

Betolar Plc

Half-Year Financial Review

1 January–30 June 2023



Betolar Plc Half-Year Financial Review, 1 January–30 June 2023 (unaudited)

Betolar Plc Half-Year Financial Review 1–6/2023: Strategy implementation continued - successes in development work

April-June 2023 in brief

- Net sales amounted to EUR 88 (7) thousand
- EBITDA amounted to EUR -3,062 (-2,537) thousand
- Cash and cash equivalents and short-term fund investments at the end of the period amounted to EUR 18,514 (33,590) thousand
- The number of new pilot customers was 13 (9)
- The average number of employees was 63 (46)

January-June 2023 in brief

- Net sales amounted to EUR 131 (21) thousand
- Gross margin amounted to EUR 36 (-5) thousand
- EBITDA amounted to EUR -6,186 (-4,517) thousand
- Operating profit (loss) was EUR -7,075 (-4,994) thousand
- Profit for the financial period amounted to EUR -7,031 (-5,438) thousand
- Earnings per share were EUR -0.36 (-0.28)
- Cash and cash equivalents and short-term fund investments at the end of the period amounted to EUR 18,514 (33,590) thousand
- The number of new pilot customers was 18 (14)
- The average number of employees was 64 (49)

Main events during the period

- Promising results of the co-development of low-carbon hollow core slabs with Consolis Parma were announced, with the aim of moving next to the production phase.
- In line with the strategy update, the development focus was shifted from precast concrete products towards higher value structural products.
- In the Waste upcycling -segment, progress was made on the productisation of analcime sands.
- The construction phase of the Innovation centre's extension was completed at the end of the second quarter.
- Betolar's patent on electrical energy storage expanded to European and Indian markets.
- Ilkka Iittiläinen, Chief Operating Officer and Member of the Management Team, resigned from his position and moved to a new position outside the company.

Main events after the period

- Tuija Kalpala (M.Sc., Econ.) was appointed on 31 July 2023 as Chief Operating Officer and Member of the Management Team. She will take up her duties on 1 November 2023 at the latest.

Betolar's consolidated financial statements for the period that ended 30 June 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Committee (IFRIC) in force on 30 June 2023.

The figures in brackets in this report refer to the comparison period, i.e., the same period in 2022, unless stated otherwise. The figures for the comparison period are based on the audited annual

financial statements. All figures are in accordance with IFRS. Betolar transitioned to IFRS reporting in 2022. The half-year information published in the comparison period for the period 1-6/2022 has been restated in this report to correspond to IFRS. More information on the IFRS transition can be found in the transition release published on 21.12.2022.

CEO Riku Kytömäki

We published an updated strategy in March and continued to implement our growth strategy in selected markets in the first half of the year. With precast products, we made new commercial openings in the eastern part of India and in the Middle East. In Europe, we took significant steps in the development of construction elements and research and development activities progressed as planned in the first half of the year.

Despite the exceptionally challenging situation in the construction market, piloting has continued. The slowing down of the construction market gives companies interest in product development the opportunity to pilot and create the next phase of growth capabilities, in particular related to the green transition. We see the downturn in the construction sector as an opportunity for Betolar.

Turnover for January-June grew compared to the previous year. As expected, the operating profit was negative, as we are investing strongly in growth, commercialisation and R&D in line with our strategy. In the precast products segment, we have gained field experience through numerous customers and pilots. These experiences have enabled us to develop a new geopolymers formulation and dosing that further improves product quality attributes such as long-term durability and salt-freeze resistance.

In line with our strategy, we have in the beginning of the year started to shift the development focus from pre-cast concrete products towards higher value-added structural products, with the development of low carbon hollow-core slabs being a key project. In June, we announced with Consolis Parma the promising results of our co-development work, with the aim of moving next to the production phase.

In the Waste upcycling -segment, we made particular progress in the productisation of analcime sands. The battery industry is a major driver, as side stream owners in the battery industry are increasingly seeking solutions to utilise side streams. With the strategy update, Betolar's activities will focus on ensuring access to side streams. We are also working more actively to influence the drivers that determine the growth of the geopolymers market. We therefore started the development of a Waste upcycling service package for side stream owners.

One major policy theme in the EU is the role of regulation and procurement in the circular economy. Current concrete standards in many countries require concrete to be made partly with traditional cement, even though geopolymers can bring even better environmental or technical performance. We are working with cities and international concrete associations to promote the uptake of low-carbon and sustainable circular economy materials in construction.

