

Spinnova Plc

Business ID 2653299-6

Interim Financial Information 1 January 2021 – 31 March 2021

Spinnova Plc Interim Financial Information 1 January 2021 – 31 March 2021

Income statement

	1.1.2021 -31.3.2021	1.1.2020 -31.3.2020	1.1.2020 -31.12.2020
REVENUE	92,052.21	21,315.00	254,222.00
Other operating income	-	-	77,413.89
Materials and services	-49,642.81	-50,674.95	-127,772.28
Personnel expenses	-889,575.20	-451,578.73	-2,318,388.09
Depreciation, amortisation and impairment losses	-201,856.57	-177,036.42	-714,481.25
Other operating expenses	-505,024.73	-346,559.69	-2,643,742.44
OPERATING PROFIT (LOSS)	-1,554,047.10	-1,004,534.79	-5,472,748.17
Financial income and expenses			
Other interest and financial income	50.52	51.33	242.36
Interest and other financial expenses	-303,338.72	-34,648.09	-171,704.81
Total financial income and expenses	-303,288.20	-34,596.76	-171,462.45
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-1,857,335.30	-1,039,131.55	-5,644,210.62
PROFIT (LOSS) FOR THE PERIOD	-1,857,335.30	-1,039,131.55	-5,644,210.62

Balance sheet

	31.3.2021	31.3.2020	31.12.2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Development expenses	6,062,946.45	5,788,954.24	6,237,780.52
Intangible rights	515,512.16	457,973.95	534,909.26
Total intangible assets	6,578,458.61	6,246,928.19	6,772,689.78
Tangible assets			
Machinery and equipment	114,381.02	138,252.89	122,006.42
Advance payments and assets under construction	1,122,184.44	1,815,353.02	705,318.45
Total tangible assets	1,236,565.46	1,953,605.91	827,324.87
NON-CURRENT ASSETS TOTAL	7,815,024.07	8,200,534.10	7,600,014.65
CURRENT ASSETS			
Receivables			
Long-term receivables			
Other receivables	90,728.56	67,691.04	79,856.56
Total long-term receivables	90,728.56	67,691.04	79,856.56
Short-term receivables			
Trade receivables	647,058.09	-	524,153.25
Other receivables	268,231.38	196,602.39	548,915.16
Prepayments and accrued income	211,177.93	13,014.83	86,294.12
Total short-term receivables	1,126,467.40	209,617.22	1,159,362.53
Total receivables	1,217,195.96	277,308.26	1,239,219.09
Cash and cash equivalents	6,016,538.43	13,134,159.98	8,122,177.15
TOTAL CURRENT ASSETS	7,233,734.39	13,411,468.24	9,361,396.24
TOTAL ASSETS	15,048,758.46	21,612,002.34	16,961,410.89

	31.3.2021	31.3.2020	31.12.2020
EQUITY AND LIABILITIES			
EQUITY			
Share capital	2,500.00	2,500.00	2,500.00
Reserve for invested unrestricted equity	19,607,840.81	19,030,139.67	19,530,139.67
Retained earnings (loss)	- 10,363,441.51	- 4,719,230.89	- 4,719,230.89
Profit (loss) for the period	- 1,857,335.30	- 1,039,131.55	- 5,644,210.62
TOTAL EQUITY	7,389,564.00	13,274,277.23	9,169,198.16
LIABILITIES			
Non-current liabilities			
Loans from financial institutions	3,000,000.00	6,749,999.94	3,000,000.00
Total non-current liabilities	3,000,000.00	6,749,999.94	3,000,000.00
Current liabilities			
Loans from financial institutions	3,499,999.92	750,000.06	3,749,999.94
Advances received	12,000.00	-	12,000.00
Trade payables	346,925.01	563,554.16	300,936.34
Other liabilities	78,283.38	36,231.81	420,027.90
Accruals and deferred income	721,986.15	237,939.14	309,248.55
Total current liabilities	4,659,194.46	1,587,725.17	4,792,212.73
TOTAL LIABILITIES	7,659,194.46	8,337,725.11	7,792,212.73
TOTAL EQUITY AND LIABILITIES	15,048,758.46	21,612,002.34	16,961,410.89

