REKA INDUSTRIAL

Reka Industrial - Group

Financial statements and
Board of Directors Report
1.1. – 31.12.2022

Contents

Board of Director´s report

2022 was a year of profitable growth and changes.

The Reka Industrial Group's (Reka Industrial) turnover in 2022 was EUR 202.9 million (158.1). The result for the financial period was EUR 9.0 million (1.0). EBITDA was 15.2 million euros (11.3) and the operating profit was 10.2 million euros (5.6).

In November, Reka Industrial signed an agreement with Nexans Group regarding the sale of all outstanding shares of Reka Cables Ltd. Purchase price of the shares is EUR 53 million which will be paid in cash. The completion of the transaction is expected to take place during the first half of 2023. With the signed agreement, Reka Industrial's Cable industry is ending. The rubber industry will continue as part of Reka Industrial's business.

Major events during the financial period

Negotiations on the additional space of the rubber industry's Polish unit were completed in early January 2022. 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 were scheduled for the first half of 2022. In addition, the agreement included an option to double the order quantity.

In May the US-based Clearfield Inc. entered into an agreement to acquire the entire share capital of Nestor Cables Oy. The transaction was completed in July. 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's result is approximately EUR 1.4 million.

On August 10, 2022, Reka Industrial Plc's subsidiary Reka Cables Ltd started change negotiations regarding preliminary plans for transferring the operations of the Hyvinkää production plant mainly to the property in Riihimäki. The change negotiations took place in a good spirit of cooperation. The change will seek benefits from the centralization of expertise and investments, as well as future expansion opportunities. Change negotiations did not involve personnel layoffs.

In August Reka Cables Ltd committed to the international Science Based Targets initiative (SBTi), driving ambitious climate action. In accordance with the initiative, Reka Cables will set emission reduction targets, which support the policy of the Paris agreement on climate change to limit global heating to a maximum of 1.5 degrees Celsius. The targets apply both to Reka Cables' own operations (Scope 1 & 2) and the whole supply chain (Scope 3). Reka Cables has committed to the strictest Net Zero target, which obligates the company to set both short-term and long-term targets. On a global scale, Reka Cables is amongst the first 1,000 or so companies that have committed to the strictest Net Zero target. Already prior to its commitment to SBTi, Reka Cables has made sustained efforts to cut its emissions. In 2021, Reka Cables announced that it had cut the CO2 emissions of its operations by 80% compared to 2019 by switching to green process electricity and using solar power at its factories in Keuruu and Riihimäki, for example.

The Managing Director of Reka Industrial Plc's subsidiary Reka Rubber changed. Tero Manner (b.1969), M.Sc., started as the new Managing Director. Reka Rubber's former Managing Director Martti Aromaa moved to special duties in the company from 1 October 2022 until his retirement on 30 June 2023.

In October, Reka Cables Ltd signed a significant cable supply contract with a Nordic wind power construction company. The total value of the contract is approximately EUR 6 million which will be invoiced mainly during the first quarter of 2023.

In November, Reka Industrial signed an agreement with Nexans Group regarding the sale of all outstanding shares of Reka Cables Ltd. Reka Cables operates the cable business of Reka Industrial. Nexans is one of the leading suppliers in cable technologies and services.

Purchase price of the shares is EUR 53 million which will be paid in cash. The transaction is conditional to the approval of the Extraordinary General Meeting of Reka Industrial and approvals by the competent regulatory authorities. The Extraordinary General Meeting approved the arrangement in December. The approval processes of the competent regulatory authorities are still in progress. The completion of the transaction is expected to take place during the first half of 2023.

With the signed agreement, Reka Industrial's Cable industry is ending. The rubber industry will continue as part of Reka Industrial's business. The board of Reka Industrial has started strategy work.

In December, Reka Cables Ltd signed a substantial cable supply contract with network construction company Andel Holding AS operating in the Denmark. The total value of the contract is approximately EUR 9 million which will be invoiced mainly during year 2023.

Consolidated financial status and performance indicators

	2022	2021	2020
Turnover, EUR million	202.9	158.1	120.4
EBITDA, EUR million	15.2	11.3	9.4
Operating profit, %	5.0	3.5	3.8
Result for the period, EUR million	9.0	1.0	1.0
IAS 19 corrected ROI, %	23.5	15.4	13.5
IAS 19 corrected Return on Equity, %	32.3	11.5	17.9
IAS 19 corrected Gearing, %	125.2	190.0	238.9
IAS 19 corrected Equity ratio, %	22.8	21.4	17.7
Earnings per share	1.50	0.17	0.16
Gross investment, EUR million	5.8	4.1	12.7

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 1.3 million euros was taken into account in the figures for the 2021 financial year due to the Administrative Court. All payments to the tax authority were made by the end of 2021.

Since the tax treatment of subsidiary mergers is significant in principle, Reka Industrial appealed the Administrative Court's decision to the Supreme Administrative Court in August 2021. The Supreme Administrative Court stated in the summer of 2022 that Reka Industrial's subsidiary merger implemented 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 cancelled and the comparison data from previous years has been updated accordingly. EUR 0.2 million was taken into account through the income statement. The total amount of EUR 1.3 million has been recorded in short-term receivables.

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

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

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

Calculation of key financial indicators:

IAS 19 corrected Return on equity (ROE) %	=	IAS 19 corrected Result for the period / Shareholders' equity excluding effects of IAS 19 bookings (average)	x 100
IAS 19 corrected Equity ratio, %	=	Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings / Balance sheet total - advances received excluding effects of IAS 19 bookings	x 100
IAS 19 corrected Gearing, %	=	Interest-bearing liabilities - cash and cash equivalents, liquid financial and investment securities / Shareholders' equity + non-controlling interest excluding effects of IAS 19 bookings	x 100
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
Operating profit	=	the net amount formed when from the net sales are deducted the purchase costs adjusted by the change in the stocks of non-finished and finished goods as well as expenses for production for personal use. Also deducted from the net sales are expenses arising from employee benefits without IAS 19 defined benefit pension arrangements related items, depreciation, amortization and any impairment losses.	
Gross investments	=	New investments made to tangible and intangible assets and Right of Use assets	
EBITDA	=	the net amount that is formed when depreciation and any impairment losses are added to the operating result	

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

EUR 1,000	2022	2021	2020
Result for the period in the Financial Statements	8,978	986	957
IAS 19 eliminations	-3,571	725	895
Result for the period in IAS 19 adjusted Performance Measures	5,407	1,711	1,852
IAS 19 effect on non-interest-bearing liabilities	0	4,979	3,666
IAS 19 effect on Shareholders' equity	1,880	-3,983	-2,933
IAS 19 effect on Balance sheet total	1,880	996	733
Shareholders' equity in financial statements	21,250	10,090	11,066
IAS 19 eliminations	-1,880	3,983	2,933
Shareholders' equity in IAS 19 adjusted Performance Measures	19,370	14,073	13,999
Balance sheet total in Financial Statements	87,094	72,237	73,150
IAS 19 eliminations	-1,880	-996	-733
Balance sheet total in IAS 19 adjusted Performance Measures	85,214	71,241	72,417

Balance sheet and financing

At the end of the financial year the interest-bearing liabilities were EUR 27.6 million (27.5), of which other than finance lease liabilities were EUR 17.5 million (20.9).

The group's interest-bearing liabilities to external parties on 31 December 2022:

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

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

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

The balance sheet total at the end of the financial year was EUR 87.1 million (72.2).

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

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

Sustainability

Reka Industrial is advancing the energy transition and the electrification of vehicles. Our sustainability actions are guided by the UN Sustainable Development Goals. Sustainable development is based on energy efficiency, the circular economy, and the production and use of renewable energy.

Sustainability and building a sustainable future are a key part of our strategy. We are committed to the UN Sustainable Development Goals, which to support we have set environmental goals. We have launched a Green Bond to improve the sustainability of the cable business. We report the results of our bond-financed operations annually in an investor letter, which will be published in March. More information about the Green Bond Framework is available on the company's website.

The share of electricity in energy use is increasing, especially in vehicles and industry. Wind and solar power will reduce CO_2 emissions from energy production, save natural resources and achieve a carbon-neutral future. The operation of electricity networks is an important part of a functioning infrastructure. Reka Cables, which participates in energy industry solutions, is involved in renewable energy projects and the construction of functional infrastructure. Reka Rubber, which participates in solutions for the vehicle industry, is involved in the electrification of the vehicle industry. Reka Rubber is a manufacturer of small and medium-sized series of rubber components for the vehicle and mechanical engineering industries.

Reducing CO_2 emissions and measures to achieve carbon neutrality have been emphasized in recent years. In addition to calculating the carbon footprint, processes, technologies and products are actively developed to reduce the carbon footprint.

Our production plants in Finland use green electricity and efforts are made to reduce the carbon footprint in production facilities, production processes and product development. Reka Cables is the most advanced of the companies in this regard, as it has already invested in things through Green Bond financing for several years.

In August 2022, Reka Cables Ltd committed to the international Science Based Targets initiative (SBTi), driving ambitious climate action. In accordance with the initiative, Reka Cables will set emission reduction targets, which support the policy of the Paris agreement on climate change to limit global heating to a maximum of 1.5 degrees Celsius. The targets apply both to Reka Cables' own operations (Scope 1 & 2) and the whole supply chain (Scope 3). Reka Cables has committed to the strictest Net Zero target, which obligates the company to set both short-term and long-term targets. On a global scale, Reka Cables is amongst the first 1,000 or so companies that have committed to the strictest Net Zero target. Already prior to its commitment to SBTi, Reka Cables has made sustained efforts to cut its emissions. In 2021, Reka Cables announced that it had cut the CO2 emissions of its operations by 80% compared to 2019 by switching to green process electricity and using solar power at its factories in Keuruu and Riihimäki, for example.

In the future, climate-related issues will require investments and development effort both to reduce one's own carbon footprint and to meet the growing demands of customers. We are involved in the energy transition and the electrification of vehicles, and climate-related issues increase the demand for our operations.

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 had no sales to these countries. The rubber industry has also had no procurement from these countries. The cable industry has acquired some of the aluminum it uses from Russia. The share of Russian aluminum was replaced by suppliers from other regions.

The war in Ukraine has been reflected in a general increase in the prices of metal parts as the total supply decreases. The war in Ukraine has also been reflected in matters related to personnel, as there are Ukrainians working especially at our production plant in Poland.

Macroeconomic environment

Part of the group's financing is tied to a reference interest rate, part to a fixed interest rate. The rise in reference interest rates has increased the total interest costs both for the financing of trade receivables and for traditional loans. Reference rates are actively monitored and updated to the group's forecasts and plans. Since there were more repayments than repayment programs in 2022, this will reduce the impact of a rise in reference rates in the future.

Inflation can be seen as an increase in the cost of both labour and materials and components and services. The price of electricity is partially protected at the Finnish production plants, but the Polish production plant's energy costs will clearly increase in 2023. In 2022, the electricity price of the Polish production plant was fixed and the price increase therefore did not affect the year 2022. The increase in the price of electricity and the high level of inflation in Poland accelerate some production arrangements and efficiency measures. Change and efficiency measures are also being carried out at the factories in Finland. In the rubber industry, suppliers have added an electricity surcharge to their charges. The electric surcharge has also been used in the customer interface of the rubber industry. There is still a delay in getting the costs into customer prices.

The COVID-19 has not reduced customer demand and has not affected to the payment behaviour of the customers so far. Additional costs and delivery delays have been accumulated as personnel has been more than usual on sick leave to eliminate the possible infection risk.

The COVID-19 has been reflected in material procurement. 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. Inflation continues to increase costs. Logistics costs have risen.

Segments

The rubber industry will continue to be Reka Industrial's industrial business segment.

Rubber segment

The rubber segment's turnover was EUR 30.6 million (EUR 24.6 million). EBITDA was EUR 2.6 million (EUR 1.5 million). The rubber segment's EBITDA is burdened by staff turnover in Poland and overtime, as well as increased material and logistics costs. There is a clear delay in the transfer of increased procurement costs to customer prices.

Negotiations on additional space for the Polish subsidiary were completed at the beginning of January 2022, and the additional space was taken into use at the beginning of April 2022.

Despite overtime and hired labour, delivery capacity was challenging for most of 2022 for hose production in Poland. Production volumes were increased, but customer order volumes grew even faster. At the end of the year, the delivery capability reached a good level.

In order to support growth and the productivity of the Polish production unit, the rubber segment initiated the transfer of mold product manufacturing made with injection technology from Poland to Finland at the end of 2022. The transfer will take place in stages and will be completely completed in April 2023. With the arrangement, the mold product manufacturing of the Aura production unit will increase and the Polish production unit will be able to increase the delivery quantities of black hoses and silicone hoses. Customer demand is still growing, and with the help of the change, it is possible to better meet the growing volume needs.