A healthy organisational culture is essential for us on our growth path. In the spring, we invested in diversity and equality training for our staff and launched our Code of Conduct, which guides every employee and stakeholder to act responsibly and ethically.

Key Figures

(EUR thousand, unless otherwise specified)	4–6 2023	4–6 2022	1–6 2023	1–6 2022	1–12 2022 ⁴
Financial indicators					
Net sales	88	7	131	21	287
Gross margin ¹			36	-5	121
EBITDA ^{1,2}	-3,062	-2,537	-6,186	-4,517	-9,988
Operating profit (loss)			-7,075	-4,994	-11,518
Earnings before interest and tax			-7,051	-5,451	-11,873
Profit (loss) for the financial period			-7,031	-5,438	-11,844
Earnings per share, basic and diluted, EUR ^{1,3}			-0.36	-0.28	-0.61
Cash and cash equivalents and short-term fund investments (at the end of the period) ^{1,2}	18,514	33,590	18,514	33,590	26,624
Operational indicators					
Personnel (average number during the financial period)	63	46	64	49	51
Number of pilot customer ^{1,2}	13	9	18	14	25

- 1) Betolar uses certain indicators (gross margin, EBITDA, earnings per share, cash and cash equivalents and short-term fund investments and number of pilot customers) as half-yearly indicators of operational profitability and business performance. The definitions and calculation formulas of these indicators can be found in the appendix to the report.
- 2) Betolar uses certain indicators (EBITDA, cash and cash equivalents and short-term fund investments and number of pilot customers) as quarterly indicators of operational profitability and business performance. The definitions and calculation formulas of these indicators can be found in the appendix to the report.
- 3) The number of shares used in the calculation of earnings per share is all follows 30 June 2023: 19,551,590, 30 June 2022: 19,517,346, 1-6/2023: 19,541,674, 1-6/2022: 19,480,685 and 31 December 2022: 19,531,757
- 4) The figures for the financial year 2022 have been audited

Market environment

During the period under review, the most significant factors affecting Betolar's operating environment, in addition to the generally challenging economic situation, include the new EU sustainability directives that are driving the green revolution in the construction sector, the competitive environment and the availability of raw materials used in low-carbon concrete. For a broader overview of the operating environment, see Betolar's Annual Report for 2022.

Green transition drivers

The building sector accounts for 37% of global CO² emissions¹. The European Union has adopted a number of directives to promote carbon neutrality. The Energy Performance of Buildings Directive (EPBD) supports the objective of achieving climate neutrality in the buildings sector by 2050. The Directive requires all new public buildings to be zero-emission from 2026 onwards and all new buildings to be zero-emission from 2028 onwards. In addition, the new directives on sustainability reporting for companies and the financial sector (CSRD and SFDR) will have an impact on the entire construction value chain through new reporting obligations.

Competitive environment

In Europe, the competitive environment consists mainly of a few companies offering geopolymers and several companies offering blended cements (CEM II-III). In blended cements, part of the cement clinker has been replaced mainly by ground blast furnace slag (GGBFS) or fly ash. This helps to reduce carbon dioxide emissions caused by cement. However, the challenge with blended cements is that the cement clinker can only be replaced by blast furnace slag or ash up to a certain point, after which the performance characteristics of the concrete, such as bonding and strength development rate, are no longer compliant. This limits the applicability of blended cements. Given the emphasis in Betolar's strategy on other alternative side streams, the reduced availability and increased price of blast furnace slag and fly ash will not have as significant an impact on Betolar's position in terms of raw materials. In addition, the price of activators used in Geoprime has decreased during this year, which improves the competitiveness of the solution.

In Asia, the main competitors are the traditional cement manufacturers. The availability of side streams is a key market driver, and product standards in Asia generally focus on the properties, rather than the raw materials, that create favourable opportunities for non-cementitious binders.

¹ World Green Building Council: [Bringing Embodied Carbon Upfront](#)

Business Review 1–6/2023

Betolar's offering and R&D is currently focused on four product segments: precast products, construction elements, mining, and waste upcycling.

Precast products

The first phase of Betolar's growth strategy has been to commercialise the Geoprime solution for customers manufacturing concrete and infrastructural products, to support them in implementing the solution, and to enable a significant increase in production volumes through ongoing material technology support. Following successful piloting, production volumes have increased, but so far slowly.