Cash flow statement

	1.1.2021 -31.3.2021	1.1.2020 -31.3.2020	1.1.2020 -31.12.2020
Net cash from operating activities			
Profit (loss) before appropriations and taxes	-1,857,335.30	-1,039,131.55	-5,644,210.62
Adjustments:			
Depreciation and amortisation	201,856.57	177,036.42	714,481.25
Financial income and expenses	303,288.20	34,596.76	171,462.45
Loss on sale	-	-	1,098,198.98
Cash flow before changes in working capital	-1,352,190.53	-827,498.37	-3,660,067.94
Changes in working capital:			
Increase (-) / decrease (+) in current non-interest bearing receivables	- 477,976.87	343,612.12	-118,298.71
Increase (+) / decrease (-) in current non-interest bearing liabilities	149,526.91	-64,486.27	431,266.52
Cash flow before financial items and taxes	-1,680,640.49	-548,372.52	-3,347,100.13
Interest paid and payments for other operating financial expenses	-303,338.72	-34,648.09	-171,704.81
Interest received from operating activities	50.52	51.33	242.36
Net cash from operating activities (A)	-1,983,928.69	-582,969.28	-3,518,562.58
Net cash from investing activities:			
Investments in intangible and tangible assets	-449,411.15	-628,226.77	-3,704,616.24
Proceeds from the sale of intangible and tangible assets	-	-	1,750,000.00
Net cash from investing activities (B)	-449,411.15	-628,226.77	-1,954,616.24
Net cash from financing activities:			
Proceeds from paid-in increases in equity	577,701.14	999,704.72	999,704.72
Proceeds from long-term loans	-	600,000.00	600,000.00
Repayments of long-term loans	-250,000.02	-	-750,000.06
Net cash from financing activities (C)	327,701.12	1,599,704.72	849,704.66
Net change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)	-2,105,638.72	388,508.67	-4,623,474.16
Cash and cash equivalents in the beginning of the period	8,122,177.15	12,745,651.31	12,745,651.31
Cash and cash equivalents at the end of the period	6,016,538.43	13,134,159.98	8,122,177.15

Statement of changes in equity

	31.3.2021	31.3.2020	31.12.2020
Share capital in the beginning of the period	2,500.00	2,500.00	2,500.00
Share capital at the end of the period	2,500.00	2,500.00	2,500.00
Reserve for invested unrestricted equity in the beginning of the period	19,530,139.67	18,030,434.95	18,030,434.95
Directed share issue	77,701.14	999,704.72	1,499,704.72
Reserve for invested unrestricted equity at the end of the period	19,607,840.81	19,030,139.67	19,530,139.67
Retained earnings in the beginning of the period	-4,719,230.89	-2,808,583.66	-2,808,583.66
Previous period's profit (loss)	-5,644,210.62	-1,910,647.23	-1,910,647.23
Retained earnings at the end of the period	-10,363,441.51	-4,719,230.89	-4,719,230.89
Profit (loss) for the period	-1,857,335.30	-1,039,131.55	-5,644,210.62
Total equity	7,389,564.00	13,274,277.23	9,169,198.16

Spinnova is a sustainable textile technology company offering a unique technology platform to produce SPINNOVA® fibre from multiple raw materials. The Company classifies SPINNOVA® fibre as the most natural man-made textile fibre due to its structural properties. The mechanical production process uses no harmful chemicals and produces no waste or side streams. The look and feel of SPINNOVA® fibre is similar to natural fibres such as cotton and linen. The Company's technology platform consists of the SPINNOVA® fibre itself, the "Mechanical Spider" apparatus on which SPINNOVA® fibre is produced and the process by which SPINNOVA® fibre is produced from raw materials. Each component of the Company's technology platform is protected by an intellectual property strategy that combines strong patent protection with business secrets, based on practices in the processing industry.

The Company's goal is to be the global leader in sustainable textile fibres. The textile fibre market has an unmet need for fibres with a natural origin and is expected to grow based on the increasing demand for sustainably produced textile fibres, consumers' willingness to pay more for sustainable alternatives and global textile brands' commitment to taking actions towards climate neutrality and reducing greenhouse gas emissions. The SPINNOVA® brand is already recognised and perceived positively by global apparel brands, and the Company has reached agreements with multiple textile brands on the joint development of textile products which will bear the SPINNOVA® brand alongside that of the textile brand.

