

Spinnova Plc
Business ID 2653299-6

**Set of financial statements for the periods of
1 January – 31 December 2018,
1 January – 31 December 2019
and
1 January – 31 December 2020**

Income statement

	1.1.2020	1.1.2019	1.1.2018
	-31.12.2020	-31.12.2019	-31.12.2018
REVENUE	254,222.00	757,500.00	190,000.00
Other operating income	77,413.89	129,023.09	20,157.31
Materials and services	-127,772.28	-55,044.27	-104,370.61
Personnel expenses	-2,318,388.09	-1,559,388.43	-993,059.95
Depreciation, amortisation and impairment losses	-714,481.25	-223,182.18	-212,092.16
Other operating expenses	-2,643,742.44	-828,094.20	-550,050.44
OPERATING PROFIT (LOSS)	-5,472,748.17	-1,779,185.99	-1,649,415.85
Financial income and expenses			
Other interest and financial income	242.36	115.30	186.83
Interest and other financial expenses	-171,704.81	-131,576.54	-42,267.76
Total financial income and expenses	-171,462.45	-131,461.24	-42,080.93
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-5,644,210.62	-1,910,647.23	-1,691,496.78
Income taxes	-	-	8,157.81
PROFIT (LOSS) FOR THE FINANCIAL YEAR	-5,644,210.62	-1,910,647.23	-1,683,338.97

Balance Sheet

	31.12.2020	31.12.2019	31.12.2018
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Development expenses	6,237,780.52	5,941,152.73	172,446.00
Intangible rights	534,909.26	474,228.58	95,484.73
Total intangible assets	6,772,689.78	6,415,381.31	267,930.73
Tangible assets			
Machinery and equipment	122,006.42	130,997.19	174,662.94
Advance payments and assets under construction	705,318.45	943,715.11	4,322,195.11
Total tangible assets	827,324.87	1,074,712.30	4,496,858.05
NON-CURRENT ASSETS TOTAL	7,600,014.65	7,490,093.61	4,764,788.78
CURRENT ASSETS			
Receivables			
Long-term receivables			
Other receivables	79,856.56	51,641.04	-
Total long-term receivables	79,856.56	51,641.04	-
Short-term receivables			
Trade receivables	524,153.25	465,000.00	-
Other receivables	548,915.16	95,052.97	208,328.62
Prepayments and accrued income	86,294.12	9,226.37	2,389.83
Total short-term receivables	1,159,362.53	569,279.34	210,718.45
Total receivables	1,239,219.09	620,920.38	210,718.45
Cash and cash equivalents	8,122,177.15	12,745,651.31	2,080,906.55
TOTAL CURRENT ASSETS	9,361,396.24	13,366,571.69	2,291,625.00
TOTAL ASSETS	16,961,410.89	20,856,665.30	7,056,413.78

	31.12.2020	31.12.2019	31.12.2018
EQUITY AND LIABILITIES			
EQUITY			
Share capital	2,500.00	2,500.00	2,500.00
Reserve for invested unrestricted equity	19,530,139.67	18,030,434.95	7,000,500.00
Retained earnings (loss)	-4,719,230.89	-2,808,583.66	-1,125,244.69
Profit (loss) for the financial year	-5,644,210.62	-1,910,647.23	-1,683,338.97
TOTAL EQUITY	9,169,198.16	13,313,704.06	4,194,416.34
LIABILITIES			
Non-current liabilities			
Convertible loans	-	-	250,000.00
Loans from financial institutions	3,000,000.00	6,149,999.94	1,100,000.00
Total non-current liabilities	3,000,000.00	6,149,999.94	1,350,000.00
Current liabilities			
Loans from financial institutions	3,749,999.94	750,000.06	-
Advances received	12,000.00	-	129,023.09
Trade payables	300,936.34	276,578.24	1,159,196.46
Other liabilities	420,027.90	111,145.54	71,429.53
Accruals and deferred income	309,248.55	255,237.46	152,348.36
Total current liabilities	4,792,212.73	1,392,961.30	1,511,997.44
TOTAL LIABILITIES	7,792,212.73	7,542,961.24	2,861,997.44
TOTAL EQUITY AND LIABILITIES	16,961,410.89	20,856,665.30	7,056,413.78