In November, the rubber segment sold its property in Aura to Reka Pension Fund. The IFRS capital gain of EUR 0.6 million resulting from the arrangement is included in other income.

To support the solvency of the Reka Pension Fund Reka Rubber made a guarantee capital investment of EUR 5.7 million in Reka Pension Fund. The interest on the guarantee capital investment is 4 % p.a.

Discontinued operations

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

The transaction is conditional to the approval of the Extraordinary General Meeting of Reka Industrial and approvals by the competent regulatory authorities. The Extraordinary General Meeting approved the arrangement in December. The approval processes of the competent regulatory authorities are still in progress. The completion of the transaction is expected to take place during the first half of 2023. Preparation for the separation of functions is progressing according to plans.

Reka Industrial presents the income statement separately for both continuing and discontinued operations and for the entire group. Therefore, the essential issues related to Reka Cables' business are described below.

Reka Cables turnover was EUR 172.4 million (133.7). EBITDA was EUR 11.0 million (7.0).

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

The industry's key raw materials are copper, aluminum and plastics. During the review period, price fluctuations for copper and aluminum have been significant. The prices of plastics have risen strongly, and availability has become more difficult.

In the beginning of the year, the price of copper was EUR 8,558 per tonne and the price of aluminum was EUR 2,478 per tonne. In the end of December 2022, the price of copper was EUR 7,858 per tonne and the price of aluminum was EUR 2,212 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 July, at EUR 7,101 per tonne. The price of aluminum has been at its highest in March, when it was EUR 3,660 per tonne, and its lowest in September, when it was EUR 2,174 per tonne.

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

Major events after the financial period

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

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. An agreement on the sale of Reka Cables shares has been signed in November 2022. The completion of the transaction is expected to take place during the first half of 2023.

Reka Industrial Plc is domiciled in Hyvinkää.

On 31 December 2022, Reka industrial had 10,322 shareholders (10,611). The largest shareholder, Reka Ltd, held 50.2 percent (50.2) of the shares and 65.4 percent (65.4) of the votes. Reka Industrial Plc is therefore part of the Reka Group. Reka Ltd is domiciled in Juupajoki.

On 31 December 2022, the combined holding of the ten largest shareholders was 60.14 percent (56.7 percent on 31 December 2021) of the shares and 72.3 percent (69.9 on 31 December 2021) of the votes.

On December 31, 2022, the members of the Board, the Managing Director and the CFO owned a total of 2,971,834 Reka Industrial Plc's B shares directly and through their controlled entities (2,934,666 on December 31, 2021).

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 fluctuations on the load rates of production plants. In cable business, COVID-19has caused extra costs and delivery delays.

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 the main selling currencies. Price fixings are used to hedge the price of 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 and availability of energy may directly and indirectly affect the market.

Research and development

The Group invested a total of EUR 1.5 million in research and product development (EUR 1.3 million in 2021). The investments were allocated EUR 0.4 million to the continuing operations and EUR 1.1 million to the disclosed operations. During the financial period, total of EUR 0.3 million (EUR 0.2 million in 2021) of the development costs of new products and product families were activated in the balance sheet.

Personnel

In January-December 2022, the group's continuing operations employed an average of 290 people (284). Including discontinued operations, the number of employees in January-December was an average of 573 employees (563 in 2021 and 386 in 2020).

The Group paid a total of EUR 21.0 million (20.1 million in 2021 and 15.5 million in 2020) in performance-based salaries and fees in 2022.

Non - financial information

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

Reka Industrial is advancing the energy transition and the electrification of vehicles. Our sustainability actions are guided by the UN Sustainable Development Goals. Sustainable development is based on energy efficiency, the circular economy, and the production and use of renewable energy.

Sustainability and building a sustainable future are a key part of our strategy. We are committed to the UN Sustainable Development Goals, which to support we have set environmental goals. We have launched a Green Bond to improve the sustainability of the cable business. We report the results of our bond-financed operations annually in an investor letter, which will be published in March. More information about the Green Bond Framework is available on the company's website.

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

Reka Cables develops and manufactures cables for network construction, residential and office construction, and industry. Reka Cables' production facilities are located in Finland.

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

Reka Rubber produces technical rubber products for its direct customers. Reka Rubber's Taxonomy eligibility has thus been calculated through customers and their products and solutions, taking into account current and future developments. In terms of Taxonomy, Reka Rubber enables its customers to develop and produce low-emission or zero-emission solutions (activity number 3.6). The 2022 Taxonomy-eligible and taxonomy-aligned turnover has been calculated using the NACE C22.1.9 category, which takes into account the manufacture of rubber products that enable the manufacture of customers' Taxonomy-eligible products (electric vehicles). Operational expenses show the future priorities of research and product development. Estimates and judgment have been used in the calculation. Only in the case that it is known that the manufacturing used the renewable energy are the produced products classified to be Taxonomy-aligned. The Polish production facility switched to using renewable energy from the beginning of 2023.

The Taxonomy eligibility of Reka Cables' operations has been calculated according to Europacable's current interpretation. EuropaCable has not yet interpreted the alignment according to the taxonomy, so the grouping is based on the company's current assessment. According to the company's current assessment, Taxonomy-eligible and Taxonomy-aligned turnover is equal. Products that can be used as part of the production of renewable energy technologies have been taken into account (activity number 3.1, NACE C27.32 and C28.11). Estimates and judgment have been used in the calculation.

Turnover

Economic activities	Codes	Absolute turnover	Proportion of turnover	Substantial contribution criteria: Climate change adaptation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystem	DNSH: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystem	Minimum safeguards	Taxonomy -aligned portion of turnover, year N	Taxonomy -aligned portion of turnover, year N-1	Category (enabling activity E)	Catergory (transitional activity T)
		1000 EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of renewable energy technologies	3.1	16,439	8 %	100 %	0 %	0 %	0 %	0 %	0 %		Y	Y	Y	Y	Y	Y	8 %	N/A	E	N/A
Manufacture of other low carbon technologies	3.6	226	0 %	100 %	0 %	0 %	0 %	0 %	0 %		Y	Y	Y	Y	Y	Y	0 %	N/A	E	N/A
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**16,665**	**8 %**	100 %	0 %	0 %	0 %	0 %	0 %		Y	Y	Y	Y	Y	Y	8 %	N/A	E	N/A
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of renewable energy technologies	3.1	0	0 %																	
Manufacture of other low carbon technologies	3.6	669	0 %																	
Turnover of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**669**	**0 %**																	
Total (A.1. + A.2)		**17,335**	**9 %**																	
B. TAXONOMY-NON ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		**185,525**	**91 %**																	
Total (A+B)		**202,860**	**100 %**																	

Operating expenses

Economic activities	Codes	Absolute OpEx	Proportion of OpEx	Substantial contribution criteria: Climate change adaptation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystem	DNSH: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystem	Minimum safeguards	Taxonomy -aligned portion of turnover, year N	Taxonomy -aligned portion of turnover, year N-1	Category (enabling activity E)	Catergory (transitional activity T)
		1000 EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of renewable energy technologies	3.1	458	7 %	100 %	0 %	0 %	0 %	0 %	0 %		Y	Y	Y	Y	Y	Y	7 %	N/A	E	N/A
Manufacture of other low carbon technologies	3.6	283	4 %	100 %	0 %	0 %	0 %	0 %	0 %		Y	Y	Y	Y	Y	Y	4 %	N/A	E	N/A
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**741**	**11 %**	100 %	0 %	0 %	0 %	0 %	0 %		Y	Y	Y	Y	Y	Y	7 %	N/A	E	N/A
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of renewable energy technologies	3.1	0	0 %																	
Manufacture of other low carbon technologies	3.6	48	1 %																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**48**	**1 %**																	
Total (A.1. + A.2)		**789**	**12 %**																	
B. TAXONOMY-NON ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		**5,735**	**88 %**																	
Total (A+B)		**6,524**	**100 %**																	

Capital expenditure

				Substantial contribution criteria						DNSH										
	Codes	Absolute CapEx	Proporation of CapEx	Climate change adaptation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystem	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystem	Minimum safeguards	Taxonomy -aligned portion of turnover, year N	Taxonomy -aligned portion of turnover, year N-1	Category (enabling activity E)	Catergory (transitional activity T)
Economic activities		1000 EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of renewable energy technologies	3.1	1,700	29 %	100 %	0 %	0 %	0 %	0 %	0 %		Y	Y	Y	Y	Y	Y	29 %	N/A	E	N/A
Manufacture of other low carbon technologies	3.6	34	1 %	100 %	0 %	0 %	0 %	0 %	0 %		Y	Y	Y	Y	Y	Y	1 %	N/A	E	N/A
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**1,734**	**30 %**	100 %	0 %	0 %	0 %	0 %	0 %		Y	Y	Y	Y	Y	Y	29 %	N/A	E	N/A
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of renewable energy technologies	3.1	0	0 %																	
Manufacture of other low carbon technologies	3.6	34	1 %																	
CapEx of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**34**	**1 %**																	
Total (A.1. + A.2)		**1,768**	**31 %**																	
B. TAXONOMY-NON ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities		**4,027**	**69 %**																	
Total (A+B)		**5,795**	**100 %**																	

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

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

Reka Cables has a calculator developed in cooperation with AFRY Finland Oy for calculating the carbon footprint of company's operations. In order to calculate the carbon footprint of the rubber industry's own operations, a calculator was developed in 2022 together with AFRY Finland Oy.

Climate risk management takes place in practice through carbon footprint calculation and by implementing projects that reduce energy consumption and enable the consumption of clean energy.

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

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

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

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

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

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

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

We develop procedures and tools to further develop safety. We offer comprehensive occupational health care that differs slightly by country and industry. Other employee benefits have also been developed taking into account the different values of employees i.e. there are different solutions in different countries and companies.

Reka Rubber is part of the Chemical Industry's Responsible Care program, which includes the sustainable use of natural resources, sustainable and safe production, and products, taking care of the well-being of the work community, and open interaction and cooperation.

Reka Cables is part of the Europacable Industry Charter, where participants commit to common principles and goals for the development and manufacture of ethical, responsible, and high-quality cables.

Reka Industrial does not accept corruption or bribery in any form. The company has zero tolerance for corruption and bribery. This applies to all countries, activities, and roles. Violation of the company's values will result in the immediate termination of the employment relationship or the termination of the partnership. In 2022, ethical training was implemented for the entire organization, in connection with which everyone had to pass a test after the training.

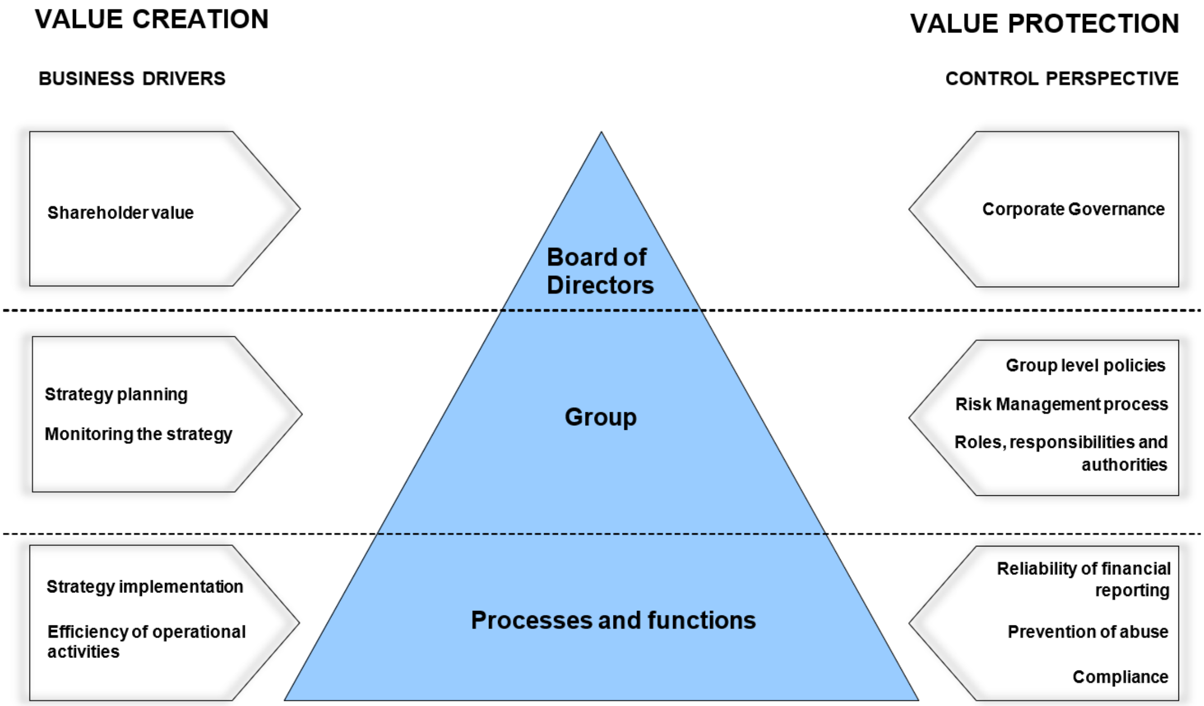
The Reka Industrial Group has an external notification channel, provided by an external partner, for all countries. Anyone can report anonymously when they detect grievances or suspect abuse to the notification channel. In 2022, one notification was reported into the notification channel, which was investigated and the investigation was completed.