ACCOUNTING POLICIES OF THE INTERIM FINANCIAL INFORMATION

The Interim Financial Information for the three months periods ended on 31 March 2021 and 31 March 2020 and financial year ended on 31 December 2020 has been prepared solely for the purpose of being incorporated by reference into the Offering Circular prepared for Spinnova Plc's listing and listing of the Company's shares into Nasdaq Helsinki Oy's First North Growth market. The Interim Financial Information should not be used for any other purposes. The Interim Financial Information has been prepared in accordance with good accounting practice and Finnish legislation. The figures in the Interim Financial Information are unaudited and prepared in accordance with Finnish Accounting Standards (FAS). The information is presented to the extent required by Section 4.4 (e) (i) - (iv) of the First North Rules. The figures presented are in euros and some of the presented figures are rounded, thus, in certain cases the sum of the numbers in a column or row does not always exactly match the total presented in the column or row.

The financial information presented here does not include all the notes presented in the annual financial statements and the financial information must be read in conjunction with the financial statements for the financial year ended 31 December 2020, which are incorporated in the Offering Circular.

Going concern

The Company's primary objective so far has been the development and validation of the Company's technology platform through proof-of-concept production at the Company's pilot production facility in Jyväskylä. The Company has incurred losses during its operating history. The loss for the financial period ending 31 March 2021 were EUR 1,857 thousand and retained losses of prior periods in equity were EUR 10,363 thousand. Cash and cash equivalents of the Company on 31 March 2021 were EUR 6,017 thousand.

The Company has a long-term bank loan, which has been reported as a current liability in the financial statements for the fiscal year 2020 due to non-compliance with the co-founder ownership covenant. In April 2021 the company received a waiver concerning the covenant thus the loan has been allocated back to non-current liabilities in the second quarter of 2021. In addition, the Company has a long-term loan for development of the technology from the State Treasury of Finland. Further, the Company resolved on a directed share issue on 30 December 2020 whereby the Company received EUR 500 thousand in the financial period. In April 2021 the Company also received an irrevocable investment commitment from Suzano, one of the shareholders, to make an equity investment of 5 million euros which has been paid in May 2021.

The management of the Company has assessed the Company's ability to continue its operations in the foreseeable future and has prepared financial forecasts for the development of the revenue, expenses and investments for the period covering the next 12 months. The forecasts are based on assumption that the Company will continue its development investments also in the future which will require significant investments by the Company. On the balance sheet date of the interim period the Company's funds are not sufficient enough to cover the significant growth and investment plan for the next 12-month period until the end of the financial period ending on 31 March 2022 without raising additional funding.

The Company has received additional financing of 5 million euros from one of the shareholders in May 2021. In addition, the Company has initiated the First North Listing in June 2021. The Company has received subscription undertakings of EUR 55 million from certain Cornerstone Investors to subscribe shares of the Company related to the First North Listing in May 2021. In case the Offering does not result in an amount of subscriptions for the new shares satisfactory to the Company and/or the Sole Global Coordinator and the raised gross proceeds are not at least EUR 100 million, the Offering will not be completed. The Offering is also conditional for entering into, and validity of, the Placing Agreement. The payments received from the subscription undertakings are conditional to the gross proceeds of at least 100 million raised by the Company in connection with the First North Listing, maximum valuation of all of the Company's outstanding shares before the share issue not exceeding EUR 275 million and that the Cornerstone Investors will be guaranteed the number of offer shares covered in the subscription undertaking and certain other customary terms. If the EUR 100 million gross proceeds will not be received and the offering will not be completed, based on the Company's forecasts, the Company will need to gather additional equity or debt funding to finance its operations in February 2022.

Significant events in the period

- The Company announced a plan that a factory will be opened in 2022 as a joint venture with Suzano to produce sustainable fibre in commercial scale.
- The Company and a trading house entered into a proof of concept project agreement for blended yarn development and testing.
- The new CFO Ben Selby was appointed.

Shares per class of shares

The Company has one class of shares. All of the shares have one vote in a general meeting of shareholders and all have equal rights to dividends. The Company had issued shares of 1,143,496 on 31 March 2021, 1,141,210 on 31 December 2020 and 110,571 on 31 March 2020.