Cash Flow Statement

	1.1.2020 -31.12.2020	1.1.2019 -31.12.2019	1.1.2018 -31.12.2018
Net cash from operating activities			
Profit (loss) before appropriations and taxes	-5,644,210.62	-1,910,647.23	-1,691,496.78
Adjustments:			
Depreciation and amortisation	714,481.25	223,182.18	212,092.16
Financial income and expenses	171,462.45	131,461.24	42,080.93
Loss on sale	1,098,198.98	-	-
Cash flow before changes in working capital	-3,660,067.94	-1,556,003.81	-1,437,323.69
Changes in working capital:			
Increase (-) / decrease (+) in current non-interest bearing receivables	-118,298.71	-410,201.93	203,317.48
Increase (+) / decrease (-) in current non-interest bearing liabilities	431,266.52	44,943.28	51,058.41
Cash flow before financial items and taxes	-3,347,100.13	-1,921,262.46	-1,182,947.80
Interest paid and payments for other operating financial expenses	-171,704.81	-131,576.54	-42,267.76
Interest received from operating activities	242.36	115.30	186.83
Direct taxes paid	-	-	8,157.81
Net cash from operating activities (A)	-3,518,562.58	-2,052,723.70	-1,216,870.92
Net cash from investing activities:			
Investments in intangible and tangible assets	-3,704,616.24	-3,862,466.49	-3,213,507.42
Proceeds from the sale of intangible and tangible assets	1,750,000.00	-	-
Net cash from investing activities (B)	-1,954,616.24	-3,862,466.49	-3,213,507.42
Net cash from financing activities:			
Proceeds from convertible loans	-	-	250,000.00
Proceeds from paid-in increases in equity	999,704.72	10,779,934.95	-
Proceeds from long-term loans	600,000.00	5,800,000.00	1,100,000.00
Repayments of long-term loans	-750,000.06	-	-
Net cash from financing activities (C)	849,704.66	16,579,934.95	1,350,000.00
Net change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)	-4,623,474.16	10,664,744.76	-3,080,378.34
Cash and cash equivalents in the beginning of the period	12,745,651.31	2,080,906.55	5,161,284.89
Cash and cash equivalents at the end of the period	8,122,177.15	12,745,651.31	2,080,906.55

Statement of changes in equity

	31.12.2020	31.12.2019	31.12.2018
Share capital in the beginning of the financial year	2,500.00	2,500.00	2,500.00
Share capital at the end of the financial year	2,500.00	2,500.00	2,500.00
Reserve for invested unrestricted equity in the beginning of the financial year	18,030,434.95	7,000,500.00	7,000,500.00
Directed share issue	1,499,704.72	11,029,934.95	-
Reserve for invested unrestricted equity at the end of the financial year	19,530,139.67	18,030,434.95	7,000,500.00
Retained earnings in the beginning of the financial year	-2,808,583.66	-1,125,244.69	68,606.68
Previous year's profit (loss)	-1,910,647.23	-1,683,338.97	-1,193,851.37
Retained earnings at the end of the financial year	-4,719,230.89	-2,808,583.66	-1,125,244.69
Profit (loss) for the financial year	-5,644,210.62	-1,910,647.23	-1,683,338.97
Total equity	9,169,198.16	13,313,704.06	4,194,416.34

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 FINANCIAL STATEMENTS

This set of financial statements including financial statements for the financial years ended on 31 December 2020, 31 December 2019 and 31 December 2018 have 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. These financial statements should not be used for any other purposes. These financial statements are not the Company's statutory financial statements nor have they been approved by the Company's Annual General Meeting of shareholders. As these are not the statutory financial statements of the Company, they do not include a Board of Directors' report.

The financial statements have been prepared in accordance with the accrual principle, going concern principles and principle of prudence irrespective of the results for the financial period. The Company has prepared the financial statements more comprehensive than the minimum requirements are with applying the presentation requirements of the Accounting Decree where applicable. The financial statements are presented in euros.

Going concern

The Company's primary objective in the years of 2018, 2019 and 2020 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 year ending 31 December 2020 is EUR 5,644 thousand and the retained earnings (losses) at 31 December 2020 are EUR 4,719 thousand. Cash and cash equivalents of the Company on 31 December 2020 were EUR 8,122 thousand.