During the period, product development has focused on proving long-term durability, which has required more time than expected from both Betolar and customers, and it has also demanded extra evidence to meet the demanding quality standards set by local regulations. Through numerous customers and pilots, we have gained field experience that has enabled us to develop a new geopolymer formulation and dosage that further improves product quality characteristics such as long-term durability and salt-freeze resistance. Continuously evolving materials technology will support a faster transition to larger customer accounts in the next phases.

Concrete product piloting activities with customers continued to be strong both in the Middle East and in India in the Eastern region of the country. New customer acquisition focused on larger concrete product manufacturers willing to invest resources in promoting the green transition in their own production.

In Europe, the focus was on supporting existing customers in adopting the Geoprime solution and on new customer acquisition. To secure Betolar's resources for themselves, more and more customers are also willing to pay for the pilot, indicating their interest and confidence in the Geoprime solution and its business potential.

Alongside building customer relationships, ensuring quality management is at the heart of Betolar's operations. Betolar has carried out customer satisfaction surveys with concrete product customers in Europe and Asia, and the results showed particular satisfaction with Betolar's service capability and technical expertise. Customers were also impressed by the occupational health and safety skills of Betolar's staff.

Construction elements

In January-June, Betolar strengthened its investments in the development and research of structural solutions that have higher added value than concrete products. The most significant development project in this area was the development of a low-carbon hollow-core slab with Consolis Parma, which achieved promising results in the period under review. The new solution makes it possible to reduce the amount of cement to 5%, the minimum required by European standards, while the proportion of blast furnace slag used as a binder has been increased to the maximum permitted by the standards. The hollow-core slab developed with Consolis Parma has up to 75% lower emissions than the conventional product.

Mines

The social licence for the mining industry requires environmentally friendly solutions throughout the life cycle of a mine. The demand for solutions is also underpinned by new mineral strategies in different countries to ensure the availability of critical raw materials in a changing global environment.

The main application areas of Betolar's mining segment are paste backfilling, shotcrete and stabilisation of tailings. In particular, the stabilisation of tailings allows their large-scale recovery and a significant improvement in the environmental safety of the tailings stored in the basins in

terms of dust and water management. During the period, solution development continued in the main application areas with different actors.

Utilisation of side streams (Waste upcycling)

Betolar progressed in its side-stream research to generate new sustainable business from alternative side streams. The fast-growing battery industry is a major driver, and battery side stream owners are increasingly looking for solutions to exploit side-streams. During the period, the development of a Waste upcycling service package for side stream owners was started.

Financial Review 1–6/2023

The Group's net sales in January–June 2023 amounted to EUR 131 thousand (1–6/2022: EUR 21 thousand).

Approximately 70% of the net sales for the reporting period consisted of license and chemical sales in accordance with the Geoprime concept. Part of the net sales came from fees related to payments from customer pilot and product development. The introduction of pilot fees is in line with the company's growth strategy and commits the customer to future productions. Other operating income for the period consisted mostly of grants.

Gross margin in January–June 2023 amounted to EUR 36 thousand (1–6/2022: EUR -5 thousand) and EBITDA totalled EUR -6,186 thousand (EUR -4,517 thousand).

Personnel expenses increased from the comparison period to EUR 3,474 thousand (EUR 1,582 thousand). Staff costs increased during the latter half of 2022 due to the planned reinforcement of the R&D staff, the commercial team and the management team. After an active recruitment phase in 2022, Betolar shifted its focus to increasing operational productivity during the reporting period.

Depreciation, amortisation and impairment amounted to EUR 889 thousand (EUR 478 thousand) and other operating expenses to EUR 2,795 thousand (EUR 2,930 thousand). Other operating expenses relate to the costs of external experts related to research and development activities and the construction of the AI platform. In addition, the company's administrative expenses were high, especially in the early part of the year, and related to business development and marketing and sales efforts.

The Group's operating profit for January–June 2023 amounted to EUR -7,075 thousand (EUR -4,994 thousand).

Net financial income and expenses amounted to EUR 24 thousand (EUR -457 thousand). The company uses short-term interest funds to for investing cash and cash equivalents, which had a positive impact during the financial period.

Earnings before taxes and interest were EUR -7,051 thousand (EUR -5,451 thousand). The result for the financial period was EUR -7,031 thousand (EUR -5,438 thousand).