Structural and financial arrangements

On 30 December 2020 the Company recognised as a share issue the shares subscribed based on the directed share issue. The share issue was registered in the Trade Register on 25 March 2021.

Holders of the stock options of the 2018 option program used part of the options on 22 January 2021 and subscribed for 1,683 shares which were registered in the Trade Register on 25 March 2021.

Holders of the stock options of the 2018 option program used part of the options on 17 March 2021 and subscribed for 603 shares which were registered in the Trade Register on 27 April 2021.

Management remuneration

There have been no material changes to the remuneration of the members of the Management Team and the CEO after 31 December 2020. One new member was appointed in the Management Team after 31 December 2020.

Incentives for key employees

Based on the authorisation by the Annual general meeting of the shareholders on 30 December 2020, the Board of Directors decided to issue 103,053 option rights for key resources on 30 December 2020. On 31

March 2021 as well as at the time of granting the option rights, the option rights equalled 7.96% of the Company's total number of shares. Each option right gives the right to purchase a new share of the Company at the subscription price of EUR 82.10. The subscription and payment period of the option rights is from 30 December 2020 to 31 December 2030. In May 2021, due to the share split of the Company's shares, the amount of shares that may be subscribed by each stock option right was multiplied by 30 and the subscription price of one share was changed to 1/30 of the original subscription price.

Based on the authorisation by the Annual general meeting of the shareholders on 14 November 2018 the Board of Directors decided on 20 December 2018 to issue 5,000 stock option rights to key resources of the Company. The stock option rights equalled 3.69% of the Company's total number of shares. At the time of issuing the stock option rights in 2018, the stock option rights equalled to 4.90% of the Company's total number of shares. Each stock option right gives the right to subscribe a new share of the company at the price of EUR 339.92. The subscription and payment period of the stock option rights started on 1 January 2019 and ends on 31 December 2028 at latest. Notwithstanding the aforementioned subscription period, a 2018 stock option holder shall be entitled to subscribe for shares with all of its 2018 stock options within a period of time determined by the Board of Directors in connection with the FN Listing. Such subscription right will lapse after the expiration of the time period set by the Board of Directors. The conditions of the stock option rights issued in 2018 were changed at the Annual general meeting of shareholders on 29 April 2020 so that the amount of previously given stock option rights was multiplied by ten and the price of a share subscribed with an stock option right was changed to 1/10 of the original price (to EUR 33.99). In May 2021, due to the share split of the Company's shares, the amount of shares that may be subscribed by each stock option right was multiplied by 30 and the subscription price of one share was changed to 1/30 of the previous subscription price.

The stock option rights of 2018 or 2020 may not be sold, transferred or provided as collateral without a pre-consent of the Board of Directors of the Company. If a holder of stock option rights ceases to be employed by the Company or ceases to be a member of the Board of Directors of the Company, the Board of Directors shall set a period of fourteen days during which the holder of stock option rights may subscribe for shares with the stock option rights. The holder of stock option rights shall be deemed to have transferred to the Company or a person designated by the Company free of charge those stock option rights that are not exercised during the time-period set by the Board of Directors. However, the Board of Directors may decide that the holder of stock option rights may, notwithstanding the aforesaid, keep all or some of the stock option rights.

Issuance of the stock option rights have had a weighty reason as required by the Limited Liability Companies Act 10.1.1§. The scheme aims to commit key employees to develop the Company in the long-term as well as to combine the objectives of the shareholders and the management.

Movements in intangible and tangible assets

	31.3.2021	31.3.2020	31.12.2020
Development expenses*			
Acquisition cost in the beginning of the period	6,993,361.67	6,087,939.92	6,087,939.92
Transfers from assets under construction	-	-	905,421.75
Acquisition cost at the end of the period	6,993,361.67	6,087,939.92	6,993,361.67
Accumulated amortisation and impairment losses in the beginning of the period	- 755,581.15	- 146,787.19	- 146,787.19
Amortisation according to plan	- 174,834.07	- 152,198.49	- 608,793.96
Accumulated amortisation and impairment losses at the end of the period	- 930,415.22	- 298,985.68	- 755,581.15
Book value at the end of the period	6,062,946.45	5,788,954.24	6,237,780.52

