

Spinnova Plc's transition to IFRS reporting

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Spinnova Plc. will transition from Finnish Accounting Standards (FAS) to International Financial Reporting Standards (IFRS).

Spinnova expects that the transition to IFRS reporting will increase the comparability and transparency of its financial figures internationally and support the company's strategy execution.

The company will report its January – June 2023 result, published 31 August 2023, according to IFRS.

The IFRS transition date was 1 January 2021.

In addition to the official financial statements prepared in accordance with FAS, Spinnova has prepared audited IFRS financial statements for the financial period ending 31 December 2022, as well as for the comparison period ending 31 December 2021 and IFRS transition date's opening balance sheet 1 January 2021.

Spinnova has also prepared unaudited IFRS financials for January – June 2022 and July – December 2022.

The key differences resulting from the transition to IFRS reporting compared to FAS and the effects of the IFRS transition are described in this report.

Operating results were EUR -13.1 million for January – December 2022 when prepared in accordance with IFRS, compared to EUR -12.3 million when prepared in accordance with FAS.

The most significant effects caused by the transition to IFRS reporting are:

IFRS 2 SHARE-BASED PAYMENTS

The Group has option-based incentive and commitment plans, which aim to encourage the management and key persons and employees to work to increase shareholder value in the long term. In the FAS financial statements, costs related to option programs are not recorded in the income statement. According to IFRS, the fair value of stock options must be amortised as an expense in the income statement during the stock options' vesting period. This has a negative impact on reported EBIT.

IAS 38 ADJUSTMENT OF CAPITALISED DEVELOPMENT EXPENSES

In the FAS financial statements, following the principle of prudence, Spinnova has not capitalised employee expenses as part of development expenses. Following the transition to IFRS, as part of the development expenses, Spinnova has reliably definable employee expenses, which shall be capitalised in accordance with IAS 38. This will have a positive impact on EBIT.

IFRS 16 LEASES

In accordance with IFRS, a right-of-use asset and a lease liability will be recorded on the balance sheet. These increase the balance sheet's long-term assets and financial liabilities. The increase in financial liabilities affect both the net debt and the equity ratio. According to FAS, rental payments are recorded in other business expenses for the rental period, and rental payments are at the end of the financial year presented as off-balance sheet liabilities. In the IFRS financial statements, rental expenses are adjusted from other business expenses to amortisation of lease debt and interest expense. Depreciation of right-of-use assets recorded in the balance sheet is recorded in the income statement. These do not have an impact on EBIT.

IAS 32 TRANSACTIONS COSTS OF FINANCIAL ARRANGEMENTS

Spinnova's financial transaction costs incurred in 2021 related to the company's IPO (Initial Public Offering) were all expensed as incurred in the financial year of 2021 in accordance with FAS. Under IFRS the transaction costs have been adjusted from financial expenses, and majority of the costs have been recorded as a decrease of the reserve for invested unrestricted equity in the closing balance of 31 December 2021, improving results for the financial period in 2021.

IAS 28 INVESTMENTS IN JOINT VENTURES

Under FAS Spinnova did not record the value of Respin's shares in the financial statement since Spinnova had not invested any funds in Respin, following the joint venture agreement. Under IFRS Spinnova records the value of Respin's shares in the balance sheet. This has a positive impact on EBIT. This has a positive impact on reported EBIT during the transition period. When Respin enters the commercial phase and Spinnova invests in Respin according to the joint venture agreement, this will result in a negative impact on EBIT for that period.

Key figures H1, H2 and 2022 comparison

Key figures January – December 2022

(EUR mill)	IFRS Jan-Dec 2022	FAS Jan-Dec 2022
Revenue	24.3	24.3
Operating result	-13.1	-12.3
Earnings per share (EUR, diluted and undiluted) ¹⁾	-0.29	-0.28
Net Cash	74.5	76.3
Equity ratio, %	86%	87%
Number of permanent employees at the end of the period	75	75
Number of permanent employees, average	67	67

¹⁾ The weighted average used in the calculation of earnings per share is as follows: 51 331 672.

Key figures January – June 2022

(EUR mill)	IFRS Jan-Jun 2022	FAS Jan-Jun 2022
Revenue	7.6	7.6
Operating result	-5.8	-5.8
Earnings per share (EUR, diluted and undiluted) ¹⁾	-0.15	-0.15
Net Cash	94.1	95.1
Equity ratio, %	87%	87%
Number of permanent employees at the end of the period	69	69
Number of permanent employees, average	65	65

¹⁾ The weighted average used in the calculation of earnings per share is as follows: 51 296 247.

Key figures July–December 2022

(EUR mill)	IFRS Jul-Dec 2022	FAS Jul-Dec 2022
Revenue	16.6	16.6
Operating result	-7.4	-6.5
Earnings per share (EUR, diluted and undiluted) ¹⁾	-0.15	-0.13
Net Cash	74.5	76.3
Equity ratio, %	86%	87%
Number of permanent employees at the end of the period	75	75
Number of permanent employees, average	70	70

¹⁾ The weighted average used in the calculation of earnings per share is as follows: 51 355 297.

The company's potential dilutive instruments consist of stock options. As the results have been negative, stock options would have had an anti-dilutive effect and therefore they are not taken into accounting measuring the dilutive loss per share. Thus, there is no difference between the undiluted and diluted loss per share.

For more information about historical financial information, prepared in accordance with FAS, please visit Spinnova's website www.spinnovagroup.com/investors

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Consolidated Financial Statements (IFRS)

Consolidated Statement of Financial Position

EUR (thousand)	Note	31.12.2022	31.12.2021	1.1.2021
Assets				
Non-current assets				
Intangible assets	4.2.	13 080	10 672	8 128
Property, plant, and equipment	4.3.	1 517	313	122
Right-of-use assets	4.4.	1 838	1 046	1 121
Investments in joint ventures	4.1.	14 137	2 535	0
Other non-current receivables	4.5.	135	91	80
Deferred tax assets	3.7.	52	59	0
Total non-current assets		30 758	14 716	9 450
Current assets				
Trade receivables	4.5.	5 558	5 007	524
Other current receivables	4.5.	267	311	549
Prepayments and accruals	4.5.	618	54	86
Investments	5.4.-5.5.	49 495	99 745	0
Cash and cash equivalents	5.4.	33 222	7 317	8 122
Total current assets		89 160	112 434	9 282
Total assets		119 918	127 150	18 732
Equity and liabilities				
Equity				
Share capital	5.7.-5.8.	80	80	3
Reserve for invested unrestricted equity	5.7.-5.8.	133 372	133 106	19 530
Retained earnings / accumulated deficit	5.7.-5.8.	-30 570	-16 962	-9 844
Equity attributable to shareholders of the parent		102 883	116 223	9 689
Total equity		102 883	115 223	9 689
Non-current liabilities				
Borrowings	5.1.-5.3; 5.5; 5.6.	5 403	5 943	3 000
Lease liabilities	4.4; 5.6.	1 032	660	819
Deferred tax liabilities	3.7.	421	321	130
Total non-current liabilities		6 856	6 923	3 949
Current liabilities				
Borrowings	5.1.-5.3; 5.5; 5.6.	1 000	1 000	3 750
Lease liabilities	4.4; 5.6.	827	398	302
Contract liabilities	4.6.	34	329	12
Trade payables	4.6.	6 501	1 125	301
Accrued expenses	4.6.	1 634	962	309
Other current liabilities	4.6.	184	189	420
Total current liabilities		10 179	4 003	5 094
Total liabilities		17 035	10 926	9 043
Total equity and liabilities		119 918	127 150	18 732

Consolidated Statement of Profit and Loss and Other Comprehensive Income

EUR (thousand)	Note	1.1.–31.12.2022	1.1.–31.12.2021
Revenue (net sales)	3.1.	24 279	6 063
Other operating income	3.2.	92	90
Materials and services	3.3.	-23 116	-5 020
Personnel expenses	3.4.–3.5.	-8 714	-6 450
Depreciation, amortisation and impairment losses	4.2.–4.4.	-1 628	-1 240
Other operating expenses	3.2.	-3 414	-3 691
Share of profit (loss) from joint ventures	4.1.	-649	785
Operating profit (EBIT)		-13 149	-9 382
Financial income	3.6.	0	26
Financial expenses	3.6.	-1 867	-492
Profit before tax		-15 016	-9 847
Income tax	3.7.	-107	-133
Profit for the financial period		-15 123	-9 980
Attributable to			
Equity holders of the parent		-15 123	-9 980
Non-controlling interests		0	0
EUR (thousand)	Note	1.1.–31.12.2022	1.1.–31.12.2021
Profit for the financial period		-15 123	-9 980
Items that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Share of other comprehensive income from joint ventures		0	0
Other comprehensive income/(loss) for the year, net of tax		0	0
Total comprehensive income for the financial period		-15 123	-9 980
Attributable to			
Equity holders of the parent		-15 123	-9 980
Non-controlling interests		0	0
Earnings per share			
Earnings per share, basic & diluted		-0.29	-0.23

Consolidated Statement of Changes in Equity

2022				
Attributable to the equity holders of the parent				
EUR (thousand)	Share capital	Fund for unrestricted equity	Retained earnings	Total
Equity on 1.1.2022	80	133 106	-16 962	116 223
Profit for the period	-	-	-15 123	-15 123
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-15 123	-15 123
Transactions with owners				
Share-based payments	-	-	1 516	1 516
Share issue	-	267	0	267
Equity on 31.12.2022	80	133 372	-30 570	102 883

2021				
Attributable to the equity holders of the parent				
EUR (thousand)	Share capital	Fund for unrestricted equity	Retained earnings	Total
Equity on 1.1.2021 before IFRS adjustments	3	19 530	-10 363	9 169
Adjustments of IAS 38 Capitalisation of Intangible Assets	-	-	520	520
Adjusted equity on 1.1.2021	3	19 530	-9 844	9 689
Profit for the period	-	-	-9 980	-9 980
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-9 980	-9 980
Transactions with owners				
Share-based payments	-	-	2 861	2 861
IPO Proceeds	-	115 000	-	115 000
Expenses related to the IPO	-	-6 493	-	-6 493
Share issue	-	5 146	-	5 146
Other changes	78	-78	-	-
Equity on 31.12.2021	80	133 106	-16 962	116 223

Consolidated Statement of Cash Flows

EUR (thousand)	Note	2022	2021
Operating activities			
Profit / loss for the period		-15 123	-9 980
Adjustments to reconcile profit/loss for the period to net cash flows:			
Income tax expense	3.7.	107	133
Depreciation and impairment	4.2.-4.4.	1 628	1 240
Finance income and expenses	3.6.	1 841	492
Net profit (loss) on financial instruments at fair value through profit or loss	5.5.	26	-26
Share-based payment expense	3.5.	1 516	2 861
Share profit from joint ventures	4.1.	649	-785
Other adjustments		-	-
Change in working capital:			
Increase (-) / decrease (+) in current non-interest-bearing receivables	4.5.	-1 200	-4 638
Increase (-) / decrease (+) in current non-interest-bearing liabilities	4.6.	5 592	1 508
Interests and other payments for financial expenses		-262	-183
Income tax paid		-	-
Net cash flow from operating activities		-5 228	-9 378
Net cash flow from investing activities			
Purchase of intangible and tangible assets	4.2.-4.3.	-4 551	-3 570
Purchase of financial instruments	5.5.	-30 005	-100 000
Proceeds from sale of financial instruments	5.3.; 5.5.	78 686	-
Losses from sale of financial instruments	4.1.	-12 250	-1 750
Investments to joint ventures	4.1.	31 879	-105 320
Net cash flow from investing activities		31 879	-105 321
Net cash flow from financing activities			
Share issue	5.8.	334	120 578
Transaction costs from the share issues		0	-6 493
Repayment of principal portion of lease liabilities	5.6.	-540	-383
Proceeds from borrowings	5.6.	460	1 193
Repayment of borrowings	5.6.	-1 000	-1 000
Net cash flow from financing activities		-746	113 893
Net change in cash and cash equivalents		25 905	-805
Cash and cash equivalents at 1.1.		7 317	8 122
Cash and cash equivalents at 31.12.		33 222	7 317

Notes to the consolidated IFRS financial statements

1. KEY ACCOUNTING POLICIES AND CONSOLIDATION

1.1. General information

Corporate information

The business ID of Spinnova Plc (Oyj) is (2653299-6) and the company headquarters are located at Palokärjentie 2-4, 40320 Jyväskylä. These consolidated financial statements consist of the parent company Spinnova Plc and its joint venture companies Woodspin Oy and Respin Oy and subsidiary Spinnova Holdings Oy. The group was formed on 5 May 2021 when Spinnova Holdings Oy was acquired. Spinnova Oyj is a publicly listed company on Nasdaq First North Growth Market Finland. Spinnova is incorporated and domiciled in Finland. The registered office is located in Jyväskylä, Finland.

Spinnova is principally engaged in the provision of technology deliveries and services for sustainable textile production (see Note 3.1). Information on Spinnova's structure is provided in this note below. Information about joint ventures are provided in Note 4.1. Information on other related party relationships of Spinnova is provided in Note 6.1.

Spinnova Oyj information

Information about subsidiaries

The consolidated financial statements of Spinnova include the following subsidiary below. More information about the consolidation principle is presented in Note 1.2 Basis of preparation.

Name of Subsidiary	Principal activities	Country of incorporation	% equity interest	
			2022	2021
Spinnova Holdings Oy (3192902-3)	Holding company for future investments	Finland	100	100

Joint arrangement in which Spinnova is a joint venturer

Spinnova has a 50% interest in Woodspin Oy and Respin Oy. For more details, refer to Note 4.1.

Name of Subsidiary	Principal activities	Country of incorporation	% equity interest	
			2022	2021
Woodspin Oy (3201103-8)	Joint Venture Investment	Finland	50	50
Respin Oy (3177396-2)	Joint Venture Investment	Finland	50	50

1.2. Basis of preparation

Basis of preparation and adoption of IFRS

The consolidated financial statements of Spinnova have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by European Union as of 31 December 2022. The notes to the financial statements also comply with the Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated in the accounting policies below. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand, except when otherwise indicated. Consequently, the sum of individual numbers may deviate from the presented sum figure due to rounding differences. The comparative year information is presented in brackets after the information for the current financial year.