Financial position and cash flows

Betolar's balance sheet total at the end of the review period stood at EUR 25,187 thousand (30 June 2022: EUR 37,440 thousand). Equity amounted to EUR 19,647 thousand (EUR 32,891 thousand). Equity ratio at the end of the review period was 78 (88) per cent.

At the end of the reporting period, the Group's net debt was EUR -15,475 thousand (EUR -30,734 thousand) and the gearing was -79 (-93) per cent.

Cash flow from operating activities in January–June 2023 was EUR -6,423 thousand (1-6/2022: -4,561 thousand). Net cash flow from operating activities was affected by an increase in personnel costs and other operating expenses.

Cash flow from investing activities was EUR 6,959 thousand (EUR -523 thousand), comprising the company's tangible and intangible assets.

Cash flow from financing activities amounted to EUR -146 thousand (EUR 2,043 thousand). Cash flow from financing activities includes repayments of lease liabilities to the amount of EUR -144 thousand.

Betolar's short-term fund investment at the of the period were EUR 16,956 thousand (30 June 2022: 33,273 thousand). Cash and cash equivalents at the end of the period were EUR 1,558 thousand (EUR 316 thousand) and the change in cash and cash equivalents was EUR 391 thousand (EUR -3,041 thousand). Total cash and cash equivalents and short-term fund investments were EUR 18,514 thousand (EUR 33,590 thousand).

Investments

Investments in tangible and intangible assets during January–June 2023 totalled EUR 2,161 thousand (1-6/2022: EUR 1,220 thousand). During January–June 2023, Betolar has invested EUR 730 thousand in the expansion of the Innovation Centre in Kannonkoski. Investments accounted for 33 (24) per cent of total operating expenses.

Research and Development 1–6/2023

Betolar's research and development activities progressed as planned in the first half of the year. The activities are divided into four areas; research and development, innovation, data platform and digitalisation, and laboratory.

In product development, Betolar moved from precast concrete products towards structural solutions. An extensive test programme continued with Consolis Parma, a manufacturer of precast concrete elements, on the product development of low carbon hollow-core slabs. The development project is moving from factory-scale testing to the production phase. Building company YIT is interested in testing the new hollow-core slabs in its first pilot projects. Using the Geoprime solution developed by Betolar, it is possible to achieve up to 75% lower emissions compared to a traditional product.

The side-stream research programme continued as planned to find viable alternatives to blast furnace slag (GGBFS) and various ashes from the steel industry. The research programme currently covers more than 10 different industrial side streams. Some of these research projects are carried out as paid R&D with side stream owners. In the context of the strategic partnership with Novana (formerly Critical Metals), Betolar continued the SSM slag research programme, moving from laboratory studies to field trials.

Betolar's innovation activities aim to produce completely new solutions that generate business in the long term. During the first year, innovation activities have focused on improving measurement capabilities, exploring new activators, developing new types of side stream treatment methods and advancing equipment solutions. The construction phase of the Innovation Centre extension was completed at the end of the second quarter, allowing the extension to be commissioned during the course of this year.

Through systematic development, Betolar's patent portfolio has also grown rapidly. The primary role of patents is to safeguard the business of Betolar and its customers based on material technology solutions. Therefore, the patent portfolio is also expected to be a significant component of the company's value in the long term. During the period, Betolar's patent on electrical energy storage expanded to European and Indian markets. At the end of the reporting period, Betolar has received approved patents for five inventions. A further eight inventions are in the patenting process.

The development of the AI data platform (Betolar Platform Program) progressed in line with the strategy. Data collection on side streams, customer pilots, Geoprime end-product characteristics, etc. continued as planned. Betolar launched during Q2 a programme to develop data-based value-added services, initially to support customers in identifying opportunities to exploit side streams.

Betolar's own laboratory provides the necessary analyses for research and product development. In response to the increased demand for material analyses, Betolar successfully launched a first phase materials research laboratory activity at the Espoo site during the first quarter. The completion of the extension of the Innovation Centre at Kannonkoski will also allow further enhancement of the laboratory activities there in the future.

Sustainability

One of the main focus areas of Betolar's sustainability is to ensure social responsibility in the construction value chain. During the first half of the year, Betolar's staff was trained in diversity and equality, reflecting the company's focus on social responsibility.

The company's Code of Conduct was also launched, which guides each of Betolar's employees and stakeholders to act responsibly and ethically.