Working capital management and ensuring the adequacy of human resources are particularly important in both the cable and rubber industries. On-time delivery capacity requires the right materials and resources, at the right time. Part of the production is stock-controlled, some is order-controlled. In addition, getting material and logistics costs at a customer price is a requirement for profitable business. Material risks are managed through active sourcing and, where possible, a multi-vendor model. The availability of employees poses challenges to the growth of operations. In the Polish plant in particular, staff turnover and the relative share of sick leave are high and require active and multi-channel recruitment and measures to manage absenteeism.

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

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

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



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

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

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

Decisions of general meetings

Reka Industrial's Annual General Meeting was held on 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 financial period 1.1.2021-31.12.2021 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 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, provided that the number of class B shares to be acquired via contractual trade is at least 15,000 and that the consideration to be paid for the shares is equal to the prevailing market price in Nasdaq Helsinki at the time of the acquisition. When carrying out acquisitions of the Company's own shares, derivatives, stock lending and other agreements customary to the capital markets may be entered into within the limits set by law and regulations.

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

The maximum number of class B shares to be acquired may not exceed a total of 588,076. The amount corresponds to approximately 9.77 per cent of all the shares in the Company and in total 10.0 per cent of the Company’s class B shares.

The Board of Directors is entitled to decide on all other matters pertaining to acquiring of the Company's own shares. The authorization is proposed to remain in force until the next Annual General Meeting, however not later than 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.

Extraordinary General Meeting

The Extraordinary General Meeting of Reka Industrial Plc was held 15 December 2022, in Hyvinkää.

The company announced on 10 November 2022 that it has signed an agreement with Nexans Group regarding the sale of all outstanding shares in company’s wholly owned subsidiary Reka Cables Ltd. The corporate sale is conditional to the acceptance of the Extraordinary General Meeting and regulatory approvals.

According to the Fairness Opinion -statement acquired from external expert by the Board of Directors the sales price is fair from financial point of view.

The Extraordinary General Meeting decided to approve the acquisition in accordance with the proposal of the Board of Directors and shareholders, who represent more than 50 percent of the votes, in which case the acquisition is expected to take place after approval by the authorities. The goal is to complete the acquisition during the first half of 2023.

Reka Oy, which represents a total of 65.36 percent of Reka Industrial's voting power, was irrevocably committed to vote in favor of the acquisition.

In accordance with the Board of Directors' proposal, upon completion of the above-mentioned corporate sale, the Extraordinary General Meeting authorized that EUR 0.20 per share will be distributed to shareholders from the company's unrestricted equity after the completion of the acquisition.

In accordance with the Board of Directors' proposal, the Extraordinary General Meeting authorized the Board of Directors to decide the record and payment dates of the distribution from the non-restricted equity, however having the payment date within a month from completion of the above-mentioned corporate sale.

Audit Committee

The duties of the Audit Committee include monitoring the company's financial position, overseeing financial reporting, assessing the adequacy and appropriateness of internal control and risk management, assessing compliance with laws and regulations, and communicating with the auditor, and reviewing the auditor's reports. The Audit Committee reports to the Board. The members of Reka Industrial Plc's Audit Committee are Ari Järvelä and Leena Saarinen. In 2022 Audit Committee reviewed business risks, balance sheet values, financing and liquidity, and the effect of business acquisitions on reporting. The management of internal audit measures focused on ensuring continuity and managing process and ICT risks.

Corporate governance statement

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

Shares and share capital

Reka Industrial Plc´s share capital is divided into A- and B-shares. Of the shares, 139,600 are Series A shares with 20 votes per share and 5,880,760 are Series B shares with one vote per share. The total share capital of all the company's shares at the end of 2022 was EUR 24,081,440 and the number of shares was 6,020,360. The total number of votes of the company's shares was 8,672,760, of which 2,792,000 were A-shares and 5,880,760 were B shares.

On 31 December 2022 the total number of shares includes 47,504 B-shares held by Reka Industrial Plc. The holding presents 0.8 percent of the company´s share capital and 0.6 percent of the votes. The company held no A-shares. The Articles of Association do not contain redemption provisions. There are no shareholder agreements. Reka Industrial Plc´s B-shares (REKA) are listed on the exchange list of NASDAQ Helsinki.

Company shares	31/12/2022	31/12/2021	31/12/2020
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	47,504	79,253	53,572

Key figures per share, share price and trading volume

A total of 1,606,982 (1,477,487 in 2021) of the company's B shares were traded on NASDAQ Helsinki Ltd, corresponding to 27.3 (25.1) percent of the number of shares and EUR 7.5 (5.7) million. The share price on December 31, 2022, was 5.74 EUR (December 31, 2021, 3.87 EUR) and the average exchange rate for the financial year was 4.67 EUR (3.84). The lowest share price for the year was 2.86 EUR (3.19) and the highest was 6.24 EUR (4.75). The market value of the company's share capital on December 31, 2022, was EUR 34.1 million (December 31, 2021, EUR 23.0 million and December 31, 2020, EUR 20.9 million).

Key figures per share (A and B shares)	31/12/2022	31/12/2021	31/12/2020
Equity per share, EUR	3.56	1.88	1.85
Earnings per share (EPS), EUR	1.50	0.17	0.16
Dividend/share, EUR	0.20	0.09	0.05
Dividend/earnings, %	13.36 %	54.36 %	31.13 %
Effective dividend yield, %	3.48 %	2.33 %	1.42 %
Price/earnings (P/E)	3.8	23.4	21.9
Share performance, EUR			
-average share price	4.67	3.84	2.79
-lowest price	2.86	3.19	1.81
-highest price	6.24	4,75	4.10
-price at the end of the period	5.74	3,87	3.52
Trading, number of shares	1,606,982	1,477,487	1,821,180
%	27.3	25.1	31.0
Adjusted weighted average number of shares during the period	6,020,360	6,020,360	6,020,360
A-shares	139,600	139,600	139,600
B-shares	5,880,760	5,880,760	5,880,760
Adjusted number of shares at the end of the period	6,020,360	6,020,360	6,020,360

A-shares	139,600	139,600	139,600
B-shares	5,880,760	5,880,760	5,880,760

The Administrative Court has stated in its' decision in July 2021 that the subsidiary merge carried out in 2015 is not tax neutral. The company has made a discretionary decision to record taxes and tax increases, totaling EUR 1.1 million, retrospectively in equity and the comparative information for previous years has been updated accordingly. The negative decision of the Administrative Court was appealed to the Supreme Administrative Court. The Supreme Administrative Court stated in the summer of 2022 that Reka Industrial's subsidiary merger implemented 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 cancelled and the comparison data from previous years has been updated accordingly. EUR 0.2 million was taken into account through the income statement. The total amount of EUR 1.3 million has been recorded in short-term receivables.

Calculation of key financial indicators:

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

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

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

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

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

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

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

Acquisition and transfer of the company´s own shares

On 31 December 2022, the company held a total of 47,504 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 2022 Reka Industrial Plc has paid remuneration to the Board of Directors and Managing Director with shares, totalling to 31,148 shares.

Dividend Policy

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

Shareholders

Reka Industrial Plc´s largest shareholders on December 31, 2022

	A-class shares	B-class shares	Shares total	Proportion of equity %	Proportion of votes %
Reka Oy	139,400	2,880,549	3,019,949	50.16	65.36
Rome Advisors Oy		208,033	208,033	3.46	2.40
Tolvanen Ville		101,621	101,621	1.69	1.17
Sinkko Erkki		62,000	62,000	1.03	0.71
Reka Industrial Oyj		47,504	47,504	0.79	0.55
Haloan Oy		40,787	40,787	0.68	0.47
Rentto Markku E.		38,601	38,601	0.64	0.45
Kivinen Harri		37,047	37,047	0.62	0.43
Skandinaviska Enskilda Banken AB		34,599	34,599	0.57	0.40
Presentuuri Oy		30,791	30,791	0.51	0.36
Other shareholders	200	2,399,228	2,399,428	39.86	27.71
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	193	1.87	3,567,913	59.26	71.71
Financial institutions and insurance companies	7	0.07	57,131	0.95	1.12
Public organisations	55	0.53	43,230	0.72	0.50
Non-profit organisations	176	1.71	102,662	1.71	1.18
Households	9,875	95.67	2,174,548	36.12	25.08
Outside Finland	16	0.16	4,224	0.07	0.40
Nominee registered	8	0.00	70,652	1.17	0.82
Total	10,322	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	4,634	44.89	127,413	2.12	1.48
51 - 100	2,511	24.33	217,526	3.61	2.53
101 - 1 000	2,798	27.11	901,919	14.98	10.41
1 001 - 10 000	354	3.43	911,591	15.14	10.52
10 001 -	25	0.24	3,861,911	64.15	75.07
Total	10,322	100.00	6,020,360	100.00	100.00

Profit distribution proposal

The parent company's distributable funds are EUR 4,170,940.00, of which the result for the period is EUR 1,323,166.97. The Board of Directors proposes to the Annual General Meeting that the Board of Directors be authorized to decide on a maximum dividend of EUR 0.20 per share (a maximum of EUR 1.2 million in total) and the payment date by June 30, 2023. A dividend of EUR 0.09 per share was paid for the financial year 2021.

In December 2022, the Extraordinary General authorized in accordance with the Board of Directors' proposal that EUR 0.20 per share will be distributed to shareholders from the company's unrestricted equity after the completion of the acquisition. In accordance with the Board of Directors' proposal, the Extraordinary General Meeting authorized the Board of Directors to decide the record and payment dates of the distribution from the non-restricted equity, however having the payment date within a month from completion of the corporate sale.

Near-term outlook

The acquisition of Reka Cables is a significant change for the group. Because of this, the near-term outlook is given after the acquisition is completed. The acquisition of Reka Cables is expected to be completed in the first half of 2023. The strategy work of Reka Industrial's board of directors is ongoing.

Annual General Meeting 2023

Reka Industrial Plc's Annual General Meeting will be held in Hyvinkää on 12 April 2023 at 2:00 pm. A separate notice was published in March.