The consolidated financial statements as of 31 December 2022, are the Spinnova's first financial statements prepared in accordance with International Financial Reporting Standards, the date of transition to IFRS being 1 January 2021. The consolidated financial statements as of 31 December 2022, contain

comparative information for the period ended 31 December 2021. An additional statement of financial position as of 1 January 2021, is presented in these consolidated financial statements due to the first-time adoption of IFRS. Previously Spinnova has applied Finnish Accounting Standards (FAS). In Note 2. First Time Adoption of IFRS Standards the impact of the transition to IFRS on Spinnova's reported financial position and financial performance is disclosed.

These consolidated financial statements for the financial period ending 31 December 2022 with the comparative information for the financial period ending 31 December 2021 have been prepared solely for the purpose of presenting the effects of Spinnova Oyj's transition from FAS to IFRS and cannot be used for any other purposes. These consolidated financial statements are not the company's statutory financial statements. The company's statutory financial statements were published 5 April 2023, which follows the Finnish Accounting Standards, and which were approved by the company's Annual General Meeting in 4 May 2023. These consolidated financial statements prepared under IFRS have not been approved by the company's Annual General Meeting.

Consolidation principles

The consolidated financial statements include the financial statements of the Parent Company and entities controlled by Spinnova Oyj (its subsidiaries). The entity has control of another entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Acquired subsidiaries are consolidated from the date on which control is transferred to Spinnova and are no longer consolidated from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Spinnova's accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests are presented in the consolidated statement of financial position as within equity, separately from equity attributable to shareholders. Non-controlling interests are separately presented in the statement of other comprehensive income.

Investment in joint ventures

Joint arrangements are arrangements in which the sharing of joint control has been contractually agreed between two or more parties. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have right to the net assets of the arrangement.

Investments in joint ventures are accounted for using the equity method, and on initial recognition, they are recognised at cost. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group's share of profits or losses of the joint venture is recognised as a separate item.

Spinnova ipresent share of profit (loss) from joint ventures as part of the operating profit because joint ventures are a significant part of Spinnova's operations and delivering the company strategy. Spinnova has significant contracts with joint ventures for exclusive right on technology deliveries to the joint ventures and selling Spinnova's fiber occur primarily through joint ventures. Joint ventures are operated with different raw material providers.

Non-controlling interests

Transactions with non-controlling interests are regarded as transactions with equity owners. In the case of purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets acquired in the subsidiary is recorded in shareholders' equity. Gains or losses on disposal to non-controlling interests are also recorded directly in shareholders' equity.

Segment reporting

Spinnova has one reportable segment. The reported segments comprise of Spinnova. See further information in the note 3.1 Revenue from contracts with customers.

Currencies

Spinnova's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, Spinnova determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Spinnova uses the direct

method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions in foreign currencies are initially recorded by Spinnova's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

1.3. Accounting estimates and judgements applied in the preparation of the financial statements

The preparation of Spinnova's consolidated financial statements requires management to use judgement, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying Spinnova's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The most significant accounting policies requiring judgment by the management and the key factors of uncertainty related to estimates are presented in the following notes:

- Share-based payments (Note 3.5.)
- Joint Ventures (Note 4.1.)
- Leases (Note 4.4.)
- Expected credit losses (Note 4.5)

1.4. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of Spinnova's financial statements are disclosed below. Spinnova intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

- In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
 - What is meant by a right to defer settlement,
 - That a right to defer must exist at the end of the reporting period,
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right,
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Spinnova's financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Spinnova's financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

Spinova is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments to IAS 12 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The effect on deferred taxes will be presented from the beginning of the earliest comparison year.

International Tax Reform Pillar Two Model Rules – Amendments to IAS 12

In January 2023, the Board issued an Exposure Draft International Tax Reform – Pillar Two Model Rules, which proposed to clarify the application of IAS 12 Income Taxes to income taxes arising from tax law enacted or substantively enacted to implement the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules. The Exposure Draft propose a mandatory temporary exception from accounting for deferred taxes in respect of Pillar Two income taxes and proposed certain additional disclosure requirements.

The mandatory exception applies retrospectively and immediately upon issuance of the Amendments. Entities are required to disclose information on the potential exposure to Pillar Two income taxes for annual reporting periods beginning on or after 1 January 2023.

The amendments are not expected to have a material impact on the Spinova's financial statements.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

On 22 September, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment does not change the accounting for leases unrelated to sale and leaseback transactions.

The amendment applies retrospectively to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The amendments are not expected to have a material impact on Spinova's financial statements.

IFRS 17 Insurance contracts have been issued but will not have impact on Spinova's financial statements.

Additionally, in regards of "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28", In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. Spinova does not apply the amendment before the amendments will be effective.

2. FIRST-TIME ADOPTION OF IFRS STANDARDS

2.1. IFRS impact: The transition effects and exemptions applied

First-time adoption of IFRS

These consolidated financial statements, for the year ended 31 December 2022, are the first Spinnova has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2022, Spinnova prepared its financial statements in accordance with Finnish Accounting Standards (FAS).

Accordingly, Spinnova has prepared financial statements that comply with IFRS applicable as of 31 December 2022, together with the comparative period data for the year ended 31 December 2021, as described in the summary of significant accounting policies. In preparing the financial statements, Spinnova's opening statement of financial position was prepared as of 1 January 2021, Spinnova's date of transition to IFRS.

Spinnova has prepared these financial statements with adjustment to IFRS with transition bridges for year ended 31 December 2022, year ended 31 December 2021, and for the opening balance 1 January 2021 since Spinnova has published statutory financial statements in accordance with Finnish GAAP for periods up to and including the year ended 31 December 2022. More information about the reporting and approvals of these consolidated financial statements can be found in the Notes 1.1. General Information and 1.2. Basis of Preparation.

The accounting policies that have had the most significant impact on the income statement and the statement of financial position of Spinnova as a result of the transition to IFRS have been summarised below. In addition, the Group has applied certain exemptions in IFRS 1 First-time Adoption of International Financial Reporting Standards, which have been described below.

The letters in the topics (A–G) refer to the columns in the first-time adoption bridge calculations in notes 2.2. and 2.3.

1) Share-based payments (A)

Spinnova has option programmes that qualify as a share-based payment programme. Under local GAAP Spinnova has not recognised the cost for the long-term incentive plans.

IFRS requires the fair value of the share options to be determined using an appropriate pricing model and the expenses for the share-based payments are recognised over the vesting period. Spinnova has applied the exemption in IFRS 1 and thus, it has not considered any share-based payment transactions that have vested prior to the adoption of IFRS standards. All of the programmes that were on-going and have not vested before transition to IFRS have been calculated in accordance with IFRS 2 and have been retrospectively adjusted for the conversion period.

During the conversion period, all of Spinnova's option programmes are equity-settled share-based payment programmes during the conversion period. The expenses for these option programmes have been recognised over the respective vesting periods under IFRS guidance. The expense has been recognised under personnel expenses. The amount of expenses recognised in the period of 2022 was EUR 1 516 thousand (2021: EUR 2 861 thousand), which was recognised within equity. The impact of the adjustment on the opening balance was EUR 0, recognised within equity.

The effect of share-based payments has been presented in column "1: IFRS 2 Share-based payments" in the Statement of Profit and Loss and Statement of Financial Position. Please see note 3.5. Share-based payments for more information.

2) IFRS 9 Fair Value through Profit and Loss (B)

Spinnova categorises its financial assets based on the business model for managing its financial assets and the contractual cash flow characteristics of the asset. Based on the business model, Spinnova evaluates each financial asset and applies the relevant measurement method. Spinnova's investments in funds are classified to be measured at Fair Value through Profit and Loss. The adjustment involves investments to six funds.

As of the opening balance date 1 January 2021 Spinnova did not have any investments to fund. Under the Finnish Accounting Standard (FAS) Spinnova only recognised fair value losses from the investments to funds based on the prudence principle. The IFRS adjustment includes the fair value gains on a fund level to be recognised on the balance sheet at fair value through profit or loss. Additionally, Spinnova has recognised as an IFRS adjustment the deferred tax assets arising from the recognised fair value losses, which are not previously recognised under FAS. All adjustments were done on an investment fund level by comparing the investment statements on a fund level to the respective previous period statement amounts.

In the IFRS adjustments for 31 December 2021, Spinnova recognised the fair value gain on one fund as an increase in the balance sheet of EUR 26 thousand to Investments and the corresponding deferred tax liability EUR 5 thousand. Following the prudence principle, Spinnova did not previously recognise deferred tax assets on its losses in investments in funds which were now recognised as deferred tax assets of EUR 56 thousand. The rest was adjusted as an increased to Profit and Loss for the period by EUR 77 thousand. Spinnova recognised the increase in the fund to Income from changes in fair value (funds) by EUR 26 thousand and a decrease to Income tax expenses of EUR 51 thousand. At the ending balance 31 December 2022, no additional adjustments were made to the investments in funds asset. Deferred tax assets increased by EUR 47 thousand and Retained earnings by EUR 77 thousand, with a decrease to Profit and loss of EUR 30 thousand. 31 December 2022 Profit and Loss statement reduced the increased in the fund from Income from changes in fair value (funds) by EUR 26 thousand and increased Income tax expenses by EUR 4 thousand.

3) IAS 32 IPO transaction costs (C)

Transaction costs are incremental costs that are directly attributable to the Initial Public Offering (IPO) and would not have been incurred if Spinnova had not performed an IPO in 2021 on Nasdaq First North Growth Market Finland. Spinnova's transaction costs incurred in 2021 amounted to EUR 7 787 thousand and were all expensed as incurred in the financial year of 2021 in accordance with FAS. From these expenses EUR 6 493 thousand were classified for directly related to the issuance of new shares and will be considered as a deduction from equity.

For IFRS purposes the transaction costs of EUR 6 493 thousand were derecognised from expenses and reclassified from Profit and loss for the period to the Reserve for invested unrestricted equity in the closing balance of 31 December 2021. The deduction of expenses decreased Finance costs by EUR 7 787 thousand in the Profit and Loss Statement on 31 December 2021. As part of the adjustment, the rest of the IPO transaction costs EUR 1 294 thousand recognised as finance cost were reclassified to other operating expenses.

Due to the prudence principle and uncertain taxation of the IPO transaction costs, no deferred tax impact has been recognised as part of the adjustment. For the closing balance on 31 December 2022 there were no additional transaction costs related adjustments. The cumulative adjustment from the previous period was carried over and the transaction costs were reclassified from retained earnings to the reserve for invested unrestricted equity account.

4) IFRS 16 Leases – Spinnova as a lessee (D)

As part of the IFRS 16 lease assessment Spinnova has recognised lease contracts which include mainly leased offices, cars and office equipment. Under FAS, lease expenses have been recognised as expenses in the statement of profit and loss. Spinnova has not capitalised the leases under FAS and has thus not followed the option to apply IFRS 16 Leases. Under FAS, the commitments relating to the lease agreements have been disclosed in the notes to the financial statements as off-balance sheet items as part of contingent liabilities.

In adoption of IFRS 16 Spinnova has applied the exemption of IFRS 1, and it has measured the lease liability and right-of-use-asset at the date of transition to IFRS. Spinnova assessed all contracts existing at 1 January 2021 to determine whether a contract contains a lease based upon the conditions in place as at 1 January 2021. In applying IFRS 16, the lease expenses presented under FAS were replaced with the depreciation of the right-of-use asset. In addition, the interest expenses of the lease liabilities were recognised as finance costs in the statement of profit and loss. The lease payments associated with leases for which the lease term ends within 12 months or less of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognised as an expense on straight-line basis.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2021. Right-of-use assets of were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2021. The impact for the opening balance sheet 1 January 2021 to right-of-use assets was EUR 1 121 thousand with a corresponding lease liability of which EUR 819 thousand was classified as non-current lease liability and EUR 302 thousand as current lease liability.

The impact for the ending balance sheet 31 December 2022 to right-of-use assets was EUR 1 838 thousand (2021: EUR 1 046 thousand) with a corresponding lease liability of which EUR 1 032 thousand (2021: EUR 660 thousand) was classified as non-current lease liability and EUR 827 thousand (2021: EUR 398 thousand) as current lease liability. In addition, Spinnova recognised a corresponding increase to deferred tax assets of EUR 4 thousand (2021: EUR 3 thousand) and decrease to Profit and loss for the period of EUR 7 thousand (2021: EUR 10 thousand) and Retained earnings of EUR 10 thousand. The impact to the 2022 Profit and Loss Statement, was a decrease by EUR 540 thousand (2021: EUR 383 thousand) to Other operating expenses, with an increase to interest expenses by EUR 32 thousand (2021: EUR 27 thousand) and depreciation by EUR 517 thousand (2021: EUR 369 thousand), in addition to the corresponding deferred taxes of EUR 2 thousand, (2021: EUR 3 thousand).

5) IAS 38 adjustment (E)

As part of the development expenses Spinnova has reliably measurable employee expenses, which shall be capitalised in accordance with IAS 38. Spinnova has recognised its pilot line development expenses as intangible costs in accordance with IAS 38, excluding the employee expenses incurred by the pilot projects. These employee expenses have been capitalised as an IFRS adjustment.

The impact on the opening balance on 1 January 2021 was an increase to intangible assets of EUR 650 thousand, arising from the costs associated with employee expenses related to projects that have been capitalised less the corresponding depreciation. A deferred tax liability of EUR 130 thousand was recorded at 20% of the increased intangible assets, with the remaining difference recorded as an increase in retained earnings by EUR 520 thousand.

The 2022 adjustments to the ending balance sheet were an increase to intangible assets of EUR 2 107 thousand (2021: EUR 1 580 thousand), increase in deferred tax liabilities of EUR 421 thousand (2021: EUR 316 thousand) and increase to Profit and loss for the period of

EUR 422 thousand (2021: EUR 744 thousand) and retained earnings of EUR 1 264 thousand (2021: EUR 520 thousand).