The Company has a long-term bank loan, which is reported as a current liability on 31 December 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 after the end of the financial period. Further, 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 was 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 Company has founded two joint ventures to which it has committed to make significant investments within the next 12 months. On the balance sheet

date the Company's funds are forecasted to be sufficient enough to cover the financial period ending on 31 December 2021 when taking into consideration the equity financing of 5 million euros that has been collected in the second quarter of 2021.

Based on the financial forecasts of the Company and considering the impacts of the above-mentioned additional financing arrangements to the Company's cash balance on the date of approving of the financial statements, the Company's management view is that the Company has adequate working capital for its current needs for the 12 months period after the end of the financial period i.e. until 31 December 2021.

Significant events in the financial periods

The Company's primary objective in the years of 2018, 2019 and 2020 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 derived its revenue from joint development agreements and pilot production agreements with apparel brands and other parties. These pilot production agreements have been part of the evaluation of the Company's technology platform.

In 2018

The Company implemented financing arrangements with Keski-Suomen Osuuspankki in the amount of EUR 4.5 million and Business Finland in the amount of EUR 3 million.

The Company completed and ramped up an industrial scale pilot production line.

In 2019

The Company succeeded in running successful industrial scale spinning trials with its wood-based natural fibre.

The Company completed a EUR 11 million financing round with the Company's existing investors, which included family investment offices, private investors, a venture capital investment fund and industrial partners.

In 2020

On 1 December 2020, the Company entered into a joint venture agreement with Suzano, whereby Suzano and the Company agreed to establish a joint venture for the purpose of the development, production and sales of wood-based textile fibre, yarn and filament, produced from wood-based micro fibrillated cellulose (MFC) made of pulp, using the Company's technology.

As part of the formation of the Woodspin joint venture with Suzano in December 2020, the Company decided to sell its capitalised development work related to wood based refining technology to Suzano, and recognised a loss of EUR 1,098 thousand in other operating expenses in the period. Under the terms of the Woodspin Assignment Agreement, the Company retained the license to the technology for use in non-wood-based products.

Under the terms of the Woodspin License Agreement, the Company granted to Woodspin a worldwide, perpetual, exclusive, sublicensable license to the Company's IPRs relating to the mechanical treatment of pulp and MFC to convert pulp and MFC into textile fibre without harmful chemicals to be used in Woodspin's business and in the production of filaments made directly from MFC supplied by Suzano.

On 5 November 2020, the Company entered into a joint venture agreement with KT Trading relating to Respin Oy. The Company and KT Trading have established Respin as a fifty-fifty joint venture for the purpose of the development and commercialisation of staple and continuous filament fibres manufacturing based on collagen originating materials, including collagen waste and leather-based waste materials, via a technology that is based on intellectual property and know-how licensed by Respin from ECCO and the Company.

In December 2020 the Company resolved on a directed share issue with total of 6,090 new shares issued.

The Company has on 3 January 2020 entered into a repayable R&D loan agreement with Business Finland ("Business Finland R&D Loan") with a total nominal debt of EUR 2,066 thousand. The operations under the agreement did not commence nor any funds were withdrawn during the year 2020.

Intangible and tangible assets

Intangible and tangible assets are recognised in the balance sheet at the acquisition cost less any planned depreciation and amortisation, received subsidies, and possible impairment losses. Incomplete assets whose useful life has not yet begun, are recorded in advance payments for intangible assets or advance payments for tangible assets and assets in progress according to their nature. Intangible and tangible assets are recorded as expenses as amortisation and depreciation according to predetermined plans during their useful life.

Intangible and tangible assets are recognised as expenses as amortisation and depreciation within their useful lives. Amortisation and depreciation according to plan are as follows:

Development expenses	straight-line	10 years
Intangible rights	straight-line	10 years
Machinery and equipment	residual method	25%

Research and development expenses

Research expenses, such as the acquisition of new data and the search for alternative products and processes, are recognised as expenses on an accrual basis, i.e. on the date the expense is incurred.