Intangible rights

Acquisition cost in the beginning of the period	786,528.21	660,829.01	660,829.01
Transfers from assets under construction	-	-	125,699.20
Acquisition cost at the end of the period	786,528.21	660,829.01	786,528.21
Accumulated amortisation and impairment losses in the beginning of the period	- 251,618.95	- 186,600.43	- 186,600.43
Amortisation according to plan	- 19,397.10	- 16,254.63	- 65,018.52
Accumulated amortisation and impairment losses at the end of the period	- 271,016.05	- 202,855.06	- 251,618.95
Book value at the end of the period	515,512.16	457,973.95	534,909.26
Total intangible assets	6,578,458.61	6,246,928.19	6 772,689.78

Machinery and equipment

Acquisition cost in the beginning of the period	395,893.96	364,215.96	364,215.96
Additions	-	15,839.00	31,678.00
Acquisition cost at the end of the period	395,893.96	380,054.96	395,893.96
Accumulated depreciation and impairment losses in the beginning of the period	- 273,887.53	- 233,218.76	- 233,218.76
Depreciation according to plan	- 7,625.40	- 8,583.30	- 40,668.77
Accumulated depreciation and impairment losses at the end of the period	- 281,512.93	- 241,802.06	- 273,887.53
Book value at the end of the period	114,381.02	138,252.89	122,006.42

Advance payments and assets under construction

Acquisition cost in the beginning of the period	705,318.45	943,715.11	943,715.11
Transfers between items	-	-	- 1,031,120.95
Additions	416,865.99	871,637.91	3,640,923.27
Deductions	-	-	- 2,848,198.98
Book value at the end of the period	1,122,184.44	1,815,353.02	705,318.45
Total tangible assets	1,236,565.46	1,953,605.91	827,324.87

* Capitalised development expenses are related to the development and optimisation of the Company's spinning technology. The expenses consist of materials, supplies and external services. Capitalisation of expenses is from "Purchases during the period".

Loan maturity

The Company has classified the long-term loan from OP as a current liability due to the non-compliance with the founder ownership covenant in 2020. The Company has received a waiver from OP for the non-compliance with the founder ownership covenant and therefore the non-current portion of this loan has been moved back to non-current liabilities in the second quarter of 2021.

Loan maturity (EUR thousand)	<1 year	1–2 years	2–5 years	> 5 years
Loans from financial institutions	3,500	0	1,800	1,200
Total	3,500	0	1,800	1,200

If the waiver had been received prior to the end of the period EUR 1,000 thousand of the loans would have been due in less than a year, EUR 1,000 thousands within 1 to 2 years, EUR 3,300 thousand within 2 to 5 years and EUR 1,200 thousand in more than 5 years.

Related party transactions

Parties are considered to be related parties if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operational decisions. The Company's related parties consist of its exclusive joint ventures with Suzano and KT Trading, Woodspin Oy and Respin Oy, respectively, shareholders Suzano, Lenzing, MAKI.VC FUND I Ky and Besodos Investors that have significant influence over the Company, the Members of the Board of Directors and the Company's Management Team and their closely related family members and the entities over which they have control or joint control.

The following related parties have had transactions with the Company during the interim period presented or after:

- On 12 April 2019, the Company entered into a management administrative and expert services agreement with a related party to the CEO of the Company. The services amounted to EUR 19 thousand for the three months ended 31 March 2021 and the payables related to these services were EUR 6 thousand as at 31 March 2021.
- The Company entered into a consultancy agreement on 8 February 2021 with a company controlled by Harri Sundvik, a member of the Company's Board of Directors and on May 2021 a consultancy agreement, which is applied to services purchased since 1 January 2021, with a company controlled by Timo Soinen who is the Chairman of the Board. The consultancy services amounted to EUR 18 thousand for the three months ended 31 March 2021 and the payables related to these services were EUR 18 thousand as at 31 March 2021.
- In April 2021, the Company invested EUR 1,750 thousand into the Woodspin joint venture in line with the JV agreement.