The impact to the 2022 Profit and loss statement was a decrease to personnel expenses of EUR 680 thousand (2021: EUR 993 thousand), while the corresponding amount of amortisation to the capitalised intangibles increased by EUR 153 thousand (2021: EUR 63 thousand). Income tax expenses were increased as 20% of the difference between personnel expenses and amortisation at EUR 105 thousand (2021: EUR 186 thousand).

6) IAS 28 adjustment (F)

Spinnova owns 50% of Respin Oy and under FAS did not record the value of 50% of Respin's shares in investments in joint ventures because Spinnova has not invested any funds in Respin before or during the conversion period following the Joint venture agreement. In addition, the share of Respin's profit (loss) and internal sales margin of the proof-of-concept project delivered to Respin were recorded in the accrued expenses under FAS.

Following IAS 28 requirements, Spinnova records the value of 50% of Respin's shares in investments in joint ventures and adjusts the share of profit (loss) and internal sales margin from accrued expenses to investments in joint ventures. As result of this adjustment, investments in joint ventures increased in 2022 by EUR 887 thousand (2021: EUR 786 thousand), accrued expenses decreased in 2022 by EUR 214 thousand (2021: EUR 238 thousand) and profit and loss for the period increased in 2022 by EUR 125 thousand (2021: EUR 1 000 thousand). Retained earnings increased in 2022 by EUR 1 000 thousand.

Estimates

The estimates on 1 January 2021 and on 31 December, 2021 and 31 December, 2022 are consistent with those made for the same dates in accordance with local GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of local GAAP did not require estimation:

- Share-based payment transactions,
- Leases,
- Expected credit losses.

The estimates used by Spinnova to present these amounts in accordance with IFRS reflect conditions on 1 January 2021, the date of transition to IFRS, as of 31 December 2021 and as of 31 December 2022.

2.2. IFRS impact: Consolidated Statement of Financial Position as at 31.12.2022, 31.12.2021 and 1.1.2021**Consolidated Statement of Financial Position as at 31.12.2022**

EUR (thousand)	Note	FAS as at 31.12.2022	Reclassified FAS as at 31.12.2022	(A) Share- based payments	(B) Fair Value through Profit and Loss	(C) IPO Transaction Costs	(D) Leases	(E) Intangible Assets	(F) Investments in JVs	Effects of IFRS adjustments, Total	IFRS as at 31.12.2022
Assets											
Non-current assets											
Intangible assets	E	10 899	10 973	-	-	-	-	2 107	-	2 107	13 080
Property, plant and equipment		1 591	1 517	-	-	-	-	-	-	-	1 517
Right-of-use assets	D	-	-	-	-	-	1 838	-	-	1 838	1 838
Investments in joint ventures	F	13 249	13 249	-	-	-	-	-	887	887	14 137
Other non-current receivables		135	135	-	-	-	-	-	-	-	135
Deferred tax assets	B, D	-	-	-	47	-	4	-	-	52	52
Total non-current assets		25 874	25 874	-	47	-	1 842	2 107	887	4 884	30 758
Current assets											
Trade receivables		5 558	5 558	-	-	-	-	-	-	-	5 558
Other current receivables		267	267	-	-	-	-	-	-	-	267
Prepayments and accruals		618	618	-	-	-	-	-	-	-	618
Investments		49 495	49 495	-	-	-	-	-	-	-	49 495
Cash and cash equivalents		33 222	33 222	-	-	-	-	-	-	-	33 222
Total current assets		89 160	89 160	-	-	-	-	-	-	-	89 160
Total assets		115 034	115 034	-	47	-	1 842	2 107	887	4 884	119 918
Equity and liabilities											
Equity											
Share capital		80	80	-	-	-	-	-	-	-	80
Reserve for invested unrestricted equity	C	139 865	139 865	-	-	-6 493	-	-	-	-6 493	133 372
Retained earnings / accumulated deficit	A, B, C, D, E, F	-39 904	-39 904	-	47	6 493	-17	1 686	1 125	9 334	-30 570
Total equity		100 042	100 042	-	47	-	-17	1 686	1 125	2 841	102 883
Non-current liabilities											
Borrowings		5 403	5 403	-	-	-	-	-	-	-	5 403
Lease liabilities	D	-	-	-	-	-	1 032	-	-	1 032	1 032
Deferred tax liabilities	E	-	-	-	-	-	-	421	-	421	421
Total non-current liabilities		5 403	5 403	-	-	-	1 032	421	-	1 453	6 856
Current liabilities											
Borrowings		1 000	1 000	-	-	-	-	-	-	-	1 000
Lease liabilities	D	-	-	-	-	-	827	-	-	827	827
Contract liabilities		34	34	-	-	-	-	-	-	-	34
Trade payables		6 501	6 501	-	-	-	-	-	-	-	6 501
Accrued expenses	F	1 871	1 871	-	-	-	-	-	-238	-238	1 634
Other current liabilities		184	184	-	-	-	-	-	-	-	184
Total current liabilities		9 589	9 589	-	-	-	827	-	-238	590	10 179
Total liabilities		14 992	14 992	-	-	-	1 859	421	-238	2 043	17 035
Total equity and liabilities		115 034	115 034	-	47	-	1 842	2 107	887	4 884	119 918

Consolidated Statement of Financial Position as at 31.12.2021

EUR (thousand)	Note	FAS as at 31.12.2021	Reclassified FAS as at 31.12.2021	(A) Share- based payments	(B) Fair Value through Profit and Loss	(C) IPO Transaction Costs	(D) Leases	(E) Intangible Assets	(F) Investments in JVs	Effects of IFRS adjustments, Total	IFRS as at 1.1.2021
Assets											
Non-current assets											
Intangible assets	E	7 492	9 093	-	-	-	-	1 580	-	1 580	10 672
Property, plant and equipment		1 913	313	-	-	-	-	-	-	-	313
Right-of-use assets	D	-	-	-	-	-	1 046	-	-	1 046	1 046
Investments in joint ventures	F	1 749	1 749	-	-	-	-	-	786	786	2 535
Other non-current receivables		91	91	-	-	-	-	-	-	-	91
Deferred tax assets	B, D	-	-	-	56	-	3	-	-	59	59
Total non-current assets		11 246	11 246	-	56	-	1 048	1 580	786	3 470	14 716
Current assets											
Trade receivables		5 007	5 007	-	-	-	-	-	-	-	5 007
Other current receivables		311	311	-	-	-	-	-	-	-	311
Prepayments and accruals		54	54	-	-	-	-	-	-	-	54
Investments	B	99 719	99 719	-	26	-	-	-	-	26	99 745
Cash and cash equivalents		7 317	7 317	-	-	-	-	-	-	-	7 317
Total current assets		112 408	112 408	-	26	-	-	-	-	26	112 434
Total assets		123 654	123 654	-	82	-	1 048	1 580	786	3 496	127 150
Equity and liabilities											
Equity											
Share capital		80	80	-	-	-	-	-	-	-	80
Reserve for invested unrestricted equity	C	139 599	139 599	-	-	-6 493	-	-	-	-6 493	133 106
Retained earnings / accumulated deficit	A, B, C, D, E, F	-25 786	-25 786	-	77	6 493	-10	1 264	1 000	8 824	-16 962
Total equity		113 893	113 893	-	77	-	-10	1 264	1 000	2 331	116 223
Non-current liabilities											
Borrowings		5 943	5 943	-	-	-	-	-	-	-	5 943
Lease liabilities	D	-	-	-	-	-	660	-	-	660	660
Deferred tax liabilities	B, E	-	-	-	5	-	-	316	-	321	321
Total non-current liabilities		5 943	5 943	-	5	-	660	316	-	981	6 923
Current liabilities											
Borrowings		1 000	1 000	-	-	-	-	-	-	-	1 000
Lease liabilities	D	-	-	-	-	-	398	-	-	398	398
Contract liabilities		329	329	-	-	-	-	-	-	-	329
Trade payables		1 125	1 125	-	-	-	-	-	-	-	1 125
Accrued expenses	F	1 176	1 176	-	-	-	-	-	-214	-214	962
Other current liabilities		189	189	-	-	-	-	-	-	-	189
Total current liabilities		3 818	3 818	-	-	-	398	-	-214	185	4 003
Total liabilities		9 761	9 761	-	5	-	1 058	316	-214	1 165	10 926
Total equity and liabilities		123 654	123 654	-	82	-	1 048	1 580	786	3 496	127 150

Opening Consolidated Statement of Financial Position as at 1.1.2021

EUR (thousand)	Note	FAS as at 1.1.2021	Reclassified FAS as at 1.1.2021	(A) Share- based payments	(B) Fair Value through Profit and Loss	(C) IPO Transaction Costs	(D) Leases	(E) Intangible Assets	(F) Investments in JVs	Effects of IFRS adjustments, Total	IFRS as at 1.1.2021
Assets											
Non-current assets											
Intangible assets	E	6 773	7 478	-	-	-	-	650	-	650	8 128
Property, plant and equipment		827	122	-	-	-	-	-	-	-	122
Right-of-use assets	D	-	-	-	-	-	1 121	-	-	1 121	1 121
Investments in joint ventures		-	-	-	-	-	-	-	-	-	-
Other non-current receivables		80	80	-	-	-	-	-	-	-	80
Deferred tax assets		-	-	-	-	-	-	-	-	-	-
Total non-current assets		7 680	7 680	-	-	-	1 121	650	-	1 771	9 450
Current assets											
Trade receivables		524	524	-	-	-	-	-	-	-	524
Other current receivables		549	549	-	-	-	-	-	-	-	549
Prepayments and accruals		86	86	-	-	-	-	-	-	-	86
Investments		-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents		8 122	8 122	-	-	-	-	-	-	-	8 122
Total current assets		9 282	9 282	-	-	-	-	-	-	-	9 282
Total assets		16 961	16 961	-	-	-	1 121	650	-	1 771	18 732
Equity and liabilities											
Equity											
Share capital		3	3	-	-	-	-	-	-	-	3
Reserve for invested unrestricted equity		19 530	19 530	-	-	-	-	-	-	-	19 530
Retained earnings / accumulated deficit	A, E	-10 363	-10 363	-	-	-	-	520	-	520	-9 844
Total equity		9 169	9 169	-	-	-	-	520	-	520	9 689
Non-current liabilities											
Borrowings		3 000	3 000	-	-	-	-	-	-	-	3 000
Lease liabilities	D	-	-	-	-	-	819	-	-	819	819
Deferred tax liabilities	E	-	-	-	-	-	-	130	-	130	130
Total non-current liabilities		3 000	3 000	-	-	-	819	130	-	949	3 949
Current liabilities											
Borrowings		3 750	3 750	-	-	-	-	-	-	-	3 750
Lease liabilities	D	-	-	-	-	-	302	-	-	302	302
Contract liabilities		12	12	-	-	-	-	-	-	-	12
Trade payables		301	301	-	-	-	-	-	-	-	301
Accrued expenses		309	309	-	-	-	-	-	-	-	309
Other current liabilities		420	420	-	-	-	-	-	-	-	420
Total current liabilities		4 792	4 792	-	-	-	302	-	-	302	5 094
Total liabilities		7 792	7 792	-	-	-	1 121	130	-	1 251	9 043
Total equity and liabilities		16 961	16 961	-	-	-	1 121	650	-	1 771	18 732

2.3. IFRS impact: Consolidated Statement of Profit and Loss and Other Comprehensive Income 1.1.–31.12.2021 and 1.1.–31.12.2022

EUR (thousand)	Note	FAS 1.1.– 31.12.2022	Reclassified FAS 1.1.– 31.12.2022	(A) Share– based payments	(B) Fair Value through Profit and Loss	(C) IPO Transaction Costs	(D) Leases	(E) Intangible Assets	(F) Investments in JVs	Effects of IFRS adjustments, Total	IFRS 1.1.–31.12. 2022
Revenue (net sales)		24 279	24 279	-	-	-	-	-	-	-	24 279
Other operating income		-	92	-	-	-	-	-	-	-	92
Materials and services		-23 116	-23 116	-	-	-	-	-	-	-	-23 116
Personnel expenses	A, E	-7 878	-7 878	-1 516	-	-	-	680	-	-836	-8 714
Depreciation, amortisation and impairment losses	D & E	-958	-958	-	-	-	-517	-153	-	-670	-1 628
Other operating expenses	D	-3 862	-3 954	-	-	-	540	-	-	540	-3 414
Share of profit (loss) from joint ventures	F	-774	-774	-	-	-	-	-	125	125	-649
Operating profit (EBIT)		-12 309	-12 309	-1 516	-	-	23	527	125	-840	-13 149
Financial income		-	-	-	-	-	-	-	-	-	-
Financial expenses	B, D	-1 809	-1 809	-	-26	-	-32	-	-	-58	-1 867
Exchange gains and losses		-	-	-	-	-	-	-	-	-	-
Profit before tax		-14 117	-14 117	-1 516	-26	-	-9	527	125	-898	-15 016
Income tax	B, D, E	-	-	-	-4	-	2	-105	-	-107	-107
Profit for the financial period		-14 117	-14 117	-1 516	-30	0	-7	422	125	-1 006	-15 123
Other Comprehensive Income											
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods											
Other comprehensive income, net of tax		-	-	-	-	-	-	-	-	-	-
Other comprehensive income from Joint Ventures		-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the financial period		-14 117	-14 117	-1 516	-30	-	-7	422	125	-1 006	-15 123

EUR (thousand)	Note	FAS 1.1.– 31.12.2021	Reclassified FAS 1.1.– 31.12.2021	(A) Share– based payments	(B) Fair Value through Profit and Loss	(C) IPO Transaction Costs	(D) Leases	(E) Intangible Assets	(F) Investments in JVs	Effects of IFRS adjustments, Total	IFRS 1.1.–31.12. 2021
Revenue (net sales)		6 063	6 063	-	-	-	-	-	-	-	6 063
Other operating income		-	90	-	-	-	-	-	-	-	90
Materials and services		-5 020	-5 020	-	-	-	-	-	-	-	-5 020
Personnel expenses	A, E	-4 500	-4 500	-2 861	-	-	-	993	-	-1 868	-6 368
Depreciation, amortisation and impairment losses	D & E	-809	-809	-	-	-	-369	-63	-	-432	-1 240
Other operating expenses	D	-2 691	-2 780	-	-	-1 294	383	-	-	-910	-3 691
Share of profit (loss) from joint ventures	F	-215	-215	-	-	-	-	-	1 000	1 000	785
Operating profit (EBIT)		-7 172	-7 172	-2 861	-	-1 294	15	930	1 000	-2 210	-9 382
Financial income	B	-	-	-	26	-	-	-	-	26	26
Financial expenses	C, D	-8 251	-8 251	-	-	7 787	-27	-	-	7 759	-492
Exchange gains and losses		-	-	-	-	-	-	-	-	-	-
Profit before tax		-15 423	-15 423	-2 861	26	6 493	-13	930	1 000	5 575	-9 847
Income tax	C, D, E	-	-	-	51	-	3	-186	-	-133	-133
Profit for the financial period		-15 423	-15 423	-2 861	77	6 493	-10	744	1 000	5 443	-9 980
Other Comprehensive Income											
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods											
Other comprehensive income, net of tax		-	-	-	-	-	-	-	-	-	-
Other comprehensive income from Joint Ventures		-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the financial period		-15 423	-15 423	-2 861	77	6 493	-10	744	1 000	5 443	-9 980

3. SPINNOVA PERFORMANCE

3.1. Revenue from contracts with customers

Accounting principles

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in this note.