The Company has capitalised development expenses according to the Accounting Act 5:8§. The Company capitalises development expenses in intangible assets if they are expected to generate income over several financial periods. According to the principle of prudence the Company does not capitalise all development expenses. The company has capitalised materials and consumables as well as external services which have been directly attributable to completing the asset as the management has intended it to function. The Company has not capitalised personnel expenses. The Company capitalises development expenses as an intangible asset when the completion of the asset is technically feasible so that the asset is available for use or sale, the Company has the capacity, intention, and resources to complete the asset as well as to use it or sell it, the Company estimates that the asset is likely to have future economic benefits that can be demonstrated, and the Company is able to reliably measure the expenses attributable to the intangible asset during its development phase.

The estimates concerning development expenses capitalised on the balance sheet involve factors of uncertainty and it is possible that the expected economic benefits to be generated from development projects may vary as conditions change. The value of development expenses capitalised on the balance sheet may be reduced if the expected economic benefits to be generated changes. If the expected economic benefits to be generated by an asset is less than the balance sheet value, i.e. the development expenses capitalised less historical amortisation, the value of the capitalised development expenses is adjusted with a write-off to correspond to the expected economic benefits to be generated by the asset.

The capitalised and not yet amortised development expenses is deducted from the Company's distributable unrestricted equity. The Company presents the book value of capitalised development expenses as a separate line item in the calculation of distributable unrestricted equity.

Measurement of receivables, financial instruments and liabilities

Receivables and liabilities that are due in more than a year have been classified as non-current in the balance sheet. Receivables and liabilities that are due within a year have been classified as current, respectively.

The Company has measured receivables at nominal value or probable value which is lower than nominal value. Securities included in the financial assets and other such financial assets are measured at the acquisition cost or at fair value which is lower than acquisition cost.

The Company's liabilities have been measured at nominal value. In the periods when the Company has not met covenants of a loan or received a waiver from the lender the loan has been classified as current. The Company has two loans from financial institutions. One of the loans contains the following covenants: equity ratio more than 30%; a restriction to sell or transfer of asset items in the balance sheet; the proportion of all shares and votes in the Company held by the founders of the Company may not fall below 20 per cent and the Company has obligation to deliver its financial statements to the financial institution within 30 days of the maximum preparation period set by the Accounting Act.

On 31 December 2020 the loan from Keski-Suomen Osuuspankki was classified as a current liability due to the non-compliance with the founder ownership covenant. The Company has received a waiver from the bank 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.

The Company has had a convertible loan which included conditions for converting the principal amount and accrued interests to equity with the following conditions: The full amount was agreed to be converted into new shares with an issue price of EUR 339.92 per share if the Company ensured a minimum of EUR 5 million funding, which would not dilute the Company's shares, by 31 December 2018. If the Company was not able to ensure the funding the loan will be converted to new shares with an issue price of EUR 695.29 per share. The convertible loan was converted into new shares of the Company in 2019, see Structural and financial arrangements.

Accounting policies for recognition of income and expenses

The Company's revenue has consisted primarily of proof of concept related R&D services to the Company's customers and partners under joint development agreements. The Company has recognised the revenue from these contracts when the services have been rendered. By their nature these revenues do not constitute product-based sales or provide an indication of the future basis under which the Company expects to earn revenues, but they have been used to develop potential future partnerships and the Company's products further. In the future, revenues will consist of technology sales applied with the percentage of completion method, recurring technology fees and revenues from fabric sales.

Indirect taxes and discounts provided to customers have been deducted from revenue recognised. The Company recognises expenses with accrual basis when the Company has received goods or services.

Incentive schemes for employees

The Company has two stock option programs for key employees. The stock option programs entitle key employees to subscribe to new shares of the Company. Issued shares are recognised in the reserve for invested unrestricted equity of the Company.

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. Issued shares are recognised in the reserve for invested unrestricted equity of the Company.

Grants received

Grants received for acquiring intangible and tangible assets have been recognised as a decrease of the acquisition cost in balance sheet. Other grants received have been recognised as Other operating income.

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 1,141,210 on 31 December 2020, 110,571 on 31 December 2019 and 97,082 on 31 December 2018.