The carbon dioxide emissions of Betolar's business were calculated for the first time and amounted to 3,354 tCO₂e for 2022. Emissions (scope 1, 2 and 3 categories) were calculated according to the internationally accepted and recommended Greenhouse Gas (GHG) protocol. The calculation supports the company's reporting capacity for EU reporting obligations in the near future.

Staff and management

The number of employees at Betolar increased from the comparison period and averaged 64 (49) in January-June. After an active recruitment phase in 2022, Betolar shifted its focus to increasing operational productivity in the period under review.

On 30 June 2023, Betolar's management team consisted of Riku Kytömäki, President and CEO, Riikka Ylikoski, Chief Financial Officer; Ville Voipio, Chief Commercial Officer; Jarno Poskela, Chief Technology Officer; Janne Rauramo, Executive VP for Strategic Partnerships and Antti Uski, Chief Human Resources Officer. During the period, there was a change in the management team when Ilkka Iittiläinen, Chief Operating Officer, moved to new responsibilities outside the company and left Betolar on 2 June. After the period, Tuija Kalpala was appointed as Chief Operating Officer, who will start no later than 1 November 2023.

Governance

The Annual General Meeting of Betolar Plc was held on 31 March 2023. The resolutions of the Annual General Meeting and the resolutions of the organizational meeting of the Board of Directors were announced in a company release on the same day.

The general corporate governance model and institutions are described on the company's website at <https://www.betolar.com/governance>

Shares

Betolar Plc's shares are listed on First North Growth Market Finland maintained by Nasdaq Helsinki Ltd. At the end of June 2023, Betolar's share capital was EUR 80,000 (80,000). The number of outstanding shares on 30 June 2023 was 19,551,590 (30 June 2022: 19,517,346).

The average number of shares at the first half of 2023 was 19,541,674 (1-6/2022: 19,480,685). At the end of the review period, the company and its subsidiaries did not hold any treasury shares.

Option schemes

On 21 June 2023, the Board of Directors of Betolar launched a new stock option plan for key employees based on the authorisation given by the Annual General Meeting on 31 March 2023. A maximum of 710 000 options will be issued, entitling the holder to subscribe for a maximum number of new or existing shares in the company. The warrants will be issued free of charge. The total number of shares to be subscribed for on the basis of the warrants to be issued will not exceed approximately 3.5% of the total number of shares and votes in the company after any share subscription, if new shares are issued in the subscription.

The subscription price per share for shares subscribed for with warrants 2023 is EUR 2.59 based on the closing share price on 20 June 2023 on the Nasdaq First North Growth Market Finland maintained by Nasdaq Helsinki Oy. The subscription period for the shares subscribed for with warrants is 1.4.2026-28.2.2028.

Betolar's previous share-based incentive and retention plans are described in the Annual Report 2022.

Significant near-term risks and uncertainties

Betolar's most significant risks and business uncertainties are described in more detail in the Report of the Board of Directors in the annual financial statements. The risks and uncertainties specific to the near term are described below.

Economic cycles, and in particular the level of activity in the construction market, affect the demand for Betolar's products and services. High inflation, rising interest rates and supply chain disruptions have weakened the global economic outlook, posing a risk to the execution of Betolar's growth strategy. The changed security situation in Europe following Russia's invasion to Ukraine has increased geopolitical risks and intensified disruptions to global supply chains, as well as increased uncertainty in European commodity and energy markets. The resulting scarcity, disruption and cost inflation could adversely affect the competitive or supply capacity, sales or profitability of Betolar's solution. However, the uncertainty in the operating environment is not expected to have a significant impact on the implementation of plans and programs related to the green transition of societies, companies and financial markets.

Betolar is an early-stage technology company pursuing large markets for cement substitutes in the international construction materials market, particularly in Asia and Europe. Strong commercialisation and growth of operations and building scalability in these markets will require significant investments in growth, capability development and acquisition, and related strategic choices. In the rapidly emerging global green building materials market, Betolar has decided to accept a higher level of risk in its strategic choices related to defining and creating a new market and commercialising its innovation.

Betolar manages the risk of commercialising its technology and approach in new markets by being very proactive in reviewing its operating environment, value chain and strategic choices, and by making the necessary changes in a rapid but controlled manner. The experience gained from the first pilot and commercial customers will be analysed and used to refine the strategic focus of customer segments and to pursue ever larger customer and production volumes. Identifying and ensuring the availability of optimal side streams in terms of applicability, availability and price competitiveness will also be key.

