

Betolar Plc

Business Review 1-3/2022

1 January–31 March 2022



BETOLAR

The first major commercial agreements for the Geoprime concept

During January–March 2022, Betolar's successful pilot projects led to a number of commercial licence and commercialisation agreements with major European companies manufacturing concrete products.

January–March 2022 in brief

- Net sales were EUR 13.2 (0) thousand
- EBITDA¹ amounted to EUR -2,014 (-463) thousand
- The number of new pilot customers¹ was 5 (0)
- The number of employees increased significantly and averaged to 38 (15)
- Cash and cash equivalents at the end of the period amounted to EUR 36,350 (17) thousand

Main events during the period

- The Geoprime piloting started with a total of five new companies during the period
- Scaling business operations began in Finland, the Nordic countries and Central Europe
- During the review period, Betolar entered into a commercial agreement to use its Geoprime concept with Finnish company Ja-Ko Betoni Oy, the Danish IBF Group and the Belgian Tubobel Group
- After the review period, a commercial agreement was also concluded with the German FC Nüdling Group
- The development work concerning the Geoprime Academy started and the goal is to publish first contents of the e-learning environment before the summer
- The Annual General Meeting was held on 23 March 2022

More information about this business review

This is not an interim report under IAS 34. The company complies with the six-monthly reporting requirements of the Securities Markets Act and publishes business reviews for the first three and nine months of the year, which present key information and key figures on the company's strategy and business development. The figures presented in this business review are unaudited. The figures in brackets refer to the corresponding period in the previous year, unless otherwise stated.

Webcast for investors and media

Betolar will organise a live webcast in Finnish for investors and media on 27 April 2022 at 9:30 EEST.

The webcast (in Finnish) can be viewed at <https://betolar.videosync.fi/2022-q1-tulokset>

In the presentation, CEO Matti Löppönen and CFO Riikka Ylikoski will introduce Betolar's business review and other current affairs of the company. A recording of the webcast and a corresponding presentation in English will be available on Betolar's investor later.

CEO Matti Löppönen:

“From the perspective of scaling Betolar’s commercial business, the year has kicked off according to the plan in both Europe and Asia. In the early part of the year, the number of pilot projects and commercial customer agreements, which we have set as short-term targets, has increased, and in the early part of the year, we signed a total of four commercial agreements in Finland, Denmark, Belgium and Germany. In Asia, our local organisation has grown stronger and we expect successful pilots to advance commercial negotiations in the near future. The growing number of pilot projects and other market feedback confirm our view that the construction sector is ready to adopt new greener solutions quickly and comprehensively.

We can see how many interlinked trends boost the demand for our solutions. The global rise in energy prices and the challenges in supply chains raise the price of traditional cement, which strengthens the interest towards the Geoprime solution, alongside its strong environmental and sustainability benefits. As a result of the green strategies of the construction sector, property investors and developers, the demand for industrially manufactured low-carbon construction materials is growing strongly. Green financial markets favour projects with tangible and sufficiently effective climate and sustainability impacts. Public sector operators responsible for controlling and licensing construction and urban development set their own green goals, requirements and guidance models in order to promote the use of green solutions in new and repair construction and infrastructure.

In line with our growth strategy, we focus on building and strengthening the scalability of operations alongside the launch of our commercial business. Strengthening our organisation plays a central role, and during the period we focused especially on recruiting people with digital and technical customer solution skills. In January–March, we reinforced the development of our data and analytics platform, which provides competitive advantages for our Geoprime solution, and refined a new digital strategy and target architecture. The thematic funding provided by the Finnish Climate Fund in 2021 will significantly accelerate the commercial development of the platform. It is also essential for us to support our customers, partners and designers in the implementation and continuous use of our solutions. The development work of the Geoprime Academy, the digital learning and customer support environment supporting this, proceeded rapidly in the early part of the year. Our goal is to launch the contents of the first phase of the training platform to our customers before the summer.

The cornerstone of our success is the corporate culture of a high purpose growth company that builds a more sustainable world, and the best people who build a better world while realising their best capabilities. Our ongoing commercial, technological and data capabilities recruitment programmes have progressed well and our headcount has grown with seven top experts in the early part of the year. Despite our growth, we hold on to our unique culture and its strengths. Courage, commitment to responsibility and working together are values that we share and are proud of.

Russia’s attack on Ukraine is primarily reflected in the construction sector in Europe through uncertainty about the investment environment and the availability of raw materials for concrete construction. On the Asian market, the situation is clearly less visible. We have not observed any significant changes in the demand for green construction materials because of the situation. We have no operations in Russia or Ukraine, but these countries are suppliers of structural steels and blast furnace slag, for example.