Segment information

Spinnova currently reports its business operations as one segment.

Spinnova's main business is to provide technology and technology related services for the production of sustainable Spinnova® textile fibres. In addition to these goods and services, Spinnova has sold joint development projects to apparel brands aiming for further development of the Spinnova® -fibre and introducing the fibre to end customers.

Revenue recognition

In line with IFRS 15, revenue from contracts with customers is recognised when control of goods or services are transferred to the customer, at an amount that reflects the consideration to which Spinnova expects to be entitled in exchange for those goods or services. Control is transferred either at point in time or over time based on which criteria stated in IFRS 15 is fulfilled. Spinnova has generally concluded that it is the principle in its revenue arrangements because it typically controls the goods or services before transferring them to the customer and bears the responsibility until this transfer.

Performance obligations

Spinnova's contracts with customers have been analysed with IFRS 15 which has concluded that Spinnova has several performance obligations which are presented and recognised based on the contract and customer circumstances. Spinnova mainly recognises revenue over time for its services.

Majority of Spinnova's revenue from contracts is derived from technology sales which comprises of Spinnovas delivery, installation and commissioning of production technology to Woodspin and delivery, installation and commissioning of pilot-scale production line to Respin. Revenue from both technology delivery

projects is recognised over time since Spinnova does not have alternative use for the sold assets and Spinnova has an enforceable right to payment for performance completed to date.

Revenue from other services which span from equipment installation to start-up services are recognised over time when control of the goods or services are transferred to the customer. Currently Spinnova mainly offers these services to its joint ventures, where payment terms vary based on the customer contracts. Performance obligations are fulfilled in accordance with the work performed.

On a smaller scale, Spinnova provides prototype production and testing services mainly through joint development agreements to external parties. The revenue from these services is recognised over time when control of the goods or services are transferred to the customer. Payment terms for these also vary on customer contracts. Performance obligations are fulfilled in accordance with the work performed.

Spinnova considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, penalties for delay). In determining the transaction price for the sale of services, Spinnova considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

The typical payment terms of Spinnova's sales contracts are 14 to 60 days. Spinnova does not typically have any special payment terms.

In accordance with Spinnova's sales contracts, Spinnova has a right to consideration from a customer in an amount that corresponds the value of service completed to date. Spinnova recognises the revenue in the amount to which it has a right to invoice, and thus Spinnova applies the practical expedient in accordance with IFRS 15 related to the disclosure of allocation of transaction price to the remaining performance obligations.

Variable consideration

If the consideration in a contract includes a variable amount, Spinnova estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Spinnova has no significant variable considerations.

Significant financing component

Spinnova may receive advance payments from customers for the sale of its goods and services. There is not a significant financing component for these contracts considering the length of time between the customers' payment and the transfer of the equipment/services.

Spinnova applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

Warranty obligations

Spinnova does not provide any warranties to its customers that would be considered as separate performance obligations. Spinnova typically only provides warranties for general repairs of defects that existed at the time of sale, as required by law.

Contract balances**Trade receivables**

A receivable represents Spinnova's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 5.3 Financial assets and liabilities.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which Spinnova has received consideration (or an amount of consideration

is due) from the customer. If a customer pays consideration before Spinnova transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when Spinnova performs under the contract.

Other principles

Spinnova's contracts with customers do not include non-cash considerations.

Disaggregated revenue information

Set out below is the disaggregation of Spinnova's revenue from contracts with customers:

Internal/External sales

EUR (thousand)	31.12.2022	31.12.2021
Sales to Joint Ventures*	23 941	5 586
Direct Sales	338	476
Total	24 279	6 063

* Sales to single customers exceeding 10 per cent or more of company's total revenue; Woodspin EUR 23 158 thousand in 2022 and EUR 4 153 thousand in 2021. Respin EUR 1 433 thousand in 2021.

Geographical markets

EUR (thousand)	31.12.2022	31.12.2021
Finland	24 226	5 968
Others	53	94
Total	24 279	6 063

Timing of revenue recognition

EUR (thousand)	2022	2021
Goods and services transferred over time	24 279	6 063
Total	24 279	6 063

Contract balances

Spinnova's contract balances are, as follows:

EUR (thousand)	31.12.2022	31.12.2021	1.1.2021
Trade receivables	5 558	5 007	524
Contract liabilities	34	329	12

3.2. Other operating income and expenses

Other operating income

Other operating income includes income that is not directly related to income from Spinnova's operating activities. Spinnova's other operating income consists of rental incomes.

Government grants – Accounting principle

Government grants are recognised where there is reasonable assurance that the grant will be received, and all conditions attached will be met. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as a reduction in the cost of the related asset.

EUR (thousand)	2022	2021
Other income	92	90
Total other operating income	92	90

Other operating expenses

Other operating expenses include other expenses than costs of goods sold.

The other operating expenses consist mainly of voluntary personnel costs, premises and machinery costs, marketing and administrative expenses and IT costs. Short-term and low-value leases included in the premises and equipment are presented in more detail in the note 4.4. Leases.

EUR (thousand)	2022	2021
Other personnel costs	-560	-350
Premises and equipment	-1 006	-567
Corporate and administrative expenses	-1 481	-1 271
Other expenses*	-367	-1 503
Total Other Operating expenses	-3 414	-3 691

*Other expenses include among other vehicle and travelling expenses. In addition, in 2021 other costs related to IPO.

Audit fees

EUR (thousand)	2022	2021
Audit fees	-28	-32
Engagements referred to in the Auditing Act 1.1.2 §	0	-417
Tax services	-5	-11
Other services	-43	-4
Total audit fees	-76	-464

Government Grant details

On 5 November 2021, ELY centre of Central Finland granted a development subsidy worth EUR 604 thousand to Spinnova's estimated EUR 2.42 million investment in an industrial scale in-house yarn spinning facility. The development subsidy is split into two categories with different requirements: Investments and Development. The project period spanning from 14 October 2021 to 31 May 2023. As of 31 December 2022, Spinnova has not received any funding related to the grant yet.

On 16 September 2022, Business Finland granted a development subsidy worth EUR 1 603 thousand to Spinnova's estimated EUR 3,2 million research and development project around Spinnova's fibre research and development. As of 31 December 2022, Spinnova has not received any funding related to the grant yet.

3.3. Materials and services

Accounting principles

Materials and service expenses are expenses related to ordinary operating activities. Most of the materials and services purchased during the financial year 2022 were related to the technology delivery and proof-of-concept delivery projects to Spinnova's joint venture companies, Woodspin and Respin. Spinnova recognises expenses at cost.

Materials and service expenses

EUR (thousand)	2022	2021
Materials	-17 398	-4 073
Services	-5 718	-946
Total materials and services	-23 116	-5 020

3.4. Employee benefit expenses

Accounting principles

Spinnova provides to its employees' statutory pension benefits according to standard regulatory practice in Finland. Spinnova's post-employment benefit plans are defined contribution-based plans. In the defined contribution-based plans, Spinnova pays fixed contributions to a pension insurance company. After that, Spinnova does not have legal obligations to pay any additional amounts related to the defined contribution plans. The payments made on the defined contribution plans are recognised in the profit and loss statement during a financial period to which they relate.

Employee benefit expenses

EUR (thousand)	2022	2021
Wages and salaries	-5 773	-2 742
Social security costs	-386	-198
Pension expenses	-1 039	-567
Share-based payments	-1 516	-2 861
Total employee benefit expenses	-8 714	-6 368

Average number of permanent employees

	2022	2021
Average number of permanent employees during the period	67	49

Share-based payments

Please see information regarding share-based payments in note 3.5. Share-based payments.

Salaries, fees and benefits paid for the Board of Directors and for Spinnova's management

Please see the note 6.1. Related party transactions for information regarding compensation to Board of Directors, the CEO and Spinnova management team.

3.5. Share-based payments

Accounting principles

Share based incentive programs are valued at fair value on the grant date based on the gross number of shares awarded, recognised as an expense in the statement of profit and loss during the period in which the conditions are met (Vesting period) and with the corresponding adjustment to the equity.

Employees, including senior executives, of Spinnova receive remuneration in the form of share-based options payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

At each reporting date, Spinnova revises its estimates on the amount of share-based payments that are expected to vest. The impact of the revision to previous estimates is accrued as other personnel expenses with corresponding entry directly to equity. The historical development of Spinnova's share price and the expected dividends have been taken into account when calculating the fair value. Spinnova does not have cash-settled share-based payment programs.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense (Note 3.4.), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and Spinnova's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of Spinnova's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 3.8.).

Description of the share-based payments plans

Spinnova has four separate option plans for its key personnel and one for a board member, which have been initiated between 2018 and 2022. The purpose of Spinnova's option plans is to align interests of Spinnova and its key personnel, motivate the employees to own Spinnova's shares, increasing their commitment and thus increase the shareholder value in the long term. All of these programs are equity settled transactions and thus, Spinnova (as a parent company) does not have any cash-settlement alternatives. Based on the option programs, a total of 7 131 590 shares can be subscribed by the key personnel of Spinnova.

Spinnova has executed two share splits of which the first took place in May 2020 where the number of shares was multiplied by 10, and the second split in May 2021 where the number of shares was multiplied by 30. The effect of the splits has been taken into account in the ongoing option programs by amending the programs under influence. Information and figures presented below related to the option plans initiated in 2018 and 2020 are detailed as they are in their current state. The amendments related to the plans due to the stock splits did not affect to the terms and conditions of these programs nor changed the rights of the participants.

Regarding each of Spinnova's option plans, in case the stock option holder's employment or engagement with the company ceases, the holder of the options has 14-days' period to settle the exercisable options that have been vested. The option plans are equity settled and thus, each plan entitle the option holders only to subscribe for shares and no cash alternatives are offered. Spinnova has no right or obligation to settle the options in cash. The options shall not be assigned, transferred or pledged to a third party without consent of the Board of Directors. The owner's right for the dividends arises only when the options are exercised and registered.

Option Plan 2018 – (OP 2018)

The Board of Directors of Spinnova decided on 20 December 2018 to establish a share-based option plan for Spinnova's key personnel, with a grant date of 1 January 2019. Based on the amendments made for the programme due to the stock splits during the option plan period presented above, the programme entitles option holders to subscribe in a total of 1 500 000 options, including a right of purchasing one share each (1:1) at a subscription price of 1.13 EUR per share.

The stock options are vesting and become exercisable over the 48 months (4 years) on equal annual instalments (1/4) following the first anniversary of the grant date. The options become instantly exercisable, when company performs an IPO or if over 50% of the shares or if the operations or a significant component of the operations are sold to a third-party. The programme does not have any market or non-market vesting conditions.

Due to the IPO Spinnova has performed during the reporting period, options in the option plan 2018 vested immediately and became exercisable. As the subscription period of the programme lasts until 31 December 2028, the contractual term of each option granted is ten years.

Option Plan 2020 – (OP 2020)

The Board of Directors of Spinnova decided on 30 December 2020 to establish a share-based option plan for Spinnova's key personnel, with a grant date of 30 December 2020. The program consists of an equal amount of stock options A and B. Based on the amendment made for the programme due to the stock split during the option plan period presented above, the programme entitles option holders to subscribe a total of 3 091 590 options, including a right of purchasing one share each (1:1) at a subscription price of 2.74 EUR per share.

The class A stock options vest and become exercisable over the 48 months (4 years) on equal quarterly instalments (1/16) following the first anniversary of the grant date. The Class A options' vesting is accelerated in the event of a change of control or sale of substantially all assets, but not by the First North Listing. The last date of exercising the options is 31 December 2030. The A options do not have market or non-market vesting conditions.

Vesting for B options is conditional based on the Spinnova's pre-money valuation after listing to the First North as follows: One half of the B options vests if Spinnova's pre-money valuation reaches more than 400 million EUR. The remaining half vests if Spinnova's pre-money valuation reaches over EUR 1 billion. Class B options do not have non-market vesting conditions. One half of the B options vested in 2021 after Spinnova's IPO. The costs arising from the second half of the Class B options is recorded to the period ending in 2025.

Vesting is accelerated for both stock classes in the event of a change of control or sale of substantially all assets. As the subscription period lasts until 31 December 2030, the contractual term of each option granted is ten years.

Option Plan 2022 – (OP 2022)

The Board of Directors of Spinnova decided on 25 May 2022 to establish a share-based option plan for Spinnova's key personnel. The program consists of an equal amount of two branches of stock options, A and B, totalling 2 500 000 options including the right of purchasing one share each (1:1).