The price competitiveness of the Geoprime solution is largely based on the price and availability of the industrial side streams, activator components and binders used. Betolar's formulation is currently dominated by the market-priced raw material blast furnace slag, for which there is also growing demand from blended cements competing with geopolymer solutions. Betolar is progressively looking to offer alternative, non-commercialised side streams and their recovery technologies for use alongside or instead of blast furnace slag.

The uptake of Betolar's Geoprime solution and ensuring profitability in target markets in Asia and Europe will require commercial, financial and technical success, especially for projects with the highest potential volumes. Productisation of deployment, clear phasing and the use of a steering model will substantially reduce the risk of failure, especially for larger and larger scale deployment projects. The governance model supports and strengthens project management, risk management and monitoring.

Betolar's solution is based on customisation of technology, formulation, raw material chains and marketing. The aim is to enable customers to manufacture, market and supply their own uncemented concrete products to their own customers with superior quality, sustainability, and environmental impact.

The first customer engagements are key to the adoption of Geoprime, and therefore success in meeting customer requirements for their own and manufactured products is of paramount importance to Betolar. Betolar's products manufactured with Geoprime technology must meet the requirements for each product or product group, which vary according to the country or region where the product is manufactured or used.

The growing digitalisation of operations and the rise of professional cybercrime have increased the security risk associated with business continuity and the protection of critical information. Investigations and improvements related to information security and data protection are a constant priority for us. The reliability, integrity, timeliness and security of the data we use are essential to our business. Transactions in our information systems are monitored around the clock and anomalous events are immediately raised as an alert.

Betolar manages the compliance risk of its solution-based building products and materials by actively and proactively managing the product development process. Each pilot or deployment project starts with a survey of local regulations, standards, and other local requirements, guidelines and practices for the Geoprime end product and its manufacture. Compliance definition, production, and reporting will be ensured in stages as the product development process progresses. Separately, Betolar will implement the necessary testing programs to ensure long-term durability as early as possible.

Financial reporting

Betolar will publish its next Business Review for Q3 on Friday 3 November 2023.

Betolar's financial reports are available on the company's website at www.betolar.com/investors.

Betolar Plc Financial Statements 1–6/2023

CONSOLIDATED INCOME STATEMENT

EUR thousand	1–6/2023 (IFRS)	1–6/2022 (IFRS)	1–12/2022 (IFRS)
NET SALES	131	21	287
Other operating income	46	0	139
Materials and services	-95	-25	-166
Personnel expenses	-3,474	-1,582	-4,352
Depreciation, amortisation and impairment	-889	-478	-1,530
Other operating expenses	-2,795	-2,930	-5,896
Operating profit (loss)	-7,075	-4,994	-11,518
Financial income and expenses	24	-457	-356
Earnings before interest and taxes	-7,051	-5,451	-11,873
PROFIT FOR THE FINANCIAL PERIOD	-7,031	-5,438	-11,844
Earnings per share, basic			
EUR	-0.36	-0.28	-0.61

CONSOLIDATED BALANCE SHEET

EUR thousand	30 June 2023	30 June 2022	31 December 2022
ASSETS			
Non-current assets			
Development expenses	4,275	2,516	3,656
Other intangible assets	0	32	30
Property, plant and equipment	1,130	234	299
Right-of-use assets	404	430	479
Other non-current receivables	212	147	201
Deferred tax assets	51	13	30
Non-current assets, total	6,072	3,371	4,697
Current assets			
Trade receivables	82	53	143
Other receivables	377	293	315
Accrued income and prepaid expenses	142	134	170
Investments	16,956	33,273	25,457
Cash and cash equivalents	1,558	316	1,167
Current assets, total	19,115	34,070	27,251
Total assets	25,187	37,440	31,948

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	30 June 2023	30 June 2022	31 December 2022
Equity			
Share capital	80	80	80
Invested unrestricted equity reserve	45,107	45,082	45,086
Treasury shares	0	-14	0
Translation differences	3	0	4
Retained earnings	-18,511	-6,817	-6,745
Profit for the financial period	-7,031	-5,407	-11,844
Total equity	19,647	32,891	26,582
Non-current liabilities			
Capital loans	2,245	2,061	2,153
Loans from financial institutions	9	12	10
Government loans	252	344	354
Lease liabilities	156	270	247
Non-current liabilities, total	2,661	2,686	2,764
Current liabilities			
Loans from financial institutions	3	3	3
Lease liabilities	262	167	243
Government loans	113	0	0
Accounts payable	959	763	886
Other payable	219	127	141
Accruals and deferred income	1,323	804	1,328
Current liabilities, total	2,879	1,863	2,602
Total liabilities	5,540	4,549	5,366
Shareholders' equity and liabilities, total	25,187	37,440	31,948