Betolar’s business is based on enabling and accelerating the green transformation of the concrete industry. We help cut CO₂ emissions caused by cement and reduce the consumption of virgin resources. Our journey is just beginning but the direction is clear. During the early part of the year, we have progressed as planned in implementing our growth strategy.”

Business review key figures

(EUR thousand, unless otherwise specified)	1–3 2022	1–3 2021	1–12 2021
Financial indicators			
Net sales	13	0	10
EBITDA ¹	-2,014	-463	-3,171
Cash and cash equivalents (at the end of the period)	36,350	17	37,355
Operational indicators			
Personnel (average number during the financial period)	38	15	23
Number of new pilot customers ¹	5	0	12

- 1) Betolar uses certain alternative performance measures (gross margin, EBITDA, earnings per share and number of pilot customers) as indicators of operational profitability and performance. The definitions and calculation formulas of these measures are enclosed to the report.

Business review 1–3/2022

During the review period, Betolar entered into new commercial agreements on the European market. In Asia, the building of the commercial and technical regional organisation and the implementation of pilot projects continued successfully. As a result of the successful pilot projects launched from 2020 to 2021, Betolar signed commercial agreements with JAKO Betoni in Finland, IBF in Denmark and Tubobel in Belgium during the review period and, after the end of the review period, FC Nüdling Group in Germany. The market interest in Betolar's Geoprime solution has been strong in both Europe and Asia, which is supported by environmental benefits and increased prices of conventional cement caused by rising energy prices and supply chain challenges.

Manufacturers are starting to replace cement with the low-carbon Geoprime solution, especially in the manufacture of precast concrete products. Such first-stage products include various high-volume infrastructure products (sewerage pipes and pole and equipment foundations) and paving stones and tiles. The customers have reported that they will gradually extend the use of the solution to new product groups after ensuring the logistic availability of slag, carrying out product testing and obtaining the necessary approvals.

Depending on the customer, the agreements are signed for 5–10 years and contain exclusivity clauses which limit the use of the Geoprime concept geographically and in time. The agreements consist of three parts: volume-based licence and chemical fees and a fixed, continuous licence maintenance fee. In addition to the Geoprime formulas and chemicals needed in manufacturing, the manufacturers benefit from Betolar's continuous product development, expert services and data support related to the manufacture of concrete products. They may use the registered Betolar® and Geoprime® trademarks in products produced in accordance with the concept.

The sales and marketing measures were targeted at all Betolar's key markets in Finland, the Nordic countries, Central Europe and Asia. In January–March, three new product development and plant testing pilot agreements were signed in Europe and two in Asia. At the end of the period, the total number of new pilot customers was five. Based on previous piloting experiences, Betolar estimates that these pilot customer relationships will lead to commercial negotiations. From 2020 to 2021, Betolar has carried out industrial piloting with a total of 17 new pilot customers, 4 of which had entered into a commercial Geoprime agreement with Betolar by the end of March 2022.

Economic development 1–3/2022

In January–March, Betolar's turnover was EUR 13.2 (0) thousand and consisted of individual licence fees. EBITDA was EUR -2,014.5 (-463.5) thousand. Net sales and EBITDA reflect the current stage of Betolar's business, where the company has signed its first commercial agreements covering the Geoprime concept during the review period. The impact of the commercial agreements concluded in January–March on net sales will increase towards the end of the year as the customers gradually adopt Betolar's solution for production use.

Betolar is a growth company whose operating income does not yet cover operating expenses. The company focuses very strongly on developing its Geoprime concept, building capabilities and international scaling, and the necessary investments for this are financed from equity. In line with its financial targets, the company expects to achieve a positive operating cash flow by 2026.

Betolar's financial position to implement the growth strategy is strong. Cash and cash equivalents at the end of the period amounted to EUR 36,350 (17) thousand. Cash and cash equivalents were strengthened by the first tranche of the loan granted by the Finnish Climate Fund, EUR 2,000 thousand, which has been recognised in the company's long-term liabilities.

Development review 1–3/2022

Betolar's research and development activities were carried out as planned during the period, both through Betolar's own operations and in cooperation with the development partners. The activities focused on strengthening commercial capabilities, refining a digital strategy and architecture, research and development of the materials technology and artificial intelligence platform and development of the digital Geoprime Academy. The development priorities support the achievement of the company's business goals.