Hyvinkää 7 March, 2023

Reka Industrial Plc
Board of Directors

Consolidated income statement (IFRS)

EUR 1,000	Note	Continuing operations 1.1.- 31.12.2022	Discontinued operations 1.1- 31.12.2022	Group in total 1.1.- 31.12.2022	Continuing operations 1.1.- 31.12.2021	Discontinued operations 1.1.- 31.12.2021	Group in total 1.1- 31.12.2021
Turnover	1.1.	**30,475**	**172,385**	**202,860**	**24,394**	**133,750**	**158,144**
Change in inventories of finished products and production in progress		458	1,235	1,693	400	2,107	2,508
Production for own use		0	67	67	0	14	14
Other operating income	1.2.	2,327	187	2,514	251	285	536
Materials and services		-17,322	-137,494	-154,816	-12,509	-103,404	-115,913
Personnel expenses	1.3.	-8,735	-16,584	-25,319	-8,304	-15,566	-23,870
Depreciation and impairment	1.4.	-1,278	-3,751	-5,029	-1,261	-4,427	-5,688
Other operating expenses	1.5.	-3,021	-8,791	-11,811	-229	-9,923	-10,153
		-27,570	-165,131	-192,701	-21,652	-130,914	-152,566
Operating result		**2,905**	**7,254**	**10,159**	**2,742**	**2,836**	**5,578**
Financial income	1.7.	-136	668	532	-297	579	282
Financial expenses	1.7.	-847	-3,710	-4,557	-1,228	-2,839	-4,067
IAS 19 defined benefit plans	1.8.	3,571	0	3,571	-725	0	-725
Share of the result of associated companies		338	96	434	262	72	335
Result before taxes		**5,831**	**4,308**	**10,139**	**754**	**649**	**1,403**
Taxes	1.9.	-347	-814	-1 161	-256	-161	-417
Result for the period		**5,484**	**3,494**	**8,978**	**498**	**488**	**986**
Profit or loss attributable to							
Shareholders of the parent		5,484	3,494	8,978	498	488	986
Non-controlling interests		0	0	0	0	0	0
		5,484	3,494	8,978	498	488	986
Earnings per share attributable to the shareholders of the parent, continuing operations	1.10						
before dilution, EUR		0.92	0.00	0.92	0.08	0.00	0.17
after dilution, EUR		0.92	0.00	0.92	0.08	0.00	0.17
Earnings per share attributable to the shareholders of the parent, discontinued operations	1.10						
before dilution, EUR		0.00	0.58	0.58	0.00	0.08	0.17
after dilution, EUR		0.00	0.58	0.58	0.00	0.08	0.17
Earnings per share attributable to the shareholders of the parent	1.10						
before dilution, EUR		0.92	0.58	1.50	0.08	0.08	0.17
after dilution, EUR		0.92	0.58	1.50	0.08	0.08	0.17
Number of shares		5,972,856	5,972,856	5,972,856	5,941,107	5,941,107	5,941,107

Consolidated statement of comprehensive income (IFRS)

EUR 1,000	Note	Continuing operations 1.1.-31.12.2022	Discontinued operations 1.1.-31.12.2022	Group in total 1.1.-31.12.2022	Continuing operations 1.1.-31.12.2021	Discontinued operations 1.1.-31.12.2021	Group in total 1.1.-31.12.2021
Result		5,484	3,494	8,978	498	488	986
Other comprehensive items that may subsequently reclassified to statement of income							
Translation differences related to foreign units		-41	0	-41	-22	0	-22
Change in the value of open customer derivatives		0	-1,054	-1,054	0	139	139
Taxes of items that may subsequently reclassified to statement of income		0	211	211	0	-28	-28
Total		-41	-843	-884	-22	111	89
Other comprehensive items that are not subsequently reclassified to statement of income							
Items related to remeasurements of net defined benefit liability		2,866	0	2,866	-406	0	-406
Taxes of items that are not subsequently reclassified to statement of income		-573	0	-573	81	0	81
Total		2,293	0	2,293	-325	0	-325
Other comprehensive items total		**2,252**	**-843**	**1,409**	**-347**	**111**	**-236**
Total comprehensive income		**7,736**	**2,651**	**10,387**	**151**	**599**	**750**
Total comprehensive income attributable to							
Shareholders of the parent		7,736	2,651	10,387	151	599	750
Non-controlling interests		0	0	0	0	0	0
		7,736	2,651	10,387	151	599	750

Consolidated balance sheet (IFRS)

EUR 1,000	Note	31/12/2022	31/12/2021
ASSETS			
Non-current assets			
Goodwill	2.2.	0	3,252
Other intangible assets	2.2.	3,213	5,352
Tangible assets	2.1.	2,938	23,556
Right-of-use assets	2.1.	3,278	4,175
Holdings in associates	2.3.	0	1,636
Receivables		8,000	2,326
IAS19 pension receivable		4,270	0
Derivative contracts	2.14.	0	75
Deferred tax assets	2.4.	1,201	2,525
Total non-current assets		**22,900**	**42,897**
Current assets			
Inventories	2.5.	4,445	23,302
Sales receivables and other receivables	2.6.	4,799	4,535
Tax receivables from the profit for the financial year		154	249
Derivative contracts	2.14.	0	487
Cash and cash equivalents	2.7.	802	767
Total current assets		**10,200**	**29,339**
Non-current assets held for sale		**53,994**	**0**
Total assets		**87,094**	**72,237**
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		-174	-287
Translation differences		-157	-117
Retained profit		-4,224	-14,149
Other unrestricted equity		436	436
Equity attributable to shareholders of the parent		**21,250**	**11,253**
Non-controlling interest		0	0
Total shareholders´ equity	2.8.	**21,250**	**11,253**
Non-current liabilities			
Deferred tax liabilities	2.4.	1,122	1,601
Provisions	2.9.	1,987	3,428
Financial liabilities	2.10.	8,376	14,422
Lease liabilities	2.10.	5,171	4,751
IAS19 pension liability	2.13.	0	4,979
Other liabilities		10	20
Derivative contracts	2.14.	0	1
Current liabilities			
Tax liabilities from the profit		882	112
Provisions	2.9.	302	214
Financial liabilities	2.10.	3,556	6,525
Lease liabilities	2.10.	424	1,804
Derivative contracts	2.14.	0	25
Accounts payable and other liabilities	2.12.	5,129	23,104
Total liabilities		**26,960**	**60,985**
Liabilities related to non-current assets held for sale		**38,884**	**0**
Total shareholders´ equity and liabilities		**87,094**	**72,237**

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 31/12/2020	24,082	66	1,221	0	-94	960	317	436	-17,083	9,905	0	9,905
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
Total										-325		-325
Derivatives							139			139		139
Taxes of derivatives							-28			-28		-28
Total										111		111
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
Shareholders' equity 31/12/2021	**24,082**	**66**	**1,221**	**-287**	**-116**	**635**	**428**	**436**	**-15,212**	**11,253**	**0**	**11,253**

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 31/12/2021	24,082	66	1,221	-287	-116	635	428	436	-15,212	11,253	0	11,253
Comprehensive income												
Result for the period									8,978	8,978	0	8,978
Other comprehensive items												
Items related to remeasurements of net defined benefit liability						2,866				2,866		2,866
Taxes of net defined liability						-573				-573		-573
Total										2,293		2,293
Derivatives							-1 054			-1,054		-1,054
Taxes of derivatives							211			211		211
Total										-843		-843
Translation differences					-41					-41		-41
Total comprehensive income					-41	2 293	-843		8,978	10,387	0	10,387
Other change									25	25		25
Transactions with the owners												
Dividends paid									-535	-535		-535
Payments by own shares				113					7	120		120
Total transactions with the owners				113					-528	-415	0	-415
Shareholders' equity 31/12/2022	**24,082**	**66**	**1,221**	**-174**	**-157**	**2,928**	**-415**	**436**	**-6,737**	**21,250**	**0**	**21,250**

Consolidated cash flow statement (IFRS)

EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
Cash flows from operating activities		
Payments received from operating activities	206,598	161,770
Payments paid on operating activities	-192,087	-148,976
Paid interests and other financial expenses	-4,152	-3,931
Interests received and other financial incomes	92	38
Direct taxes paid	-522	-257
Net cash provided by operating activities	**9,929**	**8,644**
Cash flows from investments		
Investments in tangible assets	-3,612	-3,352
Sales of tangible assets	6,247	-18
Sales of intangible assets	0	10
Sales of associated company shares	1,757	0
Investments in other assets	-5,700	0
Net cash provided by investing activities	**-1,308**	**-3,360**
Cash flows from financing activities		
Acquisition of own shares	0	-287
Increase in loans	5,566	3,832
Decrease in loans	-8,860	-9,081
Payments of finance lease activities	-1,967	-1,490
Dividends paid	-539	-298
Net cash provided by financing activities	**-5,800**	**-7,324**
Change in cash and cash equivalents at the end of the period	**2,822**	**-2,040**
Cash and cash equivalents at beginning of the period	767	2,815
Exchange rate differences	-31	-8
Elimination of cash and cash equivalents related to discontinued operations	-2,756	0
Cash and cash equivalents at the end of the period	**802**	**767**

The reconciliation calculation of debts arising from financing is presented in note 2.11.

Notes to the consolidated financial statements

General information

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

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

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 7 March 2023. 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
These interim financial data have been prepared in accordance with the IAS 34 Interim Reports standard and the IAS standards as well as SIC and IFRIC interpretations effective on 31 December 2022. International financial standards refer to standards and the related interpretations that are laid down in the Finnish Accounting Act and regulations based on the Finnish Accounting Act and that have been approved in accordance with the EU Regulation (EC) No 1606/2002. The group has not applied any new or amended standard or interpretation before its effective date.

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 1.3 million euros was taken into account in the figures for the 2021 financial year due to the Administrative Court. Of the amount, EUR 1.1 million was recorded in equity and EUR 0.2 million in financial expenses. All payments to the tax authority were made by the end of 2021.

Since the tax treatment of subsidiary mergers is significant in principle, Reka Industrial appealed the Administrative Court's decision to the Supreme Administrative Court in August 2021. The Supreme Administrative Court stated in the summer of 2022 that Reka Industrial's subsidiary merger implemented 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 cancelled and the comparison data from previous years has been updated accordingly. EUR 0.2 million was taken into account through the income statement. The total amount of EUR 1.3 million has been recorded in short-term receivables.

New and amended standards applied in the financial year ended 31 December 2022

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

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

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

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

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

Climate-related issues

Reducing carbon dioxide emissions and measures to achieve carbon neutrality have been emphasized in recent years. In addition to calculating the carbon footprint, processes, technologies and products are actively developed to reduce the carbon footprint.

Our production plants in Finland use green electricity and efforts are made to reduce the carbon footprint in production facilities, production processes and product development. Reka Cables is the most advanced of the companies in this regard, as it has already invested in things through Green Bond financing for several years.

In August 2022, Reka Cables Ltd committed to the international Science Based Targets initiative (SBTi), driving ambitious climate action. In accordance with the initiative, Reka Cables will set emission reduction targets, which support the policy of the Paris agreement on climate change to limit global heating to a maximum of 1.5 degrees Celsius. The targets apply both to Reka Cables' own operations (Scope 1 & 2) and the whole supply chain (Scope 3). Reka Cables has committed to the strictest Net Zero target, which obligates the company to set both short-term and long-term targets. On a global scale, Reka Cables is amongst the first 1,000 or so companies that have committed to the strictest Net Zero target. Already prior to its commitment to SBTi, Reka Cables has made sustained efforts to cut its emissions. In 2021, Reka Cables announced that it had cut the CO2 emissions of its operations by 80% compared to 2019 by switching to green process electricity and using solar power at its factories in Keuruu and Riihimäki, for example.

In the future, climate-related issues will require investments and development effort both to reduce one's own carbon footprint and to meet the growing demands of customers. We are involved in the energy transition

Russia's invasion of Ukraine

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 had no sales to these countries. The rubber industry has also had no procurement from these countries. The cable industry has acquired some of the aluminum it uses from Russia. The share of Russian aluminum was replaced by suppliers from other regions.

The war in Ukraine has been reflected in a general increase in the prices of metal parts as the total supply decreases. The war in Ukraine has also been reflected in matters related to personnel, as there are Ukrainians working especially at our production plant in Poland.

Macroeconomic environment

Part of the group's financing is tied to a reference interest rate, part to a fixed interest rate. The rise in reference interest rates has increased the total interest costs both for the financing of trade receivables and for traditional loans. Reference rates are actively monitored and updated to the group's forecasts and plans. Since there were more repayments than repayment programs in 2022, this will reduce the impact of a rise in reference rates in the future.

Inflation can be seen as an increase in the cost of both labor and materials and components and services. The price of electricity is partially protected at the Finnish production plants, but the Polish production plant's energy costs will clearly increase in 2023. In 2022, the electricity price of the Polish production plant was fixed and the price increase therefore did not affect the year 2022. The increase in the price of electricity and the high level of inflation in Poland accelerate some production arrangements and efficiency measures. Change and efficiency measures are also being carried out at the factories in Finland. In the rubber industry, suppliers have added an electricity surcharge to their charges. The electric surcharge has also been used in the customer interface of the rubber industry. There is still a delay in getting the costs into customer prices.

The COVID-19 has not reduced customer demand and has not affected to the payment behavior of the customers so far. Additional costs and delivery delays have been accumulated as personnel has been more than usual on sick leave to eliminate the possible infection risk.

The COVID-19 has been reflected in material procurement. 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. Inflation continues to increase costs. Logistics costs have risen.

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.

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.

Cash equivalents and other financial assets

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

Operating result and EBITDA

IAS 1 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 2022

IFRS 17 *Insurance Contracts*, including **Amendments *Initial Application of IFRS 17*** and ***IFRS 9 – Comparative Information*** (effective for financial years beginning on or after 1 January 2023, early application permitted for companies that also apply IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*)

The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4 standard.

The amendments to IFRS 17 alleviate mismatches in comparative information arising from the different transition requirements of IFRS 9 and IFRS 17. The amendments also allow the comparative information about financial assets to be presented in a manner that is more consistent with the requirements in IFRS 9 Financial Instruments.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 *Presentation of Financial Statements* * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

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

The amendments clarify the application of materiality to disclosure of accounting policies.

Definition of Accounting Estimates – Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 *Income Taxes* (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

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

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

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

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require to disclose information about these covenants in the notes to the financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* * (available for optional adoption, effective date deferred indefinitely)

The amendments address the conflict between the existing guidance on consolidation and equity accounting and require the full gain to be recognised when the assets transferred meet the definition of a 'business' under IFRS 3 *Business Combinations*.