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand

	1–6/2023	1–6/2022	1–12/2022
Cash flow from operating activities			
Profit for the financial period	-7,031	-5,438	-11,844
Adjustments:			
Depreciation, amortisation and impairment	889	478	1,530
Net financial income and expenses	-24	455	354
Share-based payments	78	0	66
Other adjustments	-4	-77	-21
Income taxes	-21	-12	-30
Cash flow before change in working capital	-6,113	-4,595	-9,944
Working capital change:			
Change in trade receivables and other receivables	20	-3	634
Change in account payable and other payables	-327	57	-205
Cash flow from operating activities before financing items and taxes	-6,421	-4,542	-9,515
Interest paid and payments from other financial expenses	-2	-19	-31
Net cash flow from operating activities (A)	-6,423	-4,561	-9,546
Cash flow from investing activities			
Investing in tangible and intangible assets	-1,689	-954	-2,979
Repayment of credit claims	4	0	0
Proceeds from the disposal of other investments	8,644	431	0
Other investments	0	0	8,413
Net cash flow from investing activities (B)	6,959	-523	5,434
Cash flow from financing activities			
Share issues	0	38	57
Transaction costs of share issues	0	-5	-5
Long-term loan disbursements	0	2,088	2,088
Short-term loan disbursements	0	1	1
Repayment of short-term loans	-2	-2	-4
Repayment of lease liabilities	-144	-77	-215
Net cash flow from financing activities (C)	-146	2,043	1,922
Change in cash and cash equivalents (A + B + C) increase (+) / decrease (-)	391	-3,041	-2,191
Cash and cash equivalents at the beginning of the period	1,167	3,358	3,358
Cash and cash equivalents at the end of the period	1,558	316	1,167
Change	391	-3,041	-2,191

Consolidated Statement of changes in equity

1-6/2023 EUR thousand	Equity attributable to owners of the parent						Total equity
	Share-capital	Invested unrestricted equity reserve	Share issues	Treasury shares	Translation differences	Retained earnings	
Shareholders' equity 1 Jan 2023	80	45,086	0	0	4	-18,589	26,582
Comprehensive income							
Profit (loss) for the financial period	0	0	0	0	0	-7,031	-7,031
Other comprehensive income differences							
Translation differences	0	0	0	0	-2	0	-2
Comprehensive income (loss) for the period, total	0	0	0	0	-2	-7,031	-7,033
Transaction with owners							
Issues less transaction costs	0	0	0	0	0	0	0
Registration of shares	0	0	0	0	0	0	0
Cancellation of treasury shares	0	0	0	0	0	0	0
Share-based payments	0	20	0	0	0	78	98
Other adjustments	0	0	0	0	0	0	0
Total transaction with owners	0	20	0	0	0	78	98
Shareholders' equity 30 June 2023	80	45,107	0	0	3	-25,542	19,647

1-6/2022 EUR thousand	Equity attributable to owners of the parent						Total equity
	Share capital	Invested unrestricted equity reserve	Share issue	Treasury shares	Translation differences	Retained earnings	
Shareholders' equity 1 Jan 2022	80	45,036	13	-14	0	-6,824	38,291
Comprehensive income							
Profit (loss) for the period	0	0	0	0	0	-5,438	-5,438
Other comprehensive income items							
Translation differences	0	0	0	0	-0	0	-0
Comprehensive income (loss) for the period, total	0	0	0	0	0	-5,438	-5,439
Transactions with owners							
Issues less transaction costs	0	33	0	0	0	0	33
Registration of shares	0	13	-13	0	0	0	0
Cancellation of treasury shares	0	0	0	0	0	0	0
Share-based payments	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	6	6
Total transactions with owners	0	46	-13	0	0	6	39
Shareholders' equity 30 June 2022	80	45,082	0	-14	0	-12,256	32,891