The plan is divided into four different grant date and fair value date, which are identified as following symbols: 2022A1, 2022B1, 2022A2, 2022B2, 2022A3, 2022B3. Option plans with respective numbers after each tranche letter describes the timely order. Grant tranches 2022A1 and 2022B1 were granted on 5 May 2022; 2022A2 and 2022B2 were granted on 14 September 2022 and 2022A3 and 2022B3 were granted on 29 November 2022.

The Class A stock options in each tranche become vested in instalments over a period of four years as follows: 25% of the class A options will vest on the first anniversary of the issue date. The remaining 75% of the A options will vest in six equal instalments every six months following the first anniversary of the issue date, so that the last instalment will vest on the fourth anniversary of the issue date. The Class A options will not vest during unpaid leaves. Class A options do not have market or non-market conditions.

The Class B stock options become vested on the basis of the company's share price in the Nasdaq First North exceeding the thresholds for the first time described as follows: first 20% vests when the stock exceeds share subscription price multiplied by 1.4, with a threshold not less than EUR 10.5. Next 25% vests when the stock exceeds share subscription price multiplied by 1.9, with a threshold not less than EUR 14.9. Following 25% vests when the stock price exceeds share subscription price multiplied by 2.6, with a threshold not less than EUR 20. The last 30% of the B options vests when the stock price exceeds share subscription price multiplied by 3.7 with a threshold not less than EUR 28. Class B options do not have non-market conditions. Expenses arising from Class B options are recorded for periods ending between 31 December 2024 and 31 December 2026.

The subscription period for the stock options expires on 31 December 2030, the contractual term for each option granted is eight years.

Option Plan 2022 – Board Member – (OP 2022 BOD)

The Board of Directors of Spinnova decided on 10 May 2022 to establish a share-based option plan for a member of Spinnova's Board of Directors. The program consists of equal amounts of two branches of stock options, A and B, totalling 40 000 options including the right to purchasing one share each (1:1). The stock option program has a similar contractual framework and conditions to the 2022 stock option program presented above.

The fair value of the share options is estimated at the grant date using a binomial option pricing model taking into account terms and conditions on which the share options were granted. However, performance conditions attached into B tranches of plans 2020 and 2022 are only considered in determining the number of instruments that will ultimately vest.

The expense recognised for employee services received during the year is shown in the following table:

EUR (thousand)	2022	2021
Option Plan 2018	–	–662
Option Plan 2020	–993	–2 199
Option Plan 2022	–488	–
Option Plan 2022 for board members	–35	–
Total expense arising from share-based payment transactions	–1 516	–2 861

There were no cancellations or modifications to the awards in 2022 or 2021.

Movements during the year

The following table illustrates the movements in company's share split adjusted number of share options during the year (excluding share appreciation rights):

2022	OP 2022 BOD	OP 2022	OP 2020	OP 2018
Outstanding on 1 January	–	–	2 382 120	1 423 920
Granted during the year	40 000	1 666 000	–	–
Forfeited during the year	–	–	–470 970	–
Exercised during the year	–	–	–750	–293 880
Expired during the year	–	–	–	–
Outstanding on 31 December	40 000	1 666 000	1 910 400	1 130 040
Exercisable on 31 December	–	–	1 110 930	–

2021	OP 2022 BOD	OP 2022	OP 2020	OP 2018
Outstanding on 1 January	–	–	966 120	1 245 000
Granted during the year	–	–	1 416 000	247 500
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–68 580
Expired during the year	–	–	–	–
Outstanding on 31 December	–	–	2 382 120	1 423 920
Exercisable on 31 December	–	–	1 472 010	1 368 750

Valuation models and key assumptions used

The following tables list the inputs to the models used for the four plans for the years ended 31 December 2022 and 2021 respectively:

2022	OP 2022 BOD	OP 2022	OP 2020	OP 2018
Weighted average fair values at the measurement date (€)	3.13–3.83	2.06–4.80	13.65–380.83	14.06–53.10
Dividend yield (%)	0%	0%	0%	0%
Expected volatility (%)	43.90%	41.5%–47.4%	37.3% – 46.9%	36.3% – 40.1%
Risk-free interest rate (%)	1.40%	1.4%– 2.5%	–0.4% – 0.0%	–0.4% – 0.5%
Expected life of share options (years)	8	8	10	10
Weighted average share price (€)	7.36	21.82	82.50	14.64
Model used	Binomial	Binomial	Binomial	Binomial

2021	OP 2020	OP 2018
Weighted average fair values at the measurement date (€)	13.65–380.83	14.06–53.10
Dividend yield (%)	–	–
Expected volatility (%)	37.3% – 46.9%	36.3% – 40.1%
Risk-free interest rate (%)	–0.4% – 0.0%	–0.4% – 0.5%
Expected life of options years	10	10
Weighted average share price (€)	82,5	14,64
Model used	Binomial	Binomial

The share-based payment programs have several grant dates, which have a specific volatility, risk-free interest rate, and grant date fair value. These are projected as ranges in the table above.

Volatility

Estimated volatility of shares used in determining the fair value of the stock options is based on historical volatility of Spinnova's shares, where available, and historical volatility of Spinnova's peer companies shares.

3.6. Financial income and financial expenses

Accounting principles

The financial income of Spinnova consists of fair value gains from fund investments. The financial expenses relate mostly to loans from credit institutions and fund investment losses.

Spinnova recognises financial income and expenses in the period during which they are incurred. Interest income and expenses are recognised using the effective interest method. Further information regarding the financial instruments is presented in the sections 5.1. – 5.3. Investments recognised at fair value through profit or loss are presented in Note 5.5.

Financial income

EUR (thousand)	2022	2021
Gains from fair valuation of financial instruments	0	26
Other finance income	1	1
Total financial income	1	26

Financial expenses

EUR (thousand)	2022	2021
Interest on debts and borrowings	–135	–5
Interest expenses from leases	–32	–27
Losses from fair valuation of financial instruments	–1 573	–281
Other finance costs	–127	–179
Total financial expenses	–1 867	–492

3.7. Income tax

Accounting principles

Current income tax

Income taxes are comprised of tax recognised on the taxable income for the financial year in addition to deferred taxes. Taxes for the items recognised in the statement of profit and loss are included in income taxes in the statement of profit and loss. The tax effect for items recognised directly in the other comprehensive income statement (OCI) is also recognised in other comprehensive income (OCI).

Taxes based on taxable income are recorded according to the local tax rules using the appropriate tax rate. If there is uncertainty included in the interpretation of the income tax rules, Spinnova estimates if the company is able to fully utilise the tax position that is stated in income tax calculations. If necessary, tax bookings are adjusted to reflect the changes in tax position.

Deferred tax

A deferred tax asset or liability is recorded on temporary differences arising between the tax bases of assets and liabilities and their financial statement carrying amounts at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. The most significant temporary differences in Spinnova arise mainly from share-based payments, leases and fair valuation of financial assets and liabilities through profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax liabilities are recognised in the balance sheet in full.

Spinnova offsets the deferred tax assets and deferred liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity.

Direct taxes

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

EUR (thousand)	2022	2021
Deferred taxes	-107	-133
Income tax total	-107	-133

Tax rate reconciliation

EUR (thousand)	2022	2021
Profit before income tax	-14 853	-10 929
Tax calculated at parent's tax rate of 20% (2021 20%)	2 970	1 926
Non-deductible expenses	-254	-639
Income not subject to tax	0	1 614
Confirmed losses, of which no deferred tax assets recorded	-2 824	-3 035
Income taxes	-107	-133

Spinnova paid no income tax for financial years 2021 and 2022.

Deferred tax**Deferred tax assets 2022**

EUR (thousand)	1.1.2022	Recognised in profit or loss	31.12.2022
Leases	3	2	4
Revaluation of financial assets at fair value through profit and loss	56	-9	47
Total	59	-7	52

Deferred tax assets 2021

EUR (thousand)	1.1.2021	Recognised in profit or loss	31.12.2021
Leases	0	3	3
Revaluation of financial assets at fair value through profit and loss	0	56	56
Total	0	59	59

Deferred tax liabilities 2022

EUR (thousand)	1.1.2022	Recognised in profit or loss	31.12.2022
Revaluation of financial assets at fair value through profit and loss	5	-5	0
Recognition of intangible assets	316	105	421
Total	321	100	421

Deferred tax liabilities 2021

EUR (thousand)	1.1.2021	Recognised in profit or loss	31.12.2021
Revaluation of financial assets at fair value through profit and loss	0	5	5
Recognition of intangible assets	130	186	316
Total	130	191	321

Confirmed losses

Confirmed losses expire in 10 years. Tax losses expire as follows:

EUR (thousand)	2022	2021	1.1.2021
Due in 5 years	1 185	0	0
Due later than in 5 years*	37 567	25 337	10 416
Total	38 752	25 337	10 416

*The loss of Spinnova Ltd for the period of 2022 is yet not approved by the tax authorities. The loss in 2022 was EUR 13 415 thousand and the loss in 2021 EUR 14 921 thousand.

3.8. Earnings per share**Accounting principles**

Basic EPS figures are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS figures are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Earnings per share, basic

	2022	2021
Profit attributable to ordinary equity holders of the parent, EUR (thousand)	-15 123	-9 980
Weighted average number of ordinary shares, thousand*	51 332	43 134
Earnings per share, basic and diluted	-0.29	-0.23

* The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

The company's potential dilutive instruments consist of stock options. As the company's business has been unprofitable, stock options would have an anti-dilutive effect and therefore they are not taken into account in measuring the dilutive loss per share. Thus, there is no difference between the undiluted and diluted loss per share.

4. CAPITAL EMPLOYED

4.1. Associates and Joint Ventures

Accounting principles

Joint Ventures are companies controlled by Spinnova and another external party, where both have joint control of the joint venture. Spinnova has two joint venture arrangements, Woodspin Oy and Respin Oy. Both are domiciled in Finland. Suzano S.A. is the co-investor in the Woodspin joint venture (incorporated on 14 May 2021). Spinnova and Suzano have an equal 50% ownership. KT Trading AG (ECCO) is the co-investor in the Respin joint venture (incorporated on 15 January 2021). Spinnova and ECCO have an equal 50% ownership. Both joint ventures' financial periods end on 31 December, thus there are no timing related differences in relation to reported financial information. The financial statements of the joint ventures are prepared according to Finnish accounting standards (FAS) and restated by Spinnova with relevant IFRS adjustments for group consolidation and IFRS reporting purposes. Spinnova recognises the joint ventures in the consolidated financial statements by applying the equity method.

Summarised balance sheet

EUR (thousand)	31.12.2022	31.12.2021
Assets		
Total Non-current assets	53 597	5 903
Current assets, not including cash	2 000	1 417
Cash and cash equivalents	3 094	2 602
Total current assets	5 094	4 019
Total assets	58 691	9 922
Equity and liabilities		
Total Equity	28 715	5 472
Non-current liabilities		
Other non-current liabilities, excluding deferred tax	22 032	-
Deferred tax liabilities	-	-
Total non-current liabilities	22 032	-
Current liabilities		
Other current liabilities, excluding taxes payable	7 944	4 449
Total current liabilities	7 944	4 449
Total liabilities	29 976	4 449
Total equity and liabilities	58 691	9 922

Summarised statement of profit or loss

EUR (thousand)	1.1.–31.12.2022	1.1.–31.12.2021
Revenue (net sales)	-	-
Cost of sales	-	-
Administrative expenses	-1 167	-28
EBITDA	-1 167	-28
EUR (thousand)	1.1.–31.12.2022	1.1.–31.12.2021
Depreciation and amortisation	-346	0
Operating profit (EBIT)	-1 513	-28
Total Financial income and expense	4	0
Profit before tax	-1 508	-28
Income tax	1	0
Profit for the financial period	-1 508	-28
Total Comprehensive income for the period	-1 508	-28
Spinnova's share of profit/loss for the year	-754	-14

Spinnova did not have any goodwill or other adjustments arising from Joint Ventures. Beyond Joint Ventures, Spinnova did not have any joint operations.

Changes in the carrying amount of the joint ventures

During the financial period of 2021 Spinnova invested EUR 1 750 thousand as a direct investment to Woodspin Oy. The EUR amount equals the share capital of the equity paid by Suzano. During financial period of 2022 Spinnova invested EUR 12 250 thousand into Woodspin Oy, which equals the amount paid by Suzano.

Respin Oy's net worth increased in 2022 by EUR 250 thousand and in 2021 by EUR 2 000 thousand due to investments made by ECCO according to the Joint venture agreement. Within the same time period Spinnova did not invest in Respin according to the joint venture agreement. Book value of Respin's shares equal 50% of Respin's net worth adjusted with the elimination of internal sales margin.

Reconciliation of net worth of joint ventures and book value of the joint ventures

EUR (thousand)	2022	2021
Net worth 1.1.	5 472	–
Additions	24 750	5 500
Profit (loss) of the period	–1 508	–28
Net worth 31.12.	28 715	5 472
Spinnova's share (50%)	14 357	2 736
Elimination of internal profit margin on sold assets to Respin	–222	–201
Book value 31.12.	14 136	2 535

Spinnova's joint venture, Woodspin Oy, combines Spinnova's technology capabilities with the wood-based raw material, micro fibrillated cellulose (MFC), provided by Suzano to develop, produce, and sell textile fibres.

Spinnova's participation in Woodspin is a joint arrangement as it fulfils the requirements in a contractual arrangement with Suzano S.A. Both parties are in joint control of the arrangement as each owns 50% of the joint arrangement. Both parties have equal voting rights in the board of directors, each appointing three members out of the six total, as long as the parties retain at least 50% of the shares. The right to appoint the chairman of the board rotates with one-year intervals between the parties. Spinnova and Suzano as co-investors have established Woodspin as a separate Finnish limited liability company. Woodspin, for this purpose is classified as a separate vehicle. The legal form of the separate vehicle is relevant when assessing the type of joint arrangement. The rights and obligations agreed to by the parties in their contractual arrangements are consistent, or do not conflict, with the rights and obligations conferred on the parties thus leading to the conclusion that Woodspin Oy is classified as a Joint Venture to Spinnova.