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

Discontinued operations

Principles of preparation

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

Assets and liabilities related to discontinued operations are presented separately on their own lines in the balance sheet as assets classified as held for sale until sale. The result of discontinued operations is reported separately from the income and expenses of continuing operations in the consolidated income statement. Differentiation in the income statement has been implemented in its own columns in the 2022 financial statements. Intragroup income and expenses between continuing and discontinued operations have been eliminated.

On 10 November 2022, Reka Industrial signed an agreement with Nexans Group regarding the sale of all outstanding shares of Reka Cables Ltd. Purchase price of the shares is EUR 53 million. With the signing of the agreement, Reka Cables Ltd and its subsidiaries (Reka Cables) have been classified as a discontinued operation.

The transaction is conditional to the approval of the Extraordinary General Meeting of Reka Industrial and approvals by the competent regulatory authorities. The Extraordinary General Meeting approved the arrangement in its meeting on 15 December 2022. The completion of the transaction is expected to take place during the first half of 2023.

The effect of discontinued operations on the balance sheet, EUR 1,000	1/1-31/12/2022
ASSETS	
Non-current assets	
Consolidated goodwill	3,252
Other intangible assets	1,684
Tangible assets	16,492
Right-of-use assets	3,614
Holdings in associates	1,115
Receivables	40
Deferred tax assets	387
Total non-current assets	**26,586**
Current assets	
Inventories	23,166
Sales receivables and other receivables	1,033
Tax receivables from the profit for the financial year	57
Derivative contracts	395
Other financial assets	1,490
Cash and cash equivalents	1,267
Total current assets	**27,408**
Total Assets	**53,994**
LIABILITIES	
Non-current liabilities	
Deferred tax liabilities	549
Provisions	1,370
Financial liabilities	365
Lease liabilities	2,568
IAS19 pension liability	1,920
Total non-current liabilities	**6,772**
Current liabilities	
Tax liabilities from the profit	92
Financial liabilities	5,199
Lease liabilities	1,982
IAS19 pension liability	914
Other liabilities	23,925
Total current liabilities	**32,111**
Total liabilities	**38,884**

The result of discontinued operations, EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
Turnover	**172,385**	**133,750**
Change in inventories of finished products and production in progress	1,235	2,107
Production for own use	67	14
Other operating income	187	285
Materials and services	-137,494	-103,404
Personnel expenses	-16,584	-15,566
Depreciation and impairment	-3,751	-4,256
Other operating expenses	-8,791	-10,164
	-165,131	-130,984
Operating result	**7,254**	**2,765**
Financial income	668	579
Financial expenses	-3,710	-2,725
Share of the result of associated companies	96	72
Result before taxes	**4,308**	**692**
Taxes	-814	-170
Result for the period	**3,494**	**522**
Profit or loss attributable to		
Shareholders of the parent	3,494	522
Non-controlling interests	0	0
	3,494	522

Cash flow from discontinued operations, EUR 1,000	1/1-31/12/2022	1/1-31/12/2021
Cash flows from operating activities	8,036	8,689
Cash flows from investments	-3,032	-3,562
Cash flows from financing activities	-2,483	-6,665
Cash flow for the financial year	2,521	-1,538

1. Items related to the profit for the period

1.1 Operating segments

Reka Industrial Group's industrial business segment is rubber industry. All other operations are 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. Turnover by product group and sales area are presented as complementary information. Companies not belonging to Rubber segment, other derivatives and unallocated items as well financial liabilities related to acquiring businesses are 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 recognized as income when products are delivered in accordance with the terms of sale. Revenue from services is recognised during the period when the service is rendered, and the economic benefit of the transaction is probable. The share of Reka Industrial's revenue from services is not significant.

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

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

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

Use of estimates

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

Accounting policy

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

31/12/2022

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

31/12/2021

EUR 1,000	Rubber	Eliminations and other operations	Group
Turnover	**24,596**	**133,548**	**158,144**
EBITDA	**1,507**	**9,759**	**11,266**
Unallocated items		-10,280	-10,280
Result before taxes			1,403
Result for the period			**986**
Assets			
Segment´s assets	17,319	54,918	72,237
Total assets	**17,319**	54,918	**72,237**
Liabilities			
Segment´s liabilities	10,816	50,169	60,985
Total liabilities	**10,816**	50,169	**60,985**
Assets - Liabilities	**6,503**	**4,750**	**11,253**
Investments	**370**	**3,741**	**4,111**
Depreciations		**5,688**	**5,688**

Rubber segment´s turnover by product group, EUR million	1–12/2022	1–12/2021
Moulded	10.3	9.3
Hoses	16.3	12.2
Other	4.0	3.2
Total	**30.6**	**24.6**

Rubber segment´s turnover by sales area, EUR million	1–12/2022	1–12/2021
EU-countries	27.5	22.1
Non-EU-countries	3.1	2.5
Total	**30.6**	**24.6**

Taken all market areas into the consideration the largest customer Group´s share of the Group´s turnover was 16.0 %. Other individual customer´s share of the Group´s turnover was under 10 %.

On 31 December 2022, non-current assets other than financial instruments and deferred taxes were EUR 21.7 million (40.4). Of which EUR 19.6 million are located in Finland and EUR 2.1 million in Poland.

1.2. Other operating income

Accounting policy ★

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

EUR 1,000	2022	2021
Subsidies received	101	131
Rental income	168	141
Gains on the sale of fixed assets	1,436	0
Other income	810	263
Total	2,514	536

The most essential items of the gains on the sale of fixed assets: In November the rubber segment sold its property in Aura to Reka Pension Fund. From the IFRS sale and lease back arrangement resulted capital gain of EUR 604 thousand. From the sale of the shares of Nestor Cables Limited in July resulted capital gain of EUR 802 thousand. In addition there were smaller sales of machineries and equipments resulting capital gain.

1.3. Personnel expenses

Accounting policy ★

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

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

EUR 1,000	2022	2021
Salaries and fees	21,038	20,081
Pension expenses, defined contribution plans	2,982	2,716
Other personnel expenses	1,299	1,073
Total	25,319	23,870

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

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

	2022	2021
Total,	573	563
of which in continuing operations	290	284

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	2022	2021
Depreciations by commodity group		
Intangible non-current assets		
Customer relationships	-376	-376
Products brands and trademarks	-137	-141
Other intangible assets	-425	-328
Total	-937	-845
Tangible non-current assets		
Buildings	-294	-652
Machinery and equipment	-2,074	-2,252
Other tangible assets	-208	-56
Total	-2,576	-2,960
Right-of-use assets		
Buildings	-1,236	-1,593
Machinery and equipment	-150	-277
Impairment of buildings	-130	-13
Total	-1,516	-1,882
Total depreciation and impairment	-5,029	-5,688

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

1.5. Other operating expenses

Accounting policy

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

EUR 1,000	2022	2021
Short-term variable compensation	-356	-314
Other variable compensation	-1,082	-889
Rental expenses total	-1,437	-1,203
Machinery and property maintenance costs	-4,058	-3,992
Sales and marketing expenses	-1,163	-731
Voluntary personnel expenses	-1,004	-786
Other expenses	-4,149	-3,440
Total	-11,811	-10,153

Other expenses include remunerations to the Auditors as follows:

EUR 1,000	2022	2021
KPMG Oy Ab		
Audit	120	98
Certification services	7	7
Tax services	0	1
Other services	5	12
Other companies		
Audit	11	24
Other services	0	15

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 1.5 million in research and product development (EUR 1.3 million in 2021). The investments were allocated EUR 0.4 million to the continuing operations and EUR 1.1 million to the disclosed operations. During the financial period, total of EUR 0.3 million (EUR 0.2 million in 2021) of the development costs of new products and product families were activated in the balance sheet.

Development costs capitalized in the balance sheet are also presented in Note 2.2.

1.7. Financial income and expenses

Accounting policy

Costs of liabilities are 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. The unrealized and realized exchange rate differences relating to financing are noticed in financial income and expenses.

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 policys of derivative contracts are described more specifically in Note 2.14.

Financial income

EUR 1,000	2022	2021
Interest revenues	92	130
Exchange rate differences	440	152
Total	532	282

Financial expenses

EUR 1,000	2022	2021
Interest expenses	-1,100	-1,760
Interest expenses on lease liabilities	-374	-421
Exchange rate differences	-761	-338
Financial expenses on sales receivable	-1,926	-988
Other financial income	-397	-561
Total	-4,557	-4,067
Total exchange rate differences	-321	-186

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

1.8. IAS 19 defined benefit pension arrangements related items

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

EUR 1,000	2022	2021
Pension costs- Defined benefit plans	4,539	-852
Interest expense – Defined benefit plans	-77	-55
Taxes – Defined benefit plans	-893	181
EUR 1,000	2022	2021

The positive figure in pension costs is mainly due to discount rate changes and reclassification according to IFRS 5.

1.9. Taxes

Accounting policy ★

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

The income taxes are noticed through profit and loss statement except when taxes relate to items noticed through comprehensive income or directly in equity. In such cases also the taxes are booked accordingly.

Deferred tax assets related to individual companies are 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. Deferred tax assets and liabilities are defined using tax percentage (and tax laws) that most probably are enacted when the asset is realized or otherwise benefited or the liability is paid. The tax is measured using each country's tax rates of the reporting year or following year´s tax rates that have been enacted by the end of the reporting period.

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

EUR 1,000	2022	2021
Taxes payable on profit	-1,343	-534
Taxes from previous financial periods	-28	11
Deferred tax on temporary differences	210	106
Total	-1,161	-417

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

EUR 1,000	2022	2021
Result before taxes	10,139	1,113
Share of the result of associated companies and entries of the IAS 19 defined benefit plan in the income statement are presented after taxes	4,005	-680
Taxable result	6,134	1,794
Taxes calculated at the domestic tax rate	1,227	359
Effect of tax-exempt income	-160	-2
Effect of non-deductible expenses	2	27
Effect of different tax rates applicable to foreign subsidiaries	8	14
Taxes from previous financial years / previously unused interest expenses	28	-11
Other items	56	30
Taxes on the income statement	1,161	417

1.10. Earnings per share

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

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

	2022	2021
Profit from the financial period attributable to the shareholders of the parent company, EUR 1,000	8,978	986
Weighted average numbers of shares during the period	5,972,856	5,941,107
Undiluted earnings per share	1.50	0.17
Weighted diluted average numbers of shares during the period (number)	5,972,856	5,941,107
Earnings per share adjusted for dilution	1.50	0.17
Earnings per share:		
Earnings per share attributable to the shareholders of the parent, continued operations		
before dilution, EUR	0,92	0,08
after dilution, EUR	0,92	0,08
Earnings per share attributable to the shareholders of the parent, discontinued operations		
before dilution, EUR	0,58	0,08
after dilution, EUR	0,58	0,08
Earnings per share attributable to the shareholders of the parent		
before dilution, EUR	1,50	0,17
after dilution, EUR	1,50	0,17
Number of shares	5 972 856	5 941 107

2. Operating Assets and Liabilities

2.1. Tangible non-current assets

Accounting policy

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

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

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

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

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

The right-of-use assets:

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

Impairment

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

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

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

Use of estimates

When finding out whether there are any indications of the decrease in the value of the asset´s the management makes assumptions and estimates. These are used as a basis of for the possible further analyses. The Group has loss making rental agreement (Note 2.10 financial liabilities) that is handled as financial lease and which financial impact is yearly evaluated by using the assumptions and estimations of the management. Possible changes in these assumptions and estimations may cause changes to the valuation in future years. The total impairment recognised on buildings is EUR 0.9 (0.8) million and based on the difference between estimated income and expenses related to a long-term lease agreement.

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

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

Right of Use assets:

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

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

The balance sheet items of discontinued operations are included only for the comparison year.

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. Goodwill impairment losses are recorded with an impact on profit and loss and cannot be reversed later.

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

EUR 1,000	Goodwill	Customer relations	Development expenses	Other intangible	Total
Acquisition costs 1/1/2021	3,252	3,757	1,101	7,977	16,087
Increase	0	0	242	60	301
Decrease	0	0	0	-95	-95
Acquisition costs 31/12/2021	3,252	3,757	1,343	7,942	16,293
Accumulated depreciation and impairment 1/1/2021	0	188	247	6,409	6,843
Depreciation	0	376	141	328	845
Accumulated depreciation and impairment 31/12/2021	0	564	388	6,738	7,688
Book value 1.1.2021	3,252	3,569	854	1,568	9,243
Book value 31.12.2021	3,252	3,193	955	1,204	8,604

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

The balance sheet items of discontinued operations are classified as assets for sale and are only included for the comparison year.

