactions with Reka Pension Fund

EUR 1,000	1-6/2022	1-6/2021
Paid pension expenses	-1,270	-1,128
Rental expenses	-121	-120
Financial income	46	84
Guarantee capital investment	2,300	2,300
Other debts at the end of the period	247	0
Other receivables at the end of the period	46	46

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.

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

In 2020, Reka Cables Ltd made a guarantee capital investment of EUR 2.3 million in Reka Pension Fund. The guarantee capital investment supports the solvency of the pension fund. The interest on the guarantee capital investment is 4% p.a.

## Transactions with associated companies

EUR 1,000	1-6/2022	1-6/2021
Sales		
Nestor Cables Ltd	21	22
Other purchases		
Nestor Cables Ltd	187	0
Leasing rents		
Riihimäen Kaapelitehdas Ltd	543	517
Liabilities		
Nestor Cables Ltd	100	0

Riihimäen Kaapelitehdas Ltd is a limited liability company that owns a property in Riihimäki where Reka Cables Ltd is the tenant. The other owners of Riihimäen Kaapelitehdas Ltd are Riihimäen Tilat ja Kehitys and Reka Pension Fund. Reka Cables Ltd has a call option to acquire the shares of Riihimäen Kaapelitehdas Oy owned by Riihimäen Tilat ja Kehitys Oy from 1 September 2023 to 31 August 2025. Accordingly, Riihimäki Tilat ja Kehitys Oy has a put option. The call option is accompanied by an additional condition tied to the number of employees at Riihimäki.

## Transactions with other related parties

EUR 1,000	1-6/2022	1-6/2021
Rental incomes	4	4
Other purchases	5	46
Other debts at the end of the period	0	4

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

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

## Calculation of key financial indicators

**IAS 19 corrected Return on investment (ROI) %** = Profit before taxes + interest and other financial expenses / [Balance sheet total - obligatory provisions and non-interest-bearing liabilities] (average) x 100

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

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

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

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

All comments in this report that do not refer to actual facts are future estimates. Such estimates include expectations concerning market trends, growth and profitability as well as statements including the words "believe", "assume" or "will be" or a similar expression. Since these estimates are based on current plans and estimates, they involve risks and uncertainty factors that may cause the actual results to differ substantially from current statements.

Among other things, such factors include 1) operating conditions, such as continued success in production and the ensuing efficiency benefits, availability and cost of production inputs, demand for new products and changes in circumstances affecting the acquisition of capital under acceptable conditions; 2) sector-specific circumstances, such as the intensity of demand for products, the competition, current and future market prices for the Group's products and related pricing pressures, the financial situation of the Group's customers and competitors and competitors' possible new products; and 3) the general economic situation, such as economic growth in the Group's main market areas and change in exchange rates and interest rates.

# REKA

## INDUSTRIAL

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