Spinnova's joint venture, Respin Oy, combines Spinnova's technology capabilities with collagen originating materials, provided by ECCO to develop and commercialise textile fibres based on the collagen originating materials.

Spinnova's participation in Respin is a joint arrangement as it fulfils the requirements with a contractual arrangement with ECCO. Both parties are in joint control of the arrangement as each owns 50% of the joint arrangement. Both parties have equal voting rights in the board of directors, each appointing three members out of the six total. In alternating years, each partner has the right to name a Chair of the board. Spinnova and KT Trading AG (later as ECCO) as co-investors have established Respin as a separate Finnish limited liability company. Respin, for this purpose is classified as a separate vehicle. The legal form of the separate vehicle is relevant when assessing the type of joint arrangement. The rights and obligations agreed to by the parties in their contractual arrangements are consistent, or do not conflict, with the rights and obligations conferred on the parties thus leading to the conclusion that Respin Oy is classified as a Joint Venture to Spinnova.

4.2. Intangible assets

Accounting principles

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is recorded in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Spinnova does not currently have intangible assets with indefinite useful lives.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

A summary of the policies applied to Spinnova's intangible assets is, as follows:

	Patents & Trademarks	Development costs
Useful lives	Finite (10 years)	Finite (10 years)
Amortisation method used	Amortised on a straight-line basis over the period of the patent	Amortised on a straight-line basis over the period of expected future sales from the related project
Internally generated or acquired	Acquired	Internally generated

EUR (thousand)	Patents and Trademarks	Development costs	Assets under development	Total
Cost				
1.1.2021	787	7 722	705	9 214
Additions	0	993	2 392	3 385
Reclassifications	136	1 361	-1 497	-
31.12.2021	922	10 076	1 600	12 599
Additions	0	680	2 808	3 488
Reclassifications	260	4 073	-4 333	-
31.12.2022	1 183	14 830	75	16 087
Amortisation and impairment				
1.1.2021	-252	-835	-	-1 086
Amortisation	-78	-763	-	-840
31.12.2021	-329	-1 597	-	-1 926
Amortisation	-91	-989	-	-1 080
31.12.2022	-420	-2 586	-	-3 006

Book value, EUR (thousand)

31.12.2022	763	12 243	75	13 080
31.12.2021	593	8 479	1 600	10 672
1.1.2021	535	6 887	705	8 128

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when Spinnova can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale,
- Its intention to complete and its ability and intention to use or sell the asset,
- How the asset will generate future economic benefits,
- The availability of resources to complete the asset,
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in the group of depreciation, amortisation and impairment losses. During the period of development, the asset is tested for impairment annually.

Spinnova capitalises development costs for a project in accordance with its accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Impairment testing of intangible assets

Spinnova assesses the economic value of its intangible assets at each reporting date. The intangible assets result in impairment if the intangible asset is considered to have lower economic value than the carried value of cost less any accumulated amortisation.

Intangible assets are tested following the IFRS guidance for impairment testing. Impairment testing is carried out at Group level. Spinnova monitors intangible assets at Group level. Spinnova has currently only one cash-generating unit.

The recoverable amount from the cash generating unit is determined based on value-in-use calculations. The calculations are prepared following the discounted cash flow method using the management approved estimates for the following year and subsequent development derived from the strategic plans. Terminal year value has been defined based on the long-term strategic plans.

Spinnova has assessed at each reporting date whether there is any indication that the assets would require impairment. Based on the assessment and current status of the intangible assets, no indication of impairment has been identified and no impairment has been recognised for the financial periods ended 31.12.2022, 31.12.2021 and the opening balance as of 1.1.2021.

When assessing the recoverable amounts of cash generating units, management believes that no reasonably possible change in any of the key variables used would lead to a situation where the recoverable amount of the units would fall below their carrying amount.

4.3. Property, plant and equipment

Accounting principles

Property, plant, and equipment consists mainly of machinery and equipment and assets under construction. Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses, if any.

Depreciation of property, plant and equipment before the conversion period has been depreciated with the 25% residual method. The straight-line method will be applied to all machinery and equipment acquired after the conversion period,

since the difference between the residual method and straight-line method has been considered to be insignificant.

A straight-line basis over the estimated useful lives to their residual value, as follows:

- Machinery and equipment 3–5 years,
- Other equipment 3–5 years, if any,
- Assets under construction are not depreciated. The depreciation will begin once the asset is completed. Spinnova reclassifies the assets after completion.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

Sales gains and losses on disposal or transfer of tangible assets are presented in other operating income and expenses. Sales gains or losses are calculated as the difference between the sales price and the remaining acquisition cost.

EUR (thousand)	Machinery & equipment	Assets under construction	Total
Acquisition cost			
1.1.2021	396	-	396
Additions	22	200	222
Disposals	-	-	-
Reclassification	-	-	-
31.12.2021	418	200	618
Additions	78	1 158	1 235
Disposals	-	-	-
Reclassification	-	-	-
31.12.2022	496	1 358	1 853

EUR (thousand)	Machinery & equipment	Assets under construction	Total
Depreciation and impairment			
1.1.2021	-274	-	-274
Depreciation charge for the year	-31	-	-31
Disposals	-	-	-
Reclassification	-	-	-
31.12.2021	-305	-	-305
Depreciation charge for the year	-31	-	-31
Disposals	0	-	-
Reclassification	0	-	-
31.12.2022	-337	-	-337
Book value, EUR (thousand)			
31.12.2022	159	1 358	1 517
31.12.2021	113	200	313
1.1.2021	122	-	122

4.4. Leases

Accounting principles

Spinnova as a lessee

The lease contracts of Spinnova consist mainly of office buildings, office equipment, and vehicles. Lease contracts are valid for a fixed period or until further notice. Spinnova does not have any service contracts that contain an asset for which a right-of-use asset should be recognised in accordance with IFRS 16.

Spinnova assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of use assets

Right-of-use assets are measured at acquisition cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date (less any incentives received), any initial direct costs incurred by Spinnova, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. For contracts that comprise both lease components and non-lease components, the payments are split between these components and non-lease components are expensed as incurred.

Subsequently, the right-of-use assets are measured at initial measurement less accumulated depreciation and impairment losses. The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset and recognised as an expense in the statement of profit and loss.

Lease liabilities

At the inception of the lease, Spinnova measures the lease liability at the present value of the lease payments over the lease term. The lease payments included in the measurement of the lease liability comprise the following payments:

- fixed payments,
- variable lease payments that depend on an index or a rate,
- the price of the purchase option if it is reasonably certain that the option will be exercised by Spinnova, and
- payments of penalties for terminating the lease, if the lease term reflects Spinnova exercising an option to terminate the lease,

The fixed payments consist of the minimum lease payments.

Lease payments are discounted by using the lessee's incremental borrowing rate since the interest rates are not easily available in the lease contracts. Spinnova's incremental borrowing rate is determined based on financing offers received and market conditions and it is reviewed annually. Further information regarding the incremental borrowing rate has been disclosed in the note 5.1. Financial risk management.

Interest expenses on lease liabilities are recognised in financial items in the statement of profit and loss over the lease term. The lease liabilities are subsequently measured at initial recognition less lease payments that are allocated to the principal.

For the contracts with extension options, Spinnova applies judgement to evaluate whether it is reasonably certain that the extension option will be exercised. Extensions for the leases are included in the lease liability when the lease term is reasonably certain to be extended.

When determining the lease term for the contracts that are valid until further notice, Spinnova takes into account the company's short and mid-term planning and strategy. The estimates of the lease terms are updated at each reporting date.

Short-term lease contracts and contracts of low-value assets

Spinnova applies the exemptions applicable to short-term lease contracts (lease period 12 months or less), and for lease contracts for which the underlying asset is of low value. These lease contracts are not recognised in the statement of financial position but booked as expenses when the costs are incurred. Lease expenses recognised for short-term leases and low-value assets are presented more in detailed below. These items are presented as part of other operating expenses, which are presented in note 3.2. Other operating income and expenses.

Subleases

In accordance with IFRS 16, Spinnova has recognised one sublease with its related party, Suzano Finland Oy. A sublease is a transaction where the underlying asset (office space) is re-leased by a Spinnova to a third party (Suzano) where the lease between Spinnova and the lessor is in effect. The sublease is in relation

to the office space used by Suzano, where Spinnova retains all the rights and risks related to the property, as the risks and rewards have been deemed to stay with Spinnova, the lease is considered as an operating lease.

During the conversion period Spinnova has recognised the sublease income in other operating income and the expenses in other operating expenses.

Right-of-use assets

EUR (thousand)	Right-of-use assets, buildings	Right-of-use assets, vehicles	Total
1.1.2021	1 088	33	1 121
Additions	259	34	293
Disposals	0	0	0
Depreciations for the financial year	-350	-18	-369
At 31.12.2021	996	49	1 046
1.1.2022	996	49	1 046
Additions	1 309	0	1 309
Disposals	0	0	0
Depreciations for the financial year	-489	-27	-517
31.12.2022	1 816	22	1 838

Lease liabilities

EUR (thousand)		2022	2021
1.1.		1 058	1 121
Additions		1 309	293
Lease payments		-540	-383
Interest expenses		32	27
31.12.		1 859	1 058

EUR (thousand)	31.12.2022	31.12.2021	1.1.2021
Long-term lease liabilities	1 032	660	819
Short-term lease liabilities	827	398	302
Total	1 859	1 058	1 121

The maturity analysis of lease liabilities is disclosed in Note 5.6. Borrowings and lease liabilities.

Impact of leases on profit and loss statement

EUR (thousand)	1.1.–31.12.2022	1.1.–31.12.2021
Short-term leases	-48	-43
Low value assets	-101	-54
Depreciations of right-of-use assets	-517	-369
Interest expenses from lease liabilities	-32	-27
Total	-698	-493

The cash flows arising from lease contracts during the financial period 2022 were EUR -698 thousand (2021: EUR -493 thousand).

Accounting estimates and management's judgements

The most significant management judgement relates to open-ended lease agreements. For these contracts, management needs to estimate the length of the lease term, which may significantly affect the amounts of right-of-use asset and lease liability as well as the related depreciation and interest expense. Management judgment is also applied in defining the incremental borrowing rate used to calculate the present value of the future lease payments.

4.5. Trade and other receivables**Trade and other receivables****Accounting principle**

Trade and other receivables comprise trade receivables, other receivables and prepayment and accrued incomes.

Trade and other receivables arise from typical business transactions and are non-interest-bearing receivables. Trade receivables are receivables from selling products or providing services to customers in the ordinary course of business. Trade receivables are initially recognised at fair value at inception and recognised as subsequently measured at amortised cost following the classification of financial assets. Other receivables are recognised as cost and are typically including tax receivables and other short-term accruals, which are not considered as financial assets.

Financial assets are further detailed in note 5.3 Financial Assets and Liabilities.

Trade receivables

EUR (thousand)	31.12.2022	31.12.2021	1.1.2021
Trade receivables from external customers	62	575	524
Trade receivables from Joint Ventures	5 496	4 432	-
Total trade receivables	5 558	5 007	524

Trade receivables are non-interest bearing and are generally on terms of 14 to 60 days.

For terms and conditions relating to related party receivables, refer to Note 6.1. Related party transactions.

Other receivables & accruals

Other non-current receivables consist of guarantees related to rented premises. Other current receivables consist of mainly value added tax receivables. Prepayment and accrued incomes comprise mainly accruals of payments and accrual of development subsidy.

EUR (thousand)	31.12.2022	31.12.2021	1.1.2021
Other non-current receivables	135	91	80
Other current receivables	267	311	549
Prepayments and accruals	618	54	86
Total other receivables	1 020	456	715

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due from different customer segments with similar loss patterns (i.e., by public sector and private sector). The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Trade receivables which are over 360 days past due are considered as defaulted. Past due trade receivables are subject to enforcement activity and collection. The collection process is managed by Spinnova's finance department.

Spinnova evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. Thus, the risks are not concentrated, which decreases the amount of expected credit losses.

Spinnova does not hold collateral as security.

Spinnova recognises credit loss provisions for expected credit losses (ECL) on trade receivables in accordance with IFRS 9. For analysing and recognition of ECL regarding trade receivables, the simplified approach for determining the expected credit losses of IFRS 9 is applied. In this approach the credit losses are based on predetermined credit loss rates by customer category. The rates are determined by past events and external sources.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. For measurement of ECL for trade receivables Spinnova uses a provision matrix, where it has specified fixed provision rates depending on the number of days that a trade receivable is past due. The provision matrix is based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates specific to the client sector-based risk analysis.

At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Expected credit losses have not been recorded from the value added tax that is included in trade receivables. Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets. In the statement of profit and loss, the amount of ECL (or reversal) is recognised as an impairment gain or loss in other operating expenses.

Spinnova's joint ventures, Woodspin and Respin have been excluded from the aging of outstanding trade receivables tables. Due to their funding and payment structures, Spinnova does not consider the joint ventures at risk for default on trade receivables. Based on the 50% ownership of the joint ventures, Spinnova is participating in the decision making at the purchasing side before any sales are agreed, therefore making sure that the expected credit loss is insignificant.

Expected Credit Losses

Spinnova has analysed the trade receivables and the related expected credit losses for the financial period ending 31 December 2022 and the comparative information for the financial period ending 31 December 2021. As a result, Spinnova has not recognised expected credit losses from either of the periods, since the amount of expected credit losses are considered to be insignificant due to the size of the external trade receivables and Spinnova has not had historical credit losses. Spinnova assesses the need for presenting the expected credit losses at each reporting period and when the credit risk arising from its customers changes significantly.

Due to immaterial amount of the external trade receivables, Spinnova did not recognise expected credit losses for the period prior the conversion period and the opening balance 1 January 2021. There are no changes in the expected credit loss valuation methods or assumptions between the comparison periods. Due to immaterial amount of the contract assets on 1 January 2021, 31 December 2021 and 31 December 2022 expected credit loss was not calculated for comparison periods.