Structural and financial arrangements

Based on the authorisation by the Annual general meeting of the shareholders on 14 November 2018, the Board of Directors decided to issue 5,000 option rights to key resources on 20 December 2018. See more details in Management Remuneration in the notes.

On 13 August 2019 the Company's shareholders resolved unanimously as described in the Limited Liability Companies Act on a directed share issue whereby the investors subscribed to 13,130 new shares with EUR 821.01 as the issue price. The share issue of EUR 10,779 thousand was recognised in full in the reserve for invested unrestricted equity. Further, the Annual general meeting of shareholders for 2019 decided on a directed share issue to convert the convertible loan issued in 2018 into new shares of the Company. A total of 359 new shares of the Company were subscribed in exchange to the convertible loan.

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 to key resources on 30 December 2020. See more details in Management Remuneration in the notes.

The Annual general meeting of shareholders for 2020 resolved on a share issue without payment to the Company's shareholders in proportion to their holding of existing shares. In the share issue without payment 1,021,608 new shares were issued so that each current share entitled the holder of existing shares to nine new shares. The conditions for option rights schemes were adjusted due to the share issue, too. See Incentives for key employees in the notes for more detailed information of the adjustments to option rights.

In December 2020 the Company's resolved on a directed share issue whereby 6,090 new shares were issued.

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. The conditions for option rights schemes were adjusted due to the resolved share issue, too. See Incentives for key employees in the notes for more detailed information of the adjustments to option rights.

Holdings in other companies

The joint ventures did not have operations in the periods covered in the financial statements.

- Respin Oy (3177396-2), a joint venture, 50% ownership, founded in the financial period of 1 January – 31 December 2020 and the issued shares paid after the end of the financial period.
- Woodspin Oy (3201103-8), a joint venture, 50% ownership, founded and the issued shares paid after the end of the financial period of 1 January – 31 December 2020.

Significant Events After the End of the Period

Apart from the below mentioned events, there have not been significant changes in the Company's financial performance or financial position since 31 December 2020.

- 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 29 December 2020 a consultancy agreement with a company controlled by Timo Soinen who is the Chairman of the Board.
- In April 2021, the Company invested EUR 1,750 thousand into the Woodspin joint venture in line with the JV agreement.
- The Company received a commitment from a shareholder to make an additional investment of EUR 5 million. The payment was received in May 2021.
- 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 80,000 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 21 May 2021, the Board of Directors of the Company resolved to execute a share split.
- 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.

Grants received

The Company has received an EU grant for a development project during years 2018 to 2020. The project was completed in 2020. The expenses related to the grant are included in materials and services and personnel expenses.

	1.1.2020	1.1.2019	1.1.2018
	- 31.12.2020	- 31.12.2019	- 31.12.2018
Other operating income	77,413.89	129,023.09	20,157.31

Materials and services

	1.1.2020	1.1.2019	1.1.2018
	- 31.12.2020	- 31.12.2019	- 31.12.2018
Materials and services			
Raw materials and consumables			
Purchases during the financial year	-65,492.74	-17,830.83	-44,715.59
External services	-62,279.54	-37,213.44	-59,655.02
Total materials and services	-127,772.28	-55,044.27	-104,370.61

Personnel expenses

During the reporting period the Company's average number of personnel was 34 employees (18 employees, 13 employees).

	1.1.2020	1.1.2019	1.1.2018
	- 31.12.2020	- 31.12.2019	- 31.12.2018
Personnel expenses			
Wages and salaries	-1,938,628.40	-1,294,109.40	-813,323.05
Social security expenses			
Pension expenses	-302,523.04	-221,769.47	-162,573.82
Other social security expenses	-77,236.65	-43,509.56	-17,163.08
Total personnel expenses	-2,318,388.09	-1,559,388.43	-993,059.95

Management Remuneration

	1.1.2020	1.1.2019	1.1.2018
	- 31.12.2020	- 31.12.2019	- 31.12.2018
CEO	133,261.63	137,239.93	135,085.48
Management team	273,662.99	213,615.49	149,203.58
Board of Directors	-	-	-
Total	406,924.62	350,855.42	284,289.06

Management pension obligations

The Company offers the statutory pension cover to the management which has been covered with a pension insurance with defined contributions (TyEL).