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.

Reka Industrial announced on 10 November 2022 that it had signed an agreement with the Nexans group on the sale of shares in Reka Cables Ltd. With the agreement, Reka Cables Ltd and its subsidiaries (Reka Cables) are classified as a discontinued operations and balance sheet values are processed in accordance with IFRS 5. Separate testing of balance sheet values is therefore not carried out at the time of closing the accounts.

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.

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

There is no goodwill on the balance sheet at the time of closing the accounts. Previously, the goodwill on the balance sheet was directly allocated to Reka Cables and has thus been included in the review of the balance sheet values of discontinued operations in accordance with IFRS 5.

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

	2022	2021
Sensitivity analysis		Value used, %
WACC (Pre-Tax)		6.36–17.34

According to the results of the impairment tests in 2021, 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 in 2021, the present value of future cash flows is larger than the investments, when discount rate is under 21.00 %.

2.3 Holdings in associates

EUR 1,000	2022	2021
At the beginning of the period	1,636	1,302
Share of profit	434	335
Decrease	-955	0
Transfers to assets classified for sale	-1,115	0
At the end of the period	0	1,636

In July 2022, Reka Industrial sold the shares of its associated company Nestor Cables Ltd.
Riihimäki Kaapelitehdas Ltd is an associate company of Reka Cables Ltd and is therefore included in the assets classified as for sale.

EUR 1,000	2022	2021
Nestor Cables Ltd, Oulu		
Share	0.00 %	22.94 %
Assets		19,451
Liabilities		16,764
, of which subordinated loans		5,505
Turnover		31,709
Profit		1,144
Value on the consolidated balance sheet	0	617
Riihimäen Kaapelitehdas Ltd, Riihimäki		
Share	20.19%	20.19 %
Assets	9,449	10,012
Liabilities	4,401	5,559
, of which subordinated loans	0	0
Turnover	1,389	1,305
Profit	476	358
Value on the consolidated balance sheet	0	1,019

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

Balance sheet items of sold assets are included only for the reference year. The balance sheet items of assets classified as held for sale in the balance sheet balances of continuing operations are zero.

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 2022:

EUR 1,000	
Deferred tax receivables 1/1/2022	**2,525**
Provisions	48
Valuation of derivatives at fair value	104
Deferred tax receivables on losses	-233
IFRS 16 right-of-use assets	180
IAS 19 defined benefit pension liability	-995
Coil provision	-53
Credit loss provision	4
Adjustment of discontinued operations	-387
Other items	9
Deferred tax receivables 31/12/2022	**1,201**
Deferred tax liabilities 1/1/2022	**-1,601**
Accumulates depreciation difference	-479
Valuation of derivatives at fair value	107
Purchase price allocation	796
IAS 19 defined pension benefit	-470
Adjustment of discontinued operations	549
Other items	-24
Deferred tax liabilities 31/12/2022	**-1,122**

Changes in deferred taxes during 2021:

EUR 1,000	
Deferred tax receivables 1/1/2021	**2,498**
Provisions	-32
Deferred tax receivables on losses	-278
IFRS 16 right-of-use assets	17
IAS 19 defined benefit pension liability	263
Coil provision	62
Credit loss provision	-1
Other items	-2
Deferred tax receivables 31/12/2021	**2,525**
Deferred tax liabilities 1/1/2021	**-1,656**
Accumulates depreciation difference	-48
Valuation of derivatives at fair value	-28
Purchase price allocation	106
Other items	25
Deferred tax liabilities 31/12/2021	**-1,601**

Confirmed losses of the Group companies expire in 2025 or later.
The assessment of deferred tax assets related to unused losses is based on the forecasts of separate companies, which have been subjected to sensitivity analyses.

The balance sheet items of discontinued operations are included only for the comparison year.

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	2022	2021
Materials and supplies		
Production in progress	2,026	7,237
Finished products	540	7,244
Total	1,879	8,820
EUR 1,000	4,444	23,302

The balance sheet items of discontinued operations are included only for the comparison year.

In 2022, a total of EUR 0.0 million of impairments were realized in continuing operations.

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	2022	2021
Sales receivables	1,742	2,975
Other receivables	3,057	1,560
Total	4,799	4,535

The balance sheet items of discontinued operations are included only for the comparison year.

Age distribution of Sales receivables:

EUR 1,000	2022	2021
Undue	1,474	2,670
less than 30 days	191	257
less than 60 days	16	32
less than 90 days	11	0
more than 90 days	49	16
Total	1,742	2,975

Regarding open sales receivables the allowance of expected credit losses totalled EUR 11 thousand (EUR 8 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	2022	2021
EUR	3,454	3,257
SEK	0	38
DKK	0	9
RUB	0	17
NOK	0	116
PLN	1,346	1,099
Total	4,799	4,535

2.7. Cash and cash equivalents

EUR 1,000	2022	2021
Cash and bank	802	767

The balance sheet items of discontinued operations are included only for the comparison year.

2.8 Shareholders' equity

The parent company's share capital by share series	2022		2021	
	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 2021), and the maximum number of B-shares is 9.6 million (9.6 million in 2021). All issued shares are paid up in full.

Own shares

Accounting policy

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

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

The AGM 2022 authorized, in accordance with the Board of Director's proposal, the Board of Directors to decide on the acquisition of the Company's own shares with assets from the Company's unrestricted equity. The shares will be acquired through trading arranged by Nasdaq Helsinki in accordance with its rules, and the consideration to be paid for the shares to be acquired must be based on market price. The Company may acquire B class shares directly by a contractual trade, provided that the number of class B shares to be acquired via contractual trade is at least 15,000 and that the consideration to be paid for the shares is equal to the prevailing market price in Nasdaq Helsinki at the time of the acquisition. When carrying out acquisitions of the Company's own shares, derivatives, stock lending and other agreements customary to the capital markets may be entered into within the limits set by law and regulations.

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

The maximum number of class B shares to be acquired may not exceed a total of 588,076. The amount corresponds to approximately 9.77 per cent of all the shares in the Company and in total 10.0 per cent of the Company's class B shares.

The Board of Directors is entitled to decide on all other matters pertaining to acquiring of the Company's own shares. The authorization is proposed to remain in force until the next Annual General Meeting, however not later than 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.

	2022		2021	
	Number	EUR 1,000	Number	EUR 1,000
Own shares 1/1	79,253	287	53,572	0
Increase	0	0	35,000	287
Fee payments	-31,749	-113	-9,319	0
Own shares 31/12	47,504	174	79,253	287

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

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

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

Dividends
The Board of Directors proposes to the Annual General Meeting that the Board of Directors be authorized to decide on a maximum dividend of EUR 0.20 per share (a maximum of EUR 1.2 million in total) and the payment date by June 30, 2023. A dividend of EUR 0.09 per share was paid for the financial year 2021.

In December 2022, the Extraordinary General authorized in accordance with the Board of Directors' proposal that EUR 0.20 per share will be distributed to shareholders from the company's unrestricted equity after the completion of the acquisition. In accordance with the Board of Directors' proposal, the Extraordinary General Meeting authorized the Board of Directors to decide the record and payment dates of the distribution from the non-restricted equity, however having the payment date within a month from completion of the corporate sale.

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 1/1/2022	555	1,110	1,976	3,641
Increase	303	0	0	303
Used provisions	0	0	-81	-81
Transfers to assets classified for sale	-465	-1,110	0	-1,575
Provisions 31/12/2022	**394**	**0**	**1,895**	**2,289**

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

The balance sheet items of discontinued operations are included only for the comparison year.

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	2022	2021
Long-term financial liabilities valued at allocated acquisition cost		
Bank loans	8	4,763
Lease liabilities	5,171	4,751
Bond	7,230	7,156
Other loans	1,138	2,502
Total	13,547	19,173
Short-term financial liabilities valued at allocated acquisition cost		
Bank loans	3,556	5,084
Other loans	0	1,441
Lease liabilities	424	1,804
Total	3,980	8,329

The balance sheet items of discontinued operations are included only for the comparison year.

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 2022 was 5.6 % (31 December 2021 4.5 %).

On 31 December 2022 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	2022	2021
Less than 6 months	424	1,804
6-12 months	3,556	6,525
More than 12 months	13,547	19,173
Total	17,527	27,502

All loans are denominated in euro.

Maturing of lease liabilities:

EUR 1,000	2022	2021
Buildings		
Within 1 year	373	1,586
1-5 years	2,280	3,440
After 5 years	2,792	979
Total	5,445	6,005
Machinery and equipment		
Within 1 year	52	217
1-5 years	98	333
Total	150	550

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. The balance sheet items of discontinued operations are included only for the comparison year.

2.11 Reconciliation of liabilities arising from financing

			Non-effected changes to cash flow			
EUR 1,000	1/1/2022	Cash flow	Acquisition	Exchange rate differences	Transfers to items held for sale	31/12/2022
Long-term liabilities	14,422	-3,298	-947		-1,800	8,376
Short-term liabilities	6,525	3	793		-3,765	3,556
Finance lease agreements	6,555	-685	4,275		-4,550	5,595
Total financial liabilities	**27,502**	**-3,979**	**4,121**	**0**	**-10,114**	**17,527**

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

The balance sheet items of discontinued operations are included only for the comparison year.

2.12. Accounts payable and other liabilities

EUR 1,000	2022	2021
Current financial liabilities valued at allocated acquisitions cost:		
Accounts payable	2,914	11,530
Personnel expenses allocated by period	1,182	4,505
Accruals and deferred income	584	3,457
Other liabilities	448	4,774
Total	5,129	24,267

Accruals and deferred income consist of following items:

EUR 1,000	2022	2021
Accruals of interest and other financial items	46	47
Tax liabilities	0	31
Accrued discounts	0	2,423
Other accruals	538	956
Total	584	3,457

The balance sheet items of discontinued operations are included only for the comparison year.

Non-interest-bearing current liabilities distributed by currency:

EUR 1,000	2022	2021
EUR	2,996	22,104
RUB	0	18
DKK	0	20
NOK	0	38
SEK	0	111
PLN	2,132	1,975
Other currency	0	1
Total	5,129	24,267

2.13. Pension liabilities

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

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

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

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
1/1/2021	**18,650**	**-14,984**	**3,666**
Defined benefit pension cost recognised in Income statement			
Cost based on review period´s work performance	1,214	0	1,214
Interest expense or income	283	-229	55
	1,498	-229	1,269
Items due to remeasurements			
Profit for assets related to arrangement (except items including in Interest expense or income)	0	-1,349	-1,349
Gain (-) / loss (+) on changes in demographic assumptions	-187	0	-187
Gain (-) / loss (+) arising from changes in financial assumptions	1,856	0	1,856
Experiential gain (-) / loss (+)	154	0	154
	1,823	-1,417	406
Payments made by employer to arrangement	0	-362	-362
Paid benefits	-226	226	0
31/12/2021	**21,737**	**-16,758**	**4,979**

Significant assumptions behind insurance mathematical calculations	2022	2021
Discount rate	4.28 %	1.60 %
Inflation	2.60 %	2.17 %
Increase of pensions	2.70 %	0.80 %

Sensitivity analysis, EUR 1,000

		Effect on pension liability 2022	2021
Discount rate			
	0.5 %-increase	-525	-2,412
	0.5 %-decrease	606	2,855
Pension increase			
	0.5 %-increase	583	2,648
	0.5 %-decrease	-529	-2,361
Life expectancy			
	1 year increase	162	644
	1 year decrease	-157	-625

Assets related to defined benefit plan are divided to categories as follows %	2022	2021
Interest instruments	31.2 %	40.5 %
Equity instruments	27.0 %	28.4 %
Properties	37.2 %	26.4 %
Other instruments	4.6 %	4.7 %
	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 41.3 million and pension liabilities are approximately EUR 32.7 million. Subsidiary Reka Rubber Ltd has made EUR 5.7 million guarantee capital investment and Reka Cables Ltd 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 2023 total EUR 4.2 (2022: 4.0) million. Contributions in 2023 are based on 24.85 % pension contribution.

2.14. Financial risk management

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

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

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

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

The U.S. dollar is important for the Group, because the prices of the metals it purchase are determined based on the dollar. The combined effect of metal and pulp prices and the USD/EUR ratio is essential to the Group. If the dollar had been 10 percent stronger against the euro on the closing date of the financial period, its effect on the operating result before taxes would have been EUR -7.6 million (-6.1). Had the dollar been 10 percent weaker, its effect would have been EUR 7.6 million (6.1).