4.6. Trade and other payables and contract liabilities

Accounting principle

Trade and other payables consist of payables related to typical business activities such as purchases, employee accruals, tax accruals and tax payables. The payables are recognised at cost or at amortised cost. Spinnova's accrued expenses include expenses, which have not yet been invoiced. Trade payables are typically due between 30–90 days. Contract liabilities include payments received from customers related to Spinnova's sales contract, for which the goods or services are not yet rendered.

EUR (thousand)	31.12.2022	31.12.2021	1.1.2021
Current trade and other payables			
Trade payables	6 501	1 125	301
Contract liabilities	34	329	12
Other payables	184	189	420
Accrued expenses	1 634	962	309
Total current trade and other payables	8 352	2 605	1 042

Other payables consist of social security payments and pay as you earn (PAYE) liabilities. The accrued expenses comprise mainly accrued salaries and vacations. Share of profit from Respin as well as the unrealised margin of the proof-of-concept delivery to Respin is reported in the accrued expenses.

The definitions for contract liabilities are presented in note 3.1 Revenue from contracts with customers.

5. FINANCIAL INSTRUMENTS AND CAPITAL STRUCTURE

5.1. Financial risk management

Financial instruments risk management objectives and policies

Spinnova is exposed to various financial risks in its operations. Spinnova follows its Group Treasury Policy, and its management team monitors entity's exposures and risk framework periodically. Spinnova has proper policies and procedures in place for mitigating against financial risks. Financial risks are identified, measured and managed in accordance with Treasury Policy. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows arising from financial instruments will fluctuate because of changes in market prices or market conditions. Market risk comprises primarily of foreign exchange and interest rate risk. Currently Spinnova does not have significant foreign currency exposures.

In relation to the risk management policy Spinnova estimates the exposure to the relevant market risk's by performing a sensitivity analysis periodically at the end date of each reporting period. The analyses have been prepared on the basis that all other variables are kept constant. For Spinnova, the main risk of which the sensitivity analysis is being made is an interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Spinnova's exposure to the interest rate fluctuations relates primarily to the portion of

Spinnova's long-term debt obligations that have floating interest rates. Spinnova's long-term bank loans that have floating interest rates are connected to Euribor rates. Changes in market interest rates have a direct effect on Spinnova's future interest payments.

Spinnova's policy of reducing the effects of interest rate risk is to maintain a predefined balance between the total amount of loan instruments acquired and liquidity position. The management assesses the interest rate risk at each reporting date to implement procedures required to maintain a stable interest rate environment. Spinnova has the ability to renegotiate the terms of the financial instruments in case the market environment and interest rate environment changes significantly.

Interest rate sensitivity

The sensitivity analysis of interest rate risk relates to the position as of 31 December 2022 and 2021 as a reference. The following table demonstrates the sensitivity to an estimated reasonably possible changes in the interest rates, based on following assumptions that has been made:

Spinnova's borrowings, which consist of one bank loan and two loans from the State treasury. The bank loan's effective interest rate is based on 12-month Euribor + margin and the effective interest rate of the loans from state treasury are based on base rate of interest confirmed by the Ministry of Finance. Since the base rate of interest confirmed by Ministry of Finance is driven by the 12-month Euribor, it is concluded that the sensitivity analysis should be performed with the 12 month Euribor for all three loans.

The changes in the interest rate level are shown in full without considering the possible effects of contractual interest rate floors related to loans. With all other variables kept constant and the interest rate is changed by 1%, Spinnova's profit before tax and equity is affected through the impact on floating rate loans, as follows:

EUR (thousand)	Increase/ decrease in %	Effect on profit before tax	Pre-tax effect on Equity
2022			
12-month Euribor	+1%	-67	-67
12-month Euribor	-1%	67	67
2021			
12-month Euribor	+1%	-68	-68
12-month Euribor	-1%	68	68
1.1.2021			
12-month Euribor	+1%	-67	-67
12-month Euribor	-1%	67	67

For interest bearing financial liabilities the interest rate range is between 1%–2.4% during the reporting period. The maximum exposure to the interest rate risk includes all the loans, which have floating interest rate. Spinnova had EUR 6 403 thousand (2021: EUR 6 943 thousand and 1 January 2021: EUR 6 750 thousand) floating interest rate loans.

Additionally, Spinnova has fund investments, which are relatable to low-risk fixed income investments. The investments included in the current assets are highly liquid and can be sold at the current market prices quickly if needed. Therefore the interest rate risk related to these investments does not have a significant impact on Spinnova's profit.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate due to changes in foreign exchange rates. Spinnova's exposure to the foreign currency risk relates primarily to the operating activities, when revenue or expense is denominated in a foreign currency.

Spinnova does not currently have significant foreign currency exposures. Therefore, the sensitivity analysis related to foreign currencies is not relevant for Spinnova.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a potential financial loss. Spinnova's exposure to the credit risk relates primarily to the operating activities, which include such items as trade receivables and cash balances.

However, credit risk arising from trade receivables is not considered to be significant since majority of current trade receivables arise from joint ventures and large manufacturing companies. Bank balances and investments in funds are held in well regarded financial institutions, so the respected credit risk is low. For more information about credit risk arising from joint ventures, please, see note 4.5.

Liquidity risk

Liquidity risk is the risk that existing funds and borrowing facilities become insufficient to meet the business needs or that extra costs are incurred in order to arrange such funds and borrowing facilities. Spinnova monitors its available funds and maturity analysis as the basis for concluding the cash requirements. The management assesses forecasts for short and long-term needs of the related cash flows to maintain the liquidity requirements and the funding needs.

Spinnova's objective is to maintain a balance between continuity of funding and flexibility through use of liquid assets such as bank balances and investments in funds, and if necessary, bank loans. Spinnova's liquid assets are large compared to the loan instruments, and therefore the group does not face a significant exposure for the liquidity risk. Please see further information regarding the liquid assets in the note 5.4. Liquid Funds. For more detailed information of financial liabilities and the Maturity analysis related, which presents the relevant cash outflows for the foreseeable future, please see note 5.6.

Spinnova has considerable head room under its covenants at their current position. Spinnova has not had any repayment events caused by breaches of covenants. However, terms of a covenant were changed in 2021 due to a breach of compliance related to the foundership covenant.

Please see further information regarding the covenants in the note 5.6. Borrowings and lease liabilities and 5.7. Capital management.

5.2. Fair value measurement

Spinnova measures financial instruments at fair value at each balance sheet date. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in note 3.5. Share-based payments.

Accounting principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal or in the most advantageous market accessible by Spinnova for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Spinnova uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value estimation

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Available quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques, for which the lowest level input that is significant to the fair value measurement and it is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable and require independent consideration and judgement from the valuation perspective.

Fair values

Tabular presentation of Spinnova's financial assets and liabilities can be found in Note 5.3.

5.3. Financial assets and liabilities**Accounting principles**

A financial instrument is any contract that forms as a financial asset for one entity and as a financial liability or equity instrument for another entity.

Financial assets

Spinnova's financial assets are measured at fair value at initial recognition at trade date, and are classified as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. The classification is based on the contractual cash flow characteristics of the financial asset and Spinnova's business model for managing the instruments. The impairment of the financial assets is discussed in detail in the risk management section in Note 5.1 Financial risk management.

Amortised cost

Financial assets are classified at amortised cost, if the objective of holding the asset is to collect contractual cash flows and if the cash flows are solely payments of principal and interest. Financial assets which fulfil both of the conditions are subsequently measured using the effective interest rate method (EIR) and are subject to impairment. Any gains or losses from these financial assets are recognised in profit or loss when the asset is derecognised, modified, or impaired.

Spinnova's financial assets at amortised cost include cash and cash equivalents, trade receivables and one capital-protected structured note.

Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit and loss when the financial assets are held for trading and when the collection of cash flows are not based on payments of principal and interest and do not pass the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Spinnova classifies investments in funds at fair value through profit and loss.

Financial assets at fair value through Other comprehensive income (OCI)

Financial assets are classified at fair value through other comprehensive income if the objective of holding the financial asset fulfills both to collect contractual cashflows and to sell the financial asset, and if the cash flows are solely payments of principal and interest. Financial assets at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

At initial recognition Spinnova can make an irrevocable election to classify and measure its equity investments as equity instruments designated at fair value through other comprehensive income when these instruments are not held for sale and when these financial instruments fulfil the requirements of investments to equity instruments under IAS 32.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when Spinnova benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Spinnova does not currently have any financial assets to be classified at fair value through other comprehensive income.

Derecognition of financial assets

Spinnova derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset, and the transfer qualifies for de-recognition. Spinnova continues to recognise the transferred asset to the extent of its continuing involvement. In that case, Spinnova also recognises an associated liability.

Impairment of financial assets

Spinnova recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Spinnova expects to receive, discounted at an approximation of the original effective interest rate.

Further information about ECL is presented in the Note 4.5. Trade and other receivables.

Financial liabilities

Spinnova recognises a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provision of the instrument. Spinnova's financial liabilities are measured at fair value at initial recognition at trade date and are classified as subsequently measured at amortised cost and fair value through profit or loss. The financial liabilities are classified to their respective current and non-current accounts.

At amortised cost

Spinnova's financial liabilities classified at amortised cost are initially recognised at fair value less any related transaction cost and are subsequently measured using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings and trade payables.

Financial liabilities at fair value through profit and loss

Financial liabilities measured at fair value through profit and loss include e.g., financial liabilities which are designated at inception to be subsequently measured at fair value through profit and loss.

Spinnova does not currently have any financial liabilities to be classified through fair value through profit and loss.

De-recognition of financial liabilities

Spinnova de-recognises financial liabilities when, and only when the obligation of a financial liability specified in its respective contract is discharged, cancelled or it expires.

Offsetting of financial instruments

When a certain legal conditions and the intention to settle on a net basis exists, financial assets and liabilities can be offset and the net amount reported in the consolidated statement of financial position, for the entity to realise the assets and settle the liabilities in question simultaneously.

Spinnova does not currently offset its financial instruments.

5.3. Financial assets and liabilities (continue)

Financial instruments by classification 31.12.2022

Financial assets, 2022

EUR (thousand)	Note	Level	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value	Fair value
Non-current financial assets							
Other receivables			-	-	135	135	135
Non-current financial assets total			-	-	135	135	135
Current financial assets							
Trade receivables			-	-	5 558	5 558	5 558
Capital protected structured note			-	-	5 000	5 000	5 000
Investments in funds		1	44 495	-	-	44 495	44 495
Cash and cash equivalents			-	-	33 222	33 222	33 222
Current financial assets total			44 495	-	43 780	88 275	88 275
Financial assets total			44 495	-	43 915	88 410	88 410

Financial liabilities, 2022

EUR (thousand)	Note	Level	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value	Fair value
Non-current financial liabilities							
Interest-bearing loans and borrowings			-	-	5 403	5 403	5 403
Non-current financial liabilities total			-	-	5 403	5 403	5 403
Current financial liabilities							
Interest-bearing loans and borrowings			-	-	1 000	1 000	1 000
Trade payables			-	-	6 501	6 501	6 501
Current financial liabilities total			-	-	7 501	7 501	7 501
Financial liabilities total			-	-	12 904	12 904	12 904

Financial instruments by classification 31.12.2021**Financial assets, 2021**

EUR (thousand)	Note	Level	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value	Fair value
Non-current financial assets							
Other receivables			-	-	91	91	91
Non-current financial assets total			-	-	91	91	91
Current financial assets							
Trade receivables			-	-	5 007	5 007	5 007
Investments in funds		1	99 745	-	-	99 745	99 745
Cash and cash equivalents			-	-	7 317	7 317	7 317
Current financial assets total			99 745	-	12 324	112 069	112 069
Financial assets total			99 745	-	12 415	112 160	112 160

Financial liabilities, 2021

EUR (thousand)	Note	Level	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value	Fair value
Non-current financial liabilities							
Interest-bearing loans and borrowings			-	-	5 943	5 943	5 943
Non-current financial liabilities total			-	-	5 943	5 943	5 943
Current financial liabilities							
Interest-bearing loans and borrowings			-	-	1 000	1 000	1 000
Trade payables			-	-	1 125	1 125	1 125
Current financial liabilities total			-	-	2 125	2 125	2 125
Financial liabilities total			-	-	8 068	8 068	8 068

Financial instruments by classification 1.1.2021**Financial assets, IFRS opening balance sheet 1.1.2021**

EUR (thousand)	Note	Level	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value	Fair value
Non-current financial assets							
Other receivables			-	-	80	80	80
Non-current financial assets total			-	-	80	80	80
Current financial assets							
Trade receivables			-	-	524	524	524
Investments in funds		1	-	-	-	-	-
Cash and cash equivalents			-	-	8 122	8 122	8 122
Current financial assets total			-	-	8 646	8 646	8 646
Financial assets total			-	-	8 726	8 726	8 726

Financial liabilities, IFRS opening balance sheet 1.1.2021

EUR (thousand)	Note	Level	Fair value through profit and loss	Fair value through OCI	At amortised cost	Book value	Fair value
Non-current financial liabilities							
Interest-bearing loans and borrowings			-	-	3 000	3 000	3 000
Non-current financial liabilities total			-	-	3 000	3 000	3 000
Current financial liabilities							
Interest-bearing loans and borrowings			-	-	3 750	3 750	3 750
Trade payables			-	-	301	301	301
Current financial liabilities total			-	-	4 051	4 051	4 051
Financial liabilities total			-	-	7 051	7 051	7 051

5.4. Liquid Funds

Cash and cash equivalents and investments included in the current assets that consist of highly liquid investment funds are an integral part of Spinnova's cash management.

The funds and capital protected structured note included in the current investments are highly liquid and can be sold at the current market prices quickly when needed and therefore the investments are included in the liquid funds of the company.

The objective of Spinnova's cash management is to optimise the amount of working capital and to minimise financing costs through an efficient management of cash flows.

EUR (thousand)	31.12.2022	31.12.2021	1.1.2021
Cash and cash equivalents	33 222	7 317	8 122
Current investments	49 495	99 745	-
Total	82 716	107 062	8 122

Cash at banks earns interest at floating rates based on daily bank deposit rates. Spinnova did not have credit facilities in use for the period. For more details about investments, please, see note 5.5. Investments recognised at fair value through profit or loss and other investments.