The Company's related parties have participated in the Company's share issues and the Company has granted stock option rights to the Company's related parties. On 31 March 2021, related party holdings in the Company were 75.65 per cent of shares and votes. In addition, related party members of the Company's Management Team and Board of Directors had 53,836 stock option rights issued by the Company.

Transactions with related parties have been executed on an arms' length basis.

Guarantees and contingent liabilities

	<u>31.3.2021</u>	<u>31.3.2020</u>	<u>31.12.2020</u>
Guarantees and pledges given			
Loan secured by a corporate mortgage	3,499,999.92	4,500,000.00	3,749,999.94
Corporate mortgage	10,000,000.00	10,000,000.00	10,000,000.00
Off-balance sheet financial commitments			
Rental liabilities*			
Maturing in less than 12 months	355,129.65	274,241.97	274,241.97
Maturing in more than 12 months	491,345.68	686,931.98	484,631.98
Leasing liabilities*			
Maturing in less than 12 months	63,638.91	24,404.68	66,634.72
Maturing in more than 12 months	108,709.37	19,972.46	100,821.27
Total rental and leasing liabilities	1,018,823.61	1,005,551.09	926,329.94

* Rental and leasing liabilities are presented with VAT included.

Other financial commitments

Woodspin joint venture

Under the terms of the Woodspin Joint Venture Agreement, the Woodspin Co-Investors Spinnova and Suzano agreed to each subscribe for 1,750,000 newly issued shares in Woodspin and pay consideration of EUR 1,750 thousand for such shares. The company has made the investment of EUR 1,750 thousand to Woodspin in April 2021. The total investment of EUR 3,500 thousand by Spinnova and Suzano will be used in construction of a plant. Woodspin Co-Investors agreed that the plant may need additional investments, in which case any additional amounts shall be paid into the reserve for invested unrestricted equity of Woodspin and shall trigger the issuance of the correspondent number of new shares. The Woodspin Co-Investors have agreed to each invest EUR 11 million into the joint venture.

Respin joint venture

If the proof of concept phase is completed and the commercialisation phase commences, the Company has agreed to invest up to EUR 1,250 thousand to a joint venture called Respin. This amount shall be paid into the reserve for invested unrestricted equity of Respin. If further equity financing is needed in order to complete the commercialisation, the Respin Co-Investors Spinnova and KT Trading shall each provide further capital to the joint venture as may be separately agreed. Further investments made will be of equal amounts by the Co-Investors and those will be recognised to the reserve for invested unrestricted equity of Respin.

Events After the End of the Period

- On 15 April 2021, Suzano announced to Spinnova that it is exercising its right under the Suzano Investment Agreement to make an additional investment of EUR 5 million in Spinnova. The payment was received in May 2021.
- In April 2021, the Company invested EUR 1,750 thousand into the Woodspin joint venture in line with the JV agreement.
- On 10 May 2021, the Annual General Meeting of Shareholders of the Company resolved to change the company form of the Company to a public limited liability company and to implement an increase in share capital by a capital increase to meet the required EUR 80 thousand limit for a public limited liability company through a fund increase.
- On 10 May 2021, the Annual General Meeting of Shareholders of the Company resolved to authorise the Board of Directors to decide on a share issue for the completion of the FN Listing.
- On 25 May 2021, the Company acquired a subsidiary, Spinnova Holdings Oy.
- On 26 May 2021, the Company received subscription commitments from Cornerstone Investors to subscribe shares amounting to EUR 55 million at maximum ahead of the Company's contemplated FN-Listing. The payments received from the subscription undertakings are conditional to the gross proceeds of at least 100 million raised by the Company in connection with the First North Listing, maximum valuation of all of the Company's outstanding shares before the share issue not exceeding EUR 275 million and that the Cornerstone Investors will be guaranteed the number of offer shares covered in the subscription undertaking and certain other customary terms.
- In May 2021, the Board of Directors of the Company resolved on a share issue without payment to the Company's shareholders in proportion of the holding of existing shares. In the share issue

without payment 34,927,513 new shares were issued so that each current share entitled the holder of existing shares to 29 new shares.

- Harri Sundvik was nominated to the Company's Board of Directors.

Apart from the above mentioned events, there have not been significant changes in the Company's financial performance or financial position since 31 March 2021.

In Jyväskylä, 9 June 2021

Spinnova Plc

Board of Directors