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 to key resources on 30 December 2020. At year end 2020 as well as at the time of granting the option rights, the option rights equalled to 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. At year end 2020 the stock option rights equalled 3.86% 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.

Depreciation, amortisation and impairment losses

	1.1.2020	1.1.2019	1.1.2018
	- 31.12.2020	- 31.12.2019	- 31.12.2018
Planned depreciation and amortisation			
Development expenses	-608,793.96	-146,787.19	-
Intangible rights	-65,018.52	-32,729.25	-153,871.18
Machinery and equipment	-40,668.77	-43,665.74	-58,220.98
Total planned depreciation and amortisation	-714,481.25	-223,182.18	-212,092.16

Other operating expenses

	1.1.2020	1.1.2019	1.1.2018
	- 31.12.2020	- 31.12.2019	- 31.12.2018
Other personnel costs	-237,411.85	-55,303.35	-25,362.69
Premises expenses	-462,197.22	-351,159.05	-208,830.20
Car expenses	-55,623.88	-43,354.56	-43,739.89
Machinery and equipment	-179,238.03	-59,463.37	-56,818.89
Travelling and entertainment expenses	-46,883.54	-73,782.76	-45,420.04
Marketing costs	-129,349.73	-13,427.83	-16,426.76
Administration expenses	-368,742.59	-195,291.05	-130,813.74
Other deductible operating expenses	-66,096.62	-36,312.23	-22,638.23
Loss on the sale of assets*	-1,098,198.98	-	-
Total other operating expenses	-2,643,742.44	-828,094.20	-550,050.44

* As part of the formation of the Woodspin joint venture with Suzano in December 2020, the Company sold its capitalised development work related to wood based refining technology to Suzano.

Auditor's fees

	1.1.2020	1.1.2019	1.1.2018
	- 31.12.2020	- 31.12.2019	- 31.12.2018
Audit	8,622.50	4,000.00	3,080.00

Movements in intangible and tangible assets

	31.12.2020	31.12.2019	31.12.2018
Development expenses*			
Acquisition cost in the beginning of the period	6,087,939.92	172,446.00	172,446.00
Transfers from assets under construction	905,421.75	5,915,493.92	-
Additions	-	-	-
Deductions	-	-	-
Acquisition cost at the end of the period	6,993,361.67	6,087,939.92	172,446.00
Accumulated amortisation and impairment losses in the beginning of the period	- 146,787.19	-	-
Amortisation according to plan	- 608,793.96	- 146,787.19	-
Accumulated amortisation and impairment losses at the end of the period	- 755,581.15	- 146,787.19	-
Book value at the end of the period	6,237,780.52	5,941,152.73	172,446.00
Intangible rights			
Acquisition cost in the beginning of the period	660,829.01	249,355.91	249,355.91
Transfers from assets under construction	125,699.20	411,473.10	-
Additions	-	-	-
Acquisition cost at the end of the period	786,528.21	660,829.01	249,355.91
Accumulated amortisation and impairment losses in the beginning of the period	- 186,600.43	- 153,871.18	-
Amortisation according to plan	- 65,018.52	- 32,729.25	- 153,871.18
Accumulated amortisation and impairment losses at the end of the period	- 251,618.95	- 186,600.43	- 153,871.18
Book value at the end of the period	534,909.26	474,228.58	95,484.73
Total intangible assets	6,772,689.78	6,415,381.31	267,930.73
Machinery and equipment			
Acquisition cost in the beginning of the period	364,215.96	364,215.96	293,623.16
Additions	31,678.00	-	70,592.80
Acquisition cost at the end of the period	395,893.96	364,215.96	364,215.96
Accumulated depreciation and impairment losses in the beginning of the period	- 233,218.76	- 189,553.02	- 131,332.04
Depreciation according to plan	- 40,668.77	- 43,665.74	- 58,220.98
Accumulated depreciation and impairment losses at the end of the period	- 273,887.53	- 233,218.76	- 189,553.02
Book value at the end of the period	122,006.42	130,997.19	174,662.94
Advance payments and assets under construction			
Acquisition cost in the beginning of the period	943,715.11	4,322,195.11	63,761.00
Transfers between items	- 1 031,120.95	- 6,326,967.02	-
Additions	3 640,923.27	2,948,487.02	4,258,434.11
Deductions	- 2 848,198.98	-	-
Book value at the end of the period	705,318.45	943,715.11	4,322,195.11
Total tangible assets	827,324.87	1,074,712.30	4,496,858.05

*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 "Materials and services" - "Purchases during the financial year".