Interest rate risk
The Group's interest rate risks arise from borrowing.
Leases and part of external loans have fixed interest rates. The reference rate for other external loans is 1-, 3-, 6- and 12-month Euribor as well as 1-month Wibor. On 31 December 2022 lease liabilities with fixed interest rates totalled to EUR 10.1 million and other interest-bearing fixed rate liabilities totalled EUR 8.8 million. Liabilities with variable interest rates totalled EUR 8.7 million on 31 December 2022.

On the closing date of the financial year, the Group's average financing rate for external loans was 6.4 percent (4.5 percent in 2021). If the average interest rate had been 1 percentage point higher, it would have affected the Group's result before taxes by EUR -0.2 million (-0.3 million in 2021). Discontinued operations are only included for the reference year.

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 0.7 million (0.5) 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 -0.7 million (-0.5 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 0.5 million (0.2) in terms of commodity derivatives. Had the market value of copper been 10 percent lower, its effect on the operating result before taxes would have been EUR -0.5 million (-0.2).

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

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

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

The Group uses sales of accounts receivables as a part of 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 31.12.2022.

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.

All 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
31/12/2022						
Repayable bank loans	2,409	2,409	2,400	8	0	0
Loan limits	881	881	881	0	0	0
Regression of sales receivables	274	274	274	0	0	0
Bond	7,230	7,230	0	7,230	0	0
Other loans	1,138	1,138	0	1,138	0	0
Lease liabilities	5,595	7,728	779	1,251	2,247	3,452
Accounts payable and other liabilities	5,139	5,139	5,129	10	0	0
Total	22,667	24,800	9,464	9,637	2,247	3,452

EUR 1,000	Balance sheet value	Cash flow	Less than 1 year	1–2 years	2–5 years	More than 5 years
31/12/2021						
Repayable bank loans	7,972	7,972	3,208	4,297	467	0
Loan limits	656	656	656	0	0	0
Regression of sales receivables	1,220	1,220	1,220	0	0	0
Bond	7,156	7,156	0	0	7,156	0
Other loans	3,943	3,943	1,441	2,283	219	0
Lease liabilities	6,555	6,963	2,153	2,646	937	1,227
Accounts payable and other liabilities	24,267	24,267	24,267	0	0	0
Total	51,769	52,176	32,944	9,226	8,779	1,227
Derivatives						
Commodity derivatives	515	415	441	73	0	0
Financial derivatives	20	20	20	0	0	0

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

The balance sheet items of discontinued operations are included only for the comparison year.

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 16.0 %. 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.
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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 2022	Current net values 2021	Nominal values 2022	Nominal values 2021
Currency derivatives						
Forward exchange agreements	353	0	353	21		
Raw material options						
Metal derivatives	42	-914	-872	515	13,768	6,938
Total derivatives	395	-914	-519	536	13,768	6,938

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

Derivative contracts are contracts of Reka Cables. Continuing operations have no active derivative contracts.

2.15. Capital management

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

2.16. Fair values of financial assets and liabilities

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

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

Guarantee capital investment into Reka Pension Fund is strategic investment recognised in fair value through other comprehensive income statement items. On 31 December 2022 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	31/12/2022	31/12/2021
Loans from financial institutions	7,549	9,847
Bond	7,230	7,156
Granted business mortgages	27,800	26,800
Granted real estate mortgages	8,900	19,093
Book value of pledged securities	8,969	35,134
Granted guarantees	3,148	2,168
Guarantees and payment commitments	1,220	6

The amount of corporate mortgages on December 31, 2022 was EUR 27.8 million.
One million euros of corporate mortgages are held by the financier but available to the company if necessary.

Investment commitments
On December 31, 2022, the investment commitments for tangible fixed assets amounted to EUR 3.3 million (EUR 4.7 million).

Commitments to rental agreements less than 12 months or low value were on December 31, 2022, total EUR 0.9 million.

3.2. Group structure

The Reka Industrial Group's internal parent companies, subsidiaries, and associated companies 31.12.2022:

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

3.3. Related-party events

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

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

Related-party transactions

Transactions with the Reka Group:

EUR 1,000	1–12/2022	1–12/2021
Other purchases	-847	-997
Other income	5	31
Guarantee commissions	-70	-153
Sales receivables and other receivables at end of the period	556	663

Reka Ltd has guaranteed financing and other agreements of the Reka Industrial group. Reka Industrial pays a guarantee commission for guarantees.

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

Transactions with Reka Pension fund:

EUR 1,000	1–12/2022	1–12/2021
Paid pension expenses	-2,721	-2,277
Rental expenses	-289	-240
Financial income	92	130
Guarantee capital investment	8,000	2,300
Purchase of real estate	6,200	0
Other debts at the end of the period	240	0
Other receivables at the end of the period	92	92

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

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

Transactions with associated companies:

EUR 1,000	1–12/2022	1–12/2021
Sales		
Nestor Cables Ltd	21	37
Other purchases		
Nestor Cables Ltd	187	99
Leasing rents		
Riihimäen Kaapelitehdas Ltd	1,119	1,051
Liabilities		
Nestor Cables Ltd	0	58

Nestor Cables Ltd was sold in July 2022.

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	2022	2021
Salaries and other short-term fringe benefits	829	785
Pension benefits, defined contribution plans	112	112
Total	940	897

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

The Annual General Meeting in 2022:

- Confirmed the annual remuneration (12 months) of the members of the Board of Directors at EUR 25,000 and the annual remuneration of the Chairman of the Board at EUR 32,000 and the annual remuneration of committee members at EUR 2,500. No separate meeting fees are paid. The members of the Board are compensated for their travel expenses.
- Circa 40 per cent of the annual remuneration will be paid with the shares of the company. Conversion into the shares will be carried out based on the average share price of the Company’s class B share in April 2022, and the shares will be handed over in May 2022.

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

The remuneration according to the target remuneration agreements of the management team members is included in the breakdown below.

Salaries and other fringe benefits by person:

EUR 1,000	2022	Of which paid by shares	2021
Salaries and fees:			
Poutanen Jukka, Managing Director	503		436
Tulander Sari, CFO	159		228
Board of Directors:			
Rentto Markku E.	62	13	28
Järvelä Ari	28	11	24
Hyytiäinen Matti	25	10	22
Kyllönen Olli-Heikki	25	10	22
Saarinen Leena	28	11	21
Matikainen-Kallström Marjo	0	0	4
Total	829	55	785

The amounts above include statutory pension insurances as follows: Jukka Poutanen EUR 85 thousand (EUR 74 thousand), Sari Tulander EUR 27 thousand (EUR 38 thousand).

Transactions with other related parties:

EUR 1,000	1–12/2022	1–12/2021
Other purchases	18	8
Rental incomes	8	84

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

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

3.4. **Major events after the financial period**

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

Income statement of the parent company (FAS)

	Notes	1/1-31/12/2022	1/1-31/12/2021
TURNOVER	1	2,030,280.92	1,803,082.96
Other operating income	2	129,156.30	111,551.34
Personnel expenses	3	-414,752.46	-370,998.73
Depreciation and impairment	4	-75,533.16	-47,639.42
Other operating expenses	5	-1,158,030.06	-753,573.79
OPERATING RESULT		511,121.54	742,422.36
Financial income and expenses	6	1,000,742.00	612,190.89
RESULT BEFORE TAXES AND APPROPRIATIONS		1,511,863.54	1,354,613.25
Appropriations	7	-9,055.91	-611,912.97
Taxes	8	-179,640.66	-129,305.36
RESULT FOR THE PERIOD		1,323,166.97	613,394.92

Balance sheet of the parent company (FAS)

	Notes	31/12/2022	31/12/2021
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	255,758.78	190,649.93
Tangible assets	10	669,734.24	505,293.31
Other investments	11	7,885,202.64	7,885,202.64
		8,810,695.66	8,581,145.88
CURRENT ASSETS			
Non-current receivables	12	23,038,400.00	22,576,000.00
Current receivables	13	11,910,140.55	13,336,015.06
Cash and cash equivalents		321,665.59	11,798.86
		35,270,206.14	35,923,813.92
ASSETS		44,080,901.80	44,504,959.80
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	14		
Share capital		24,081,440.00	24,081,440.00
Premium fund		66,400.00	66,400.00
Reserve fund		1,221,254.58	1,221,254.58
Own shares		-174,390.26	-287,308.00
Retained profit		2,412,161.72	2,326,777.84
Other unrestricted equity		435,611.31	435,611.31
Result for the period		1,323,166.97	613,394.92
		29,365,644.32	28,457,570.65
ACCUMULATED APPROPRIATIONS	15	57,642.86	48,586.95
OBLIGATORY PROVISIONS	16	3,687,733.65	3,757,884.97
NON-CURRENT LIABILITIES	17	8,536,308.03	10,145,840.03
CURRENT LIABILITIES	18	2,433,572.94	2,095,077.20
SHAREHOLDERS' EQUITY AND LIABILITIES		44,080,901.80	44,504,959.80

Parent company cash flow statement (FAS)

	1/1-31/12/2022	1/1-31/12/2021
Cash flow from operating activities:		
Payments received from operating activities	995,910.55	2,534,416.44
Payments paid on operating activities	-999,278.52	-2,123,357.86
Paid interests and other financial expenses	-648,487.71	-1,009,819.12
Interests received and other financial income	563,620.01	840,835.20
Dividends received	400,051.52	0.00
Direct taxes paid	-43,721.10	6,787.26
Cash flow from operating activities	**268,094.75**	**248,861.92**
Cash flow from investments:		
Investments in tangible and intangible fixed assets	-305,082.94	-185,309.12
Loan repayments	2,326,000.00	3,440,152.66
Cash flow from investments	**2,020,917.06**	**3,254,843.54**
Cash flow from financing activities:		
Acquisition of own shares	0.00	-287,308.00
Decrease in loans	-1,444,444.00	-1,449,394.00
Dividends paid and other distribution of profits	-534,701.08	-297,718.21
Group contributions received/paid	0.00	-1,600,000.00
Cash flow from financing activities	**-1,979,145.08**	**-3,634,420.21**
Change in cash and cash equivalents	**309,866.73**	**-130,714.75**
Cash and cash equivalents at the beginning of the period	11,798.86	142,513.61
Cash and cash equivalents at the end of the period	**321,665.59**	**11,798.86**

Notes to parent company financial statements (FAS)

Accounting policies

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

Retrospective error correction

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

Since the tax treatment of subsidiary mergers is significant in principle, Reka Industrial appealed the Administrative Court's decision to the Supreme Administrative Court in August 2021. The Supreme Administrative Court stated in the summer of 2022 that Reka Industrial's subsidiary merger implemented 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. EUR 0.2 million was taken into account through the income statement. The total amount of EUR 1.3 million has been recorded in short-term receivables.

Valuation principles

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

Valuation of current assets
The company’s financial securities are recognized at fair value. 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

	2022	2021
Turnover from consulting and management services	2,030,280.92	1,803,082.96
	2,030,280.92	1,803,082.96

2. Other operating income

	2021	2021
Rental income from other companies	129,156.30	101,613.30
Other income	0.00	9,938.04
	129,156.30	111,551.34

3. Personnel expenses

	2020	2021
Salaries and fees	380,537.13	332,678.71
Pension expenses	29,848.32	32,930.40
Other personnel expenses	4,367.01	5,389.62
	414,752.46	370,998.73
Of which		
Management´s salaries and fees	25,019.44	22,345.83
Board of Directors´ fees	166,822.04	120,571.48
	191,841.48	142,917.31

	2022	2021
Average number of staff	1	1

4. Depreciation and impairment

	2022	2021
Depreciation on intangible assets	4,626.15	2,418.21
Depreciation on machinery and equipment	3,510.83	3,510.87
Depreciation on other tangible assets	63,383.58	27,697.74
Depreciation on buildings	4,012.60	4,012.60
	75,533.16	47,639.42
Total depreciation and impairment	75,533.16	47,639.42

5. Other operating expenses

	2022	2021
Rents	198,823.67	184,732.73
Voluntary personnel expenses	3,194.66	1,021.51
Audit of the accounts	51,221.03	81,335.70
Consultant services	191,298.23	52,512.68
Sales and marketing	57,119.80	64,607.90
Machinery and property maintenance costs	157,877.27	66,836.05
Change in obligatory provisions	129,848.68	13,065.19
Other expenses	368,646.72	289,462.03
	1,158,030.06	753,573.79

Fees paid to the auditors

The amounts are included in other operating expenses	2022	2021
Annual audit of the accounts	37,693.03	51,288.70
Tax services	0.00	10,975.00
Certification services	13,528.00	7,272.00
Other services	0.00	11,800.00
	51,221.03	81,335.70