1-12/2022 EUR thousand	Equity attributable to owners of the parent						Total equity
	Share capital	Invested unrestricted equity reserve	Share issue	Treasury shares	Translation differences	Retained earnings	
Shareholders' equity 1 Jan 2022	80	45,036	13	-14	0	-6,824	38,291
Comprehensive income							
Profit (loss) for the financial period	0	0	0	0	0	-11,844	-11,844
Other comprehensive income items							
Translation differences	0	0	0	0	4	0	4
Comprehensive income (loss) for the period, total	0	0	0	0	4	-11,844	-11,839
Transactions with owners							
Issues less transaction costs	0	52	0	0	0	0	52
Registration of shares	0	13	-13	0	0	0	0
Cancellation of treasury shares	0	-14	0	14	0	0	0
Share-based payments	0	0	0	0	0	66	66
Other adjustments	0	0	0	0	0	13	13
Total transactions with owners	0	50	-13	14	0	79	130
Shareholders' equity 31 Dec. 2022	80	45,086	0	0	4	-18,589	26,582

Accounting principles applied to the consolidated financial statements

Betolar Plc's consolidated financial statements include the parent company Betolar Plc and its subsidiaries Betolar Chemicals Ltd (as of 1 November 2019) and Betolar India Private Ltd (as of 1 September 2021).

The half-year consolidated financial statements have been prepared in accordance with the International Accounting Standards (IFRS, IAS) and Interpretations Committee (IFRIC) issues by the International Accounting Board (IASB), which are accepted for application in the European Union. The consolidated financial statements for the period that ended 30 June 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Committee (IFRIC) in force on 30 June 2023.

Business continuity

Betolar's business is still in the productisation phase. The development and commercialisation of Betolar's solutions has cause and will continue to cause significant costs to the company.

Related party transactions

Betolar's related parties include the subsidiaries of the parent company Betolar Plc. Related parties also include the key employees of Betolar's management as well as their close family members and the entities under their control. The key management personnel are the members of Betolar's Board of Directors, the CEO and other members of the management team. Transactions with related parties are made on normal commercial terms. The transactions include consultancy services related to business development purchases from a member of the

Board of Directors or a member of the management team. In addition, share subscriptions made by related parties have been identified as related party transactions during the financial period.

No loans or any other guarantees or securities were issued to any related parties.

The following transactions were carried out with related parties:

EUR thousand	30 June 2023	30 June 2023	31 December 2022
Income statement	Group	Group	Group
Purchased services	53	79	182

EUR thousand	30 June 2023	30 June 2022	31 December 2022
Balance sheet	Group	Group	Group
Accounts payable	11	0	17

Management salaries and remunerations:

EUR thousand	30 June 2023	30 June 2022	31 December 2022
	Group	Group	Group
<u>Remuneration to the members of the Board of Directors</u>			
Chair	20	17	38
Other members of the Board	45	20	57
Board of Directors' fees, total	65	37	95

EUR thousand	30 June 2023	30 June 2022	31 December 2022
	Group	Group	Group
<u>CEO</u>			
Salaries and remuneration	327	131	407
Pension expenses	59	22	76
Indirect employee costs	9	4	11
Total	395	157	493

<u>Other Management team</u>			
Salaries and remuneration	573	389	860
Pension expenses	104	66	161
Indirect employee costs	15	12	22

Total	692	433	1 043
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During the financial periods 2023 and 2022, management has been granted options (pcs) as follows:

	2023	2022
	Group	Group
Members of the Board of Directors	0	0
CEO	280,000	145,000
Other members of the Management Team	295,000	195,733
Total	575,000	340,733

APPENDIX

Calculation formulas for certain financial indicators and operative indicators.

Measure	Definition	Purpose of use
Gross margin	Net sales – materials and services	Gross margin is a measure of the Group's profitability. Gross margin measures profitability after reducing the costs of materials and services.
EBITDA	Operating profit (loss) before depreciation, amortisation and impairment	EBITDA is a measure of the Group's performance.
Earnings per share, basic, EUR	Profit for the financial period / weighted average number of outstanding shares during the financial period	The measure reflects the distribution of the Company's earnings for each individual share.
Earnings per share, adjusted for dilution, EUR	Profit for the financial period / weighted average number of outstanding shares during the financial period + diluting potential shares	The measure reflects the distribution of the Company's earnings for each individual share, taking dilution into consideration.
Cash, cash equivalents and short-term fund investments	Cash and cash equivalents + current investments	Cash and short-term fund investments describe the company's liquid assets.
Number of pilot customers	Number of new customers in the plant pilot phase.	The measure illustrates new customers in the plant pilot phase of the Company's sales process.