Other current receivables

	31.12.2020	31.12.2019	31.12.2018
Share issue receivables	500,000.00	-	-
Other receivables	48,915.16	95,052.97	208,328.62
Total	548,915.16	95,052.97	208,328.62

Distributable unrestricted equity

	31.12.2020	31.12.2019	31.12.2018
Retained earnings	-4,719,230.89	-2,808,583.66	-1,125,244.69
Profit (loss) of the period	-5,644,210.62	-1,910,647.23	-1,683,338.97
Reserve for invested unrestricted equity	19,530,139.67	18,030,434.95	7,000,500.00
Share issue	-500,000.00	-	-
Capitalised development expenses	-6,943,098.97	-6,884,867.85	-4,347,378.88
Total distributable unrestricted equity	1,723,599.19	6,426,336.21	-155,462.54

Unrestricted distributable equity in the financial statements of 31 December 2020 amounts to EUR 1,723,599.19. The loss for the financial year is EUR 5,644,210.62. It has been decided that dividends have not been paid in the applicable financial years.

The company has recognised as a share issue the subscribed shares based on the directed share issue on 30 December 2020. The share issue was registered in the trade register on 25 March 2021.

Loan maturities

	31.12.2020	31.12.2019	31.12.2018
0 – 12 months	3,750,000.00*	750,000.00	250,000.00
12 - 24 months	-	1,000,000.00	500,000.00
24 - 60 months	1,800,000.00	3,950,000.00	600,000.00
>60 months	1,200,000.00	1,200,000.00	-
Total	6,750,000.00	6,900,000.00	1,350,000.00

* Due to the non-compliance with the covenant, the loan from financial institutions is reported as a current liability.

The Company has received a waiver from the financial institution for the non-compliance with the founder ownership covenant, and therefore the non-current portion of this facility has been moved back to non-current liabilities in the second quarter of 2021. 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 thousand within 1 to 2 years, EUR 3,550 thousand within 2 to 5 years and EUR 1,200 thousand in more than 5 years.

Material items included in prepayments and accrued income as well as accruals and deferred income

The most significant item included in prepayments and accrued income is a project with Suzano where Spinnova Oy incurs expenses to be re-invoiced. The expenses are recognised as prepayments and accrued income. Another material line item is a EUR 36 thousand fee paid to a travel agency. The trip was cancelled due to Covid-19 pandemic and will be organised in the future. Other individual items included in

prepayments and accrued income as well as accruals and deferred income consist of typical year-end related accrued items such as personnel expenses and social security expenses.

	31.12.2020	31.12.2019	31.12.2018
Prepayments and accrued income			
Accruals of insurance payments	21,695.64	6,220.97	-
Other accruals	36,711.28	3,005.40	2,389.83
Expenses to be re-invoiced	27,887.20	-	-
Total prepayments and accrued income	86,294.12	9,226.37	2,389.83
Accruals and deferred income			
Accrued vacation salaries	174,222.31	144,432.21	75,757.24
Pension insurance payments	75,404.25	70,794.95	47,824.98
Social security payments of the employer	36,586.67	30,330.77	15,909.02
Other accruals and deferred income	23,035.32	9,679.53	12,857.12
Total accruals and deferred income	309,248.55	255,237.46	152,348.36

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 periods 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, as well as between 1 January 2018 and 31 July 2018, the Company purchased outsourced CFO services. The services amounted to EUR 63 thousand for the financial year ended 31 December 2020, EUR 42 thousand for the financial year ended 31 December 2019 and EUR 14 for the financial year ended 31 December 2018. The payables related these services were EUR 4 thousand as at 31 December 2020 and EUR 4 thousand as at 31 December 2019.
- In 2018, the Company issued to MAKI.VC FUND I Ky a convertible loan of EUR 250 thousand. The convertible loan was converted into equity of the Company in 2019.
- In 2020, the Company sold its capitalised development work related to wood based refining technology to Suzano and recognised a loss of EUR 1,098 thousand. Of the consideration EUR 1,750 thousand was received during the financial year and EUR 396 thousand was in trade receivables on 31 December 2020.
- On 29 December 2020 the Company entered into a consultancy agreement with a company controlled by Timo Soinen, the chairman of the Company's Board of Directors.