6. Financial income and expenses

Financial income	2022	2021
Dividend yield from others	51.52	88.32
Dividend yield from Group companies	400,000.00	0.00
Interest and financial income from Group companies	1,285,227.91	1,708,973.61
	1,685,279.43	1,709,061.93
Financial expenses		
Interest and financial expenses to Group companies	-50,208.54	-95,445.49
Interest and financial expenses to others	-634,328.89	-1,001,425.55
	-684,537.43	-1,096,871.04
Total financial income and expenses	1,000,742.00	612,190.89

7. Appropriations

	2022	2021
Change in cumulative accelerated depreciation	-9,055.91	-11,912.97
Group contributions received	0.00	-600,000.00
Total appropriations	-9,055.92	-611,912.97

8. Taxes on the income statement

	2022	2021
Income taxes	179,640.66	129,305.36
Taxes total	179,640.66	129,305.36

Notes to the balance sheet

9. Intangible assets

	2022	2021
Acquisition costs 1/1	197,703.03	197,703.03
Increase	69,735.00	0.00
Acquisition costs 31/12	267,438.03	197,703.03
Accumulated depreciation 1/1	-7,053.10	-4,634.89
Depreciation according to plan	-4,626.15	-2,418.21
Accumulated depreciation 31/12	-11,679.25	-7,053.10
Book value 31/12	255,758.78	190,649.93

10. Tangible assets

	2022	2021
Land and water areas		
Acquisition costs 1/1	29,685.00	29,685.00
Acquisition costs 31/12	29,685.00	29,685.00
Book value 31/12	29,685.00	29,685.00
Buildings	2022	2021
Acquisition costs 1/1	100,315.00	100,315.00
Acquisition costs 31/12	100,315.00	100,315.00
Accumulated depreciation 1/1	-14,378.49	-10,365.89
Depreciation according to plan	-4,012.60	-4,012.60
Accumulated depreciation 31/12	-18,391.09	-14,378.49
Book value 31/12	81,923.91	85,936.51
Machinery and equipment	2022	2021
Acquisition costs 1/1	554,935.58	357,085.79
Increase	235,347.94	197,849.79
Acquisition costs 31/12	790,283.52	554,935.58
Accumulated depreciation 1/1	-165,263.78	-124,055.17
Depreciation according to plan	-66,894.41	-41,208.61
Accumulated depreciation 31/12	-232,158.19	-165,263.78
Book value 31/12	558,125.33	389,671.80

11. Other investments

Holdings in Group companies:

	2022	2021
Acquisition costs 1/1	7,885,202.64	7,885,202.64
Acquisition costs 31/12	7,885,202.64	7,885,202.64

Holdings in Group companies	Business ID	Share capital EUR 1,000	Number of shares 2022	Number of shares 2021
Alnus Ltd, Helsinki	0762281-4	168	1,000	1,000
Reka Rubber Ltd, Hyvinkää	0870234-9	168	10	10

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

12. Non-current receivables

	2022	2021
Subordinated loan receivables from Group companies	13,600,000.00	13,600,000.00
Non-current interest receivables from Group companies	9,438,400.00	8,976,000.00
Total	23,038,400.00	22,576,000.00

13. Current receivables

	2022	2021
Sales receivables	5,209.30	3,733.70
Sales receivables from Group companies	575,261.44	1,479.45
Current loan receivables from Group companies	9,060,194.89	11,386,194.89
Interest receivables from Group companies	71,687.13	15,933.80
Accrued income from Group companies	545,464.59	306,420.27
Other receivables	0.00	2,280.00
Accrued income	1,652,323.20	1,619,972.95
Total	11,910,140.55	13,336,015.06

Material items of accrued income

	2022	2021
Accrued income from Group companies	545,464.59	306,420.27
Accrued accounts payable	142,438.22	132,615.92
Accrued financial expenses	149,878.04	242,825.72
Tax receivables	1,325,756.96	1,244,531.31
Other accrued income	34,249.98	0.00
Total	2,197,787.79	1,926,393.22

14. Shareholders’ equity

	2022	2021
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	-287,308.00	0.00
Payments by own shares	112,917.74	0.00
Acquisition of own shares	0.00	-287,308.00
Own shares 31/12	-174,390.26	-287,308.00
Retained profit 1/1	2,940,172.76	2,596,888.51
Payments by own shares	6,690.04	27,607.54
Dividends paid	-534,701.08	-297,718.21
Retained profit 31/12	2,412,161.72	2,326,777.84
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	1,323,166.97	613,394.92
Unrestricted equity 31/12	3,996,549.74	3,088,476.07
Shareholders´equity 31/12	29,365,644.32	28,457,570.65

15. Distributable unrestricted equity

	2022	2021
Other unrestricted equity fund	435,611.31	435,611.31
Retained profit	2,412,161.72	2,326,777.84
Net profit/loss	1,323,166.97	613,394.92
Total distributable unresticted equity	4,170,940.00	3,375,784.07

The parent company's share capital by share series

	2022		2021	
	Number	Shareholders' equity, EUR 1,000	Number	Shareholders' equity, EUR 1,000
Series A (20 votes/share)	139,600	558	139,600	558
Series B (1 vote/share)	5,880,760	23,523	5,880,760	23,523
	6,020,360	24,081	6,020,360	24,081

On December 31, 2022, the company held a total of 47,504 of its own shares (79,253 on December 31, 2021).

16. Obligatory provisions

	2022	2021
Rental loss provision	887,733.65	757,884.97
Payment guarantee for the purchase price of premises (Avilon Fibres Ltd)	2,800,000.00	3,000,000.00
Total obligatory provisions	3,687,733.65	3,757,884.97

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 on 31 December 2022 is EUR 2.8 million, which is paid annually by amounts of EUR 0.2 million until year 2035.

17. Non-current liabilities

	2022	2021
Bank loans	0.00	1,611,112.00
Green Bond	7,400,000.00	7,400,000.00
Other liabilities	1,136,308.03	1,134,728.03
Total	8,536,308.03	10,145,840.03

18. Current liabilities

	2022	2021
Bank loans	1,611,112.00	1,444,444.00
Accounts payable	502,541.23	44,243.73
Accruals and deferred income	224,353.59	203,018.00
Other liabilities to Group companies	16,317.23	365,000.00
Other liabilities	79,248.89	38,371.47
Total	2,433,572.94	2,095,077.20

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

	2022	2021
Personnel expenses allocated by period	89,951.36	151,305.30
Tax liability	54,656.09	0.00
Other accrued liabilities	79,746.14	51,712.70
Total	224,353.59	203,018.00

19. Contingent liabilities

	2022	2021
Liabilities secured by mortgages	1,611,112.00	3,055,556.00
Guarantees given on own behalf or on behalf of subsidiaries	3,148,000.00	2,168,000.00
Granted business mortgages	7,714,411.16	7,714,411.16
Total	12,473,523.16	12,937,967.16

Financial lease

	2022	2021
Maturing within 1 year	208,223.52	194,123.76
Maturing in 1 to 5 years	832,894.08	776,495.04
Maturing after 5 years	1,596,380.32	1,682,405.92
Total	2,637,497.92	2,653,024.72

20. List of bookkeeping books and vouchers

List of bookkeeping books and vouchers and their preservation:

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

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

During financial year 2022 the following voucher classes were used:

99	Note vouchers
AT	Generated by the Netvisor system
JK	Periods
ML	Sales Invoice
MS	Sales
MU	Other
OL	Purchase Invoice
OS	Purchase
PA	Salary
PT	Bank
Pump	Imported events
T-	Automatic accounting entries

Board’s proposal to the Annual General meeting

The parent company’s distributable funds are EUR 4,170,940.00, of which the result for the period is EUR 1,323,166.97. The Board of Director’s proposes to the Annual General Meeting that the Board of Director’s is authorized to decide of a dividend of max. EUR 0.20 per share (total EUR 1.2 million at the maximum) and payment date by 30 June 2023. A dividend of EUR 0.09 per share was paid for the financial year 2021.

In accordance with the Board of Directors' proposal, upon completion of the above-mentioned corporate sale, the Extraordinary General Meeting in December 2022 authorized that EUR 0.20 per share will be distributed to shareholders from the company's unrestricted equity after the completion of the acquisition. The Extraordinary General Meeting in December 2022 authorized the Board of Directors to decide the record and payment dates of the distribution from the non-restricted equity, however having the payment date within a month from completion of the above-mentioned corporate sale.

Signatures of the Financial Statement and Board of Directors´ report

Hyvinkää 7 March 2023

MARKKU E.RENTTO
Markku E. Rentto
puheenjohtaja

ARI JÄRVELÄ
Ari Järvelä

LEENA SAARINEN
Leena Saarinen

MATTI HYYTIÄINEN
Matti Hyytiäinen

OLLI-HEIKKI KYLLÖNEN
Olli-Heikki Kyllönen

JUKKA POUTANEN
Jukka Poutanen
Managing Director

Auditor’s note

We have issued the auditor’s report today.

Helsinki 7 March 2023

KPMG Oy Ab
Authorized Public Audit Firm

JUKKA RAJALA
Jukka Rajala
KHT

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

Auditor's Report

To the Annual General Meeting of Reka Industrial 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, 2022. The financial statements comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with 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 key sales agreements and tested the consistency of the accounting with the terms of sale in the agreements. As part of our year-end audit procedures, we tested the recognition of revenues on accrual basis. - Our work also included consideration of rebates and discount practices and the process for recognizing credit notes, as well as testing of related controls and accounting material. - In addition, we considered the appropriateness of the Group’s disclosures in respect of revenues.

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

- On 10 November 2022, Reka Industrial signed an agreement with Nexans Group regarding the sale of all outstanding shares of Reka Cables Ltd. Reka Cables Ltd is owned fully by Reka Industrial. The purchase price of the shares is EUR 53 million. With the signing of the agreement, Reka Cables Ltd and its subsidiaries (Reka Cables) have been classified as a discontinued operation in the financial statements. The transaction is conditional to approvals by the competent regulatory authorities and the completion of the transaction is expected to take place during the first half of 2023.

- The assets and liabilities related to the discontinued operation are presented as separate line items in the balance sheet as assets classified held for sale until sale. The result of discontinued operations is reported separately from the income and expenses of continuing operations in the consolidated income statement.

- The classification and presentation of assets held for sale and discontinued operations is a focus area because the fulfilment of the criteria determined in IFRS 5 involves management judgement and the presentation has a significant impact on the consolidated balance sheet and the consolidated statement of comprehensive income.

- We inspected the documentation related to the sales arrangement and analysed whether the operations fulfil the criteria defined in IFRS 5 for held-for-sale-assets and discontinued operations.

- We obtained an understanding of the valuation principles for the held-for-sale assets and associated liabilities. We assessed whether the estimated fair value less costs to sell of the disposal groups of businesses are at least equal to their carrying amounts.

- Additionally, we considered the disclosure of the held-for-sale assets and discontinued operations in the consolidated income statement and in the notes.

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

- The Group has different kinds of financing arrangements as the need for financing varies especially due to the seasonal nature of the operations. The Group has renewed its financing arrangements in recent years and financing arrangements have been updated to some extent during financial year of 2022.

- At the end of the financial year 2019, the Company issued EUR 10 million in senior secured green bonds ("the Bonds"). The tenor of the Bonds is five (5) years. At the end of financial year 2022 total amount of EUR 2.6 million of the Bonds are unused and the carrying amount of the Bonds determined by using the effective interest method was EUR 7.2 million as of 31 December 2022.

- Bank loans include financial covenants. Monitoring of financial covenants is important in terms of continuity of the Group's financing.

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

- Our audit procedures included assessment of the administrative and contractual documents regarding the executed financing arrangements. We also assessed the reasonableness of the cash flow 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 business transactions with its related parties. Related party transactions are one of our focus areas due to following, for example:

- The Group has several related party entities with which the Group companies have related party transactions.

- Related party transactions include for example leasing and pension related arrangements that also affect the Group's balance sheet structure.

- We assessed the Group's process for identifying related parties and recording and disclosing related party transactions in the financial statements.

- Our audit procedures included assessment of the administrative documents and agreements with related parties to understand the nature of the transactions. We used other KPMG professionals to consider the nature of the contracts and application of relevant IFRS standards, where appropriate.

- Due to the significance and diversity of the related party transactions the accuracy and the adequacy of the financial statement information on related party transactions is emphasized.

- We also utilized external confirmations, as applicable, and assessed the consistency of accounting treatment regarding related party transactions with the above-mentioned material.
- In addition, we considered the appropriateness of the Group's disclosures in respect of related party transactions.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 29 March 2012, and our appointment represents a total period of uninterrupted engagement of 11 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 7 March 2023

KPMG OY AB

JUKKA RAJALA

Authorised Public Accountant, KHT

Reka Industrial Oyj

Kankurinkatu 4–6
05800 Hyvinkää

www.rekaindustrial.fi