Net Cash

EUR (thousand)	31.12.2022	31.12.2021	1.1.2021
Cash and cash equivalents	33 222	7 317	8 122
Current investments	49 495	99 745	-
Net cash excluding leasing liabilities and borrowings	82 716	107 062	8 122
Non-current borrowings	-5 403	-5 943	-3 000
Current borrowings	-1 000	-1 000	-3 750
Lease liabilities	-1 859	-1 058	-1 121
Net Cash total	74 454	99 061	251

5.5. Investments recognised at fair value through profit or loss and other investments

Investments in funds includes investments for equity, bond, and fixed-income funds. These investments are financial instruments measured at fair value at inception and are classified to be subsequently measured at fair value through profit or loss. Spinnova recognises the fair value gains and losses in the statement of profit or loss. Other investments that are not recognised through profit or loss are recognised at amortised cost when the investment is used for collection of principal and interest only. This includes investments to capital protected structured notes.

The funds and capital protected structured note included in the current investments are highly liquid and can be sold at the current market prices quickly when needed.

EUR (thousand)	31.12.2022	31.12.2021	1.1.2021
Investments in funds	44 495	99 745	-
Other investments at amortised cost	5 000	-	-
Total	49 495	99 745	-

All of the fund investments are publicly traded fund investments for which a market price is directly available in the markets.

Change in the fair value EUR (thousand)	Fair value
Balance as of 1.1.2021	-
Acquisition	100 000
Disposal	-
Fair value gain	26
Fair value loss	-281
Other changes	-
Balance as of 31.12.2021	99 745
Acquisition	30 005
Disposal	-78 686
Realised loss	-1 621
Fair value gain	44
Fair value loss	-26
Other changes	33
Balance as of 31.12.2022	49 495

5.6. Borrowings and lease liabilities

Interest-bearing liabilities and net debt

The majority of Spinnova's liabilities consist of borrowings. Spinnova's borrowings consists of three separate loan agreements, of which one is from a commercial financial institution and two are from Business Finland (State Treasury of Finland), which has granted Spinnova more favourable conditions and lower interest rate. The loan from a commercial financial institution includes covenant conditions, which are described in more detail at the end of this section.

Spinnova did not record the below-market rate of interest as a government grant under FAS and will use the IFRS 1 exemption to not record the below-market rate of interest as government grant within the conversion period. Spinnova has recognised interest expense and government grant portion of these loans as interest expense in the statement of profit or loss on a net basis.

Non-current and current borrowing in 2022 consists of a bank loan of EUR 1 750 thousand (EUR 2 750 thousand in 2021) and two loans from State treasury of Finland totalling EUR 4 653 thousand (EUR 4 193 thousand in 2021).

Net debt total

EUR (thousand)	31.12.2022	31.12.2021	1.1.2021
Non-current interest-bearing loans and borrowings	5 403	5 943	3 000
Current interest-bearing loans and borrowings	1 000	1 000	3 750
Lease liabilities	1 859	1 058	1 121
Liquid funds	-82 716	-107 062	-8 122
Net debt total	-74 454	-99 061	-251

Changes in the interest-bearing liabilities

31.12.2022

EUR (thousand)	Opening balance 1.1.	Repayment	Proceeds from borrowings	Other changes	Reporting date balance 31.12.
Non-current borrowings	5 943	-	460	-1 000	5 403
Current borrowings	1 000	-1 000	-	1 000	1 000
Lease liabilities	1 058	-540	-	1 341	1 859
Total changes in interest-bearing liabilities	8 001	-1 540	460	1 341	8 262

31.12.2021

EUR (thousand)	Opening balance 1.1.	Repayment	Proceeds from borrowings	Other changes	Reporting date balance 31.12.
Non-current borrowings	3 000	-	1 193	1 750	5 943
Current borrowings	3 750	-1 000	-	-1 750	1 000
Lease liabilities	1 121	-383	-	321	1 058
Total changes in interest-bearing liabilities	7 871	-1 383	1 193	321	8 001

Maturity Distribution of Financial Liabilities

The maturity distribution of the financial liabilities table below is presenting the cash outflows in relation to Spinnova's financial liabilities. The objective is to present the liquidity requirements for meeting the upcoming outflows on an annual basis. The maturity analysis involves the interest-bearing financial liabilities and IFRS 16 lease liabilities in order to present the actual outflows in relation to all Spinnova's liabilities. Interest expenses included in the maturity distribution tables are calculated using the interest rates of the balance sheet date.

Based on the maturity distribution position Spinnova management facilitates the credit position and liquidity requirement and adjusts Spinnova's credit risk policy.

31.12.2022

EUR (thousand)	Book value	2023	2024	2025	2026	2027	Over 5 years	Total Cash Outflows
Borrowings	6 403	1 112	1 416	1 191	1 180	1 168	606	6 673
Lease liabilities	1 859	902	916	240	-	-	-	2 059
Trade payables	6 501	6 501	-	-	-	-	-	6 501
Total	14 763	8 515	2 332	1 432	1 180	1 168	606	15 233

31.12.2021

EUR (thousand)	Book value	2022	2023	2024	2025	2026	Over 5 years	Total Cash Outflows
Borrowings	6 943	1 110	1 065	1 568	805	797	1 917	7 261
Lease liabilities	1 058	445	465	293	-	-	-	1 202
Trade payables	1 125	1 125	-	-	-	-	-	1 125
Total	9 126	2 680	1 530	1 860	805	797	1 917	9 588

1.1.2021

EUR (thousand)	Book value	2021	2022	2023	2024	2025	Over 5 years	Total Cash Outflows
Borrowings	6 750	3 852	30	30	630	624	1 836	7 002
Lease liabilities	1 121	299	304	304	304	48	-	1 260
Trade payables	301	301	-	-	-	-	-	301
Total	8 172	4 452	334	334	934	672	1 836	8 563

Covenants related to the loan liabilities

Currently Spinnova has the following covenant conditions attached to a one of its three interest-bearing loans: equity ratio above 30%, restriction to sell or transfer asset items in the balance sheet, and an obligation to deliver the financial statements to the financial institution within 30 days of the maximum preparation period set by the accounting act. Based on Spinnova's treasury policy, the groups finance team is responsible of monitoring and ensuring the covenant conditions being met. Possible breaches in the covenants would permit the bank to immediately call loans and borrowings.

In the current reporting period, Spinnova has not had any breaches nor repayment events caused by breaches of covenants. However, in the opening balance of 2021, the total loan was recognised as current liabilities due to the breach of founder ownership covenant. For the non-compliance the group received a waiver from the bank and the non-current portion of the loan was moved back to non-current liabilities in the second quarter of 2021. The loan agreement was updated in June 2021 and the founders' ownership covenant was removed from the loan agreement.

5.7. Capital management

For the purpose of Spinnova's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent. The primary objective of Spinnova's capital management is to maximise the shareholder value.

Spinnova manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, Spinnova may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Spinnova monitors capital using net cash balances and gearing ratio.

Interest-bearing net debt is presented separately in note 5.6. Borrowings and lease liabilities and Net cash is presented in note 5.4 Liquid Funds and Net cash.

EUR (thousand)	2022	2021
Net debt (note 5.5)	(74 454 361)	(99 061 143)
Equity	102 882 716	116 223 343
Equity ratio	86 %	91 %
Gearing ratio	-72 %	-85 %

In order to achieve this overall objective, Spinnova's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

Please see further information regarding the covenants in the note 5.6. Borrowings and lease liabilities.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

5.8. Equity

Equity and capital reserves

Equity consists of share capital, reserve for unrestricted equity, and retained earnings.

Number of shares (thousands)	2022	2021
Total number of shares in the beginning of the period	51 244	34 054
Own shares held in the beginning of the period	-	-
Purchase of own shares	-	-
Transfer of own shares	-	-
Shares issued	295	17 190
Total number of shares at the end of the period	51 538	51 244
Of which own shares held by the parent company	-	-
Shares outstanding at the end of reporting period	51 538	51 244

Dividends

The Board of Directors proposes to the Annual General Meeting that no dividend will be paid for 2022. Spinnova did not pay any dividends in 2021.

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity contains the other equity-related investments and share subscription prices to the extent not to be credited to the share capital.

6. OTHER NOTES

6.1. Related party transactions

Spinnova's related parties consist of the company's subsidiary Spinnova Holdings Oy, the company's exclusive joint ventures with Suzano and ECCO, Woodspin Oy and Respin Oy, respectively, shareholders Suzano, Lenzing AG and Besodos Investors Oy 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 table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. Sales to related parties and receivables consists of sales to Spinnova's related party company, Suzano Finland Oy. Purchases from related parties and liabilities consist of consultancy fees paid to companies controlled by two members of the board of directors Timo Soininen and Harri Sundvik.

Transactions with related parties

EUR (thousand)	31.12.2022	31.12.2021
Sales to related parties	330	406
Purchases from related parties	73	99
Receivables	59	486
Liabilities	-	46

The sales to and purchases from related parties are carried out on usual commercial terms.

Compensation of key management personnel

Key management personnel consist of the members of the Board of Directors, Spinnova CEO and members of Spinnova management team. More details on the remuneration is found in The Remuneration Report 2022.

Compensation of the members of the Board of Directors

EUR (thousand)	2022	2021
Chair of the board	14	12
Other board members	86	24
Total	100	36

Spinnova CEO

EUR (thousand)	2022	2021
Short-term employee benefits	259	238
Post-employment pension and medical benefits*	48	42
Termination benefits	-	-
Share-based payment transactions	66	124
Total compensation paid to CEO personnel	373	404

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Spinnova management team

EUR (thousand)	2022	2021
Short-term employee benefits	879	795
Post-employment pension and medical benefits*	161	140
Termination benefits	-	-
Share-based payment transactions	246	578
Total compensation paid to management team	1 286	1 513

Spinnova's management's total compensation

EUR (thousand)	2022	2021
Short-term employee benefits	1 138	1 033
Post-employment pension and medical benefits*	209	182
Termination benefits	-	-
Share-based payment transactions	312	701
Total compensation paid to key management personnel	1 659	1 917

Total compensation paid to key management personnel incl. Board of Directors	1 759	1 953
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*Spinnova provides voluntary medical expenses insurance to all of its permanent employees. The monetary cost benefit derived from the insurance to a single employee is not considered material, therefore the impact is not included in the table.

Shares owned by the key management

Key management of the company owns directly or through other companies total of 9 278 thousand shares of Spinnova on 31 December 2022.

Transactions with Joint Ventures

The technology delivery related invoicing for the first commercial Woodspin factory started in May 2021 and continued throughout 2022. In addition to technology delivery, Spinnova sold sales and general administration related services to Woodspin during 2022.

Spinnova invested EUR 12 250 thousand into the Woodspin joint venture in line with the JV agreement during 2022.

In May 2021, the company invoiced the first milestone related to the Respin proof of concept technology delivery project, and the second and third milestones were invoiced in December 2022.

EUR (thousand)	31.12.2022	31.12.2021
Sales to related parties	23 850	5 903
Purchases from related parties	99	-
Receivables	5 496	4 432
Liabilities	114	-
Investments made to joint ventures	12 250	1 750

6.2. Contingent liabilities and other commitments

Commitments

Guarantees and pledges given

EUR (thousand)	31.12.2022	31.12.2021
Loans, which are secured with corporate mortgages	1 750	2 750
Corporate mortgage	10 000	10 000

Off-balance sheet financial commitments

EUR (thousand)	2022	2021
Lease commitments*		
Maturing in less than 1 year	119	67
Maturing later	97	33
Total other commitments	216	100

*Lease commitments presented in the table consists of leases for which the lease term ends within 12 months or for which the underlying asset is of low value, such as temporary rental of small premises and small equipment rental. Lease commitments 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 a consideration of EUR 1 750 thousand for such shares. The company made the investment of EUR 1 750 thousand to Woodspin in April 2021.

The Woodspin co-investors agreed that the plant will need additional investments that shall be paid into the reserve for invested unrestricted equity of Woodspin. During the reporting period the co-investors made a decision to increase the capital investment to a total of EUR 31 000 thousand (each of Spinnova and Suzano will invest total of EUR 15.5 million), of which EUR 1 500 thousand per shareholder is remaining as of 31 December 2022. Spinnova has invested total of EUR 14 000 thousand into Woodspin joint venture as of the end of the reporting period.

Addition to the combined investment amount of EUR 31 000 thousand, The Board of Directors of Spinnova decided on 15 February 2023, to grant up to EUR 4 400 thousand of additional equity funding to Woodspin, subject to Suzano's decision to do the same.

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 the Respin joint venture. This amount shall be paid into the reserve for invested unrestricted equity of Respin.

If further equity financing is needed to complete the commercialisation, the Respin co-investors Spinnova and ECCO 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.

Spinnova has not invested any funds into the Respin joint venture as of the end of the reporting period.

6.3. Events after reporting period

21 April 2023 Spinnova's CEO Kim Poulsen stepped down as CEO, and the company's Board of Directors appointed CFO Ben Selby as Interim CEO.

14 June 2023 Spinnova entered into a yarn development cooperation agreement with the Portuguese company Tearfil, where Tearfil will operate Spinnova's R&D yarn-spinning line in Portugal. In 2021 Spinnova announced that it would establish the R&D yarn-spinning line in Finland.

Signatures to the Board of Directors' Report and the Financial Statements

SPINNOVA PLC

Poranen Janne

Chairman of the Board

Salmela Juha

Member of the Board

Kalliokoski Petri

Member of the Board

Sormunen Kirsi

Member of the Board

Liiri Hanna

Member of the Board

Sundvik Harri

Member of the Board

Ramundo Julio

Member of the Board

Selby Ben

Interim CEO

SPINNOVA®

SPINNOVAGROUP.com

+358 20 703 2430

PALOKÄRJENTIE 2-4

FIN-40320 JYVÄSKYLÄ

BULEVARDI 7 C

FIN-00120 HELSINKI