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 December 2020, related party holdings

in the Company were 75.92 per cent and votes 75.92 per cent. In addition, related party members of the Company's Management Team and Board of Directors had 51,336 stock option rights issued by the Company.

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

Deferred taxes

According to a principle of prudence, the Company has not recognised deferred tax assets from tax losses carried forward.

	31.12.2020	31.12.2019	31.12.2018
Tax losses carried forward from previous years	4,775,095.69	2,869,976.35	1,185,219.94**
Tax loss carried forward from the period	5,640,860.04*	1,905,119.34	1,684,756.41
Tax losses carried forward total	10,415,955.73	4,775,095.69	2,869,976.35

*The loss for the period of 2020 is yet not approved by the tax authorities.

**The tax losses for the financial years of 2017 and earlier were not available for use due to changes in the Company's ownership. The Company applied for an exemption to use the tax losses and the exemption was granted. Exemption related appeal period of 60 days is ongoing on the date of signatures of the financial statements.

Guarantees and contingent liabilities

	31.12.2020	31.12.2019	31.12.2018
Guarantees and pledges given			
Loan secured by a corporate mortgage	3,749,999.94	4,500,000.00	500,000.00
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	274,241.97	344,487.88	255,192.00
Maturing in more than 12 months	484,631.98	219,080.06	297,724.00
Leasing liabilities*			
Maturing in less than 12 months	66,634.72	32,538.24	32,538.24
Maturing in more than 12 months	100,821.27	19,972.46	52,510.70
Total rental and leasing liabilities	926,329.94	616,078.64	637,964.94

* Rental and leasing liabilities are presented with VAT included. Leasing liabilities exclude laptops, cell phones and company bicycles in 2019 and 2018.

Other financial commitments

Woodspin joint venture

Under the terms of the Woodspin Joint Venture Agreement, the Woodspin Co-Investors agreed to each subscribe for 1,750,000 newly issued shares in Woodspin and pay consideration of EUR 1.75 million for such shares. The company has made the investment of 1,750,000 EUR to Woodspin in April 2021. The aggregate investment by Spinnova and Suzano of EUR 3.5 million will be used to finance the construction of a plant. The 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 issues 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 1,250,000 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.

Signatures to the financial statements

Jyväskylä June 9, 2021

Spinnova Plc

Soininen Timo
Chairman of the Board of Directors

Nonino Vinicius
Board Member

Kivimäki Ilkka
Board Member

Kroner Gert
Board Member

Liiri Hanna
Board Member

Salmela Juha
Board Member

Sundvik Harri
Board Member

Poranen Janne
CEO



Auditor's Report (Translation of the Finnish Original)

To the Board of Directors of Spinnova Plc

Audit of the Set of financial statements

Opinion

In our opinion, each financial statements included in the Set of financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland.

What we have audited

We have audited the set of financial statements of Spinnova Plc (business identity code 2653299-6) comprising financial statements for the financial years ended 31 December 2020, 31 December 2019 and 31 December 2018 (the "Set of financial statements"). The Set of financial statements have been prepared solely for the purpose of inclusion in the Offering Circular prepared in accordance with commission regulation (EC) N:o 2017/1129 and commission delegated regulation (EC) 2019/980. The Offering Circular has been prepared in connection with the initial public offering and the listing of Spinnova Plc's shares on the First North Growth Market maintained by Nasdaq Helsinki Oy. Each financial statements comprise the balance sheet, income statement, cashflow statement, statement of changes in equity and notes.

This auditor's report has been prepared only for the purpose of including it in the Offering Circular mentioned above.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the company 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.

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 each financial statements included in the Set 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. 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 company's ability to continue as 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 company or to 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 on whether each financial statements included in the Set of 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 ISAs, 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 company'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 company'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 company 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.

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.

Tampere 10 June 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)