The development of the materials technology focused on the development of Geoprime® formulas which utilise slag-based industrial side streams. During the review period, Betolar announced that it will launch an investigation into the use of the new side stream, steel industry slag from which vanadium is extracted, in the manufacture of Geoprime products. Betolar signed a letter of intent with two Australian companies specialising in vanadium extraction, RISAB and Vanadium Recovery Project Oy (VRP), to start research cooperation in order to develop the process in the plant planned to be established in Pori. Extensive research and analysis of side streams will provide Betolar with special and in-depth understanding and information about the characteristics of side streams and their applicability in different applications of materials technology.

The development of Betolar's data and analytics platform, which utilises artificial intelligence, proceeded to the refining of the digital strategy and architecture and to the recruitment of people with the new key skills. The development of data collection and transfer interface technologies focused on the digital Connected Lab solution. It enables the direct connection for networked (IoT) measurement and production equipment to the data platform, which significantly improves the efficiency and quality of data collection.

The development of the commercial part of the platform was moved to the next stage when the subproject, which is funded by the Finnish Climate Fund, was launched at the beginning of the year. The aim is to develop a digital market and meeting place for Betolar's solutions in connection with the platform which utilises the side stream database to connect concrete product manufacturers and industrial side streams to the same ecosystem as Betolar. The smart platform business model is designed to reduce emissions created by raw materials used in construction on a broader scale than before the digital solution.

The long-term vision of the development of the data and analytics platform is to develop a predictive model that takes into account all of the key parameters related to the product (such as the substances used, the requirements set for the product and application and the minimisation of pre-processing)

and produce a binder solution optimised on the basis of the accumulated data and optimised in terms of, for example, carbon dioxide emissions, price and technical characteristics.

The Geoprime Academy is a virtual learning environment that enables the implementation and application of the Geoprime solution in a standardised and streamlined manner for different target groups, product groups and markets. Expansion to the European and Asian markets requires continuous sharing of up-to-date material, process and application information to customer companies as well as to the entire value chain from side stream producers to concrete manufacturers and from design to installation. The Jyväskylä University of Applied Sciences JAMK and the Jyväskylä Educational Consortium GRADIA participate in the building of the digital learning environment. The learning environment is implemented by XoomPoint, a Turku-based e-learning specialist, which also produces course content in a format that supports digital learning.

Personnel and management

Betolar grew and its capabilities continued to develop strongly with new recruitments. During the first quarter, the company has undergone several key recruitments to acquire capabilities related to digital and technical customer solutions, among other things.

Betolar's headcount increased by 7 during January-March and averaged 38 (15) during the review period. Betolar's team was strengthened especially in terms of personnel, culture and operational capacity development with two management team recruits, when Chief Human Resources Officer Antti Uski (D.Sc. (Economics), EMBA) and Head of Operations Ilkka Iittiläinen (M.Sc. (Tech), LL.M., MBA) joined the team.

In addition to the new Management Team appointments, MD Lasse Happonen, who was responsible for the Precast & Ready-mixed concrete product group, started to work as Betolar's Advisor on 29 March 2022 and continues to participate in the development projects promoting the industrial use of low-carbon concrete grades.

Resolutions of the Annual General Meeting

The Annual General Meeting held on 23 March 2022 approved the annual accounts for the financial year 2021 and discharged the members of the Board of Directors and the CEO from liability.

The Annual General Meeting resolved to transfer the loss for the financial year to the profit and loss account of previous years and resolved not to distribute dividend in accordance with the Board of Directors' proposal.

The Annual General Meeting confirmed, in accordance with the proposal of the Board of Directors, that the Board of Directors will consist of six (6) members and that Tero Ojanperä, Soile Kankaanpää, Kalle Härkki, Inka Mero and Juha Leppänen were re-elected as members of the Board of Directors and Mr. Ilkka Salonen was elected as new member of the Board of Directors. Mr. Tero Ojanperä was re-elected as the Chairman of the Board.

The Annual General Meeting resolved that the Chairman of the Board will be paid a fee of EUR 3,300 per month, and other Members of the Board each a fee of EUR 1,800 per month. Furthermore, the Meeting resolved that the Chairman of the committees founded by the Board of Directors will be paid EUR 600 per meeting of the committees and other members of the committees will be paid EUR 300 per meeting. No remuneration is paid for the Board work to persons who are in an employment or service relationship with the company. Travel expenses will be reimbursed in accordance the maximum amount of the respective travel allowance base approved by the Tax Administration.

The Annual General Meeting re-elected authorized Public Accountant PricewaterhouseCoopers Oy as the company's auditor in accordance with the proposal of the Board of Directors. The remuneration of the auditor will be paid according to a reasonable invoice. PricewaterhouseCoopers Oy has informed that Mr. Janne Rajalahti will act as the principal auditor.

Authorizing the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares

The Annual General Meeting resolved to authorize the Board of Directors in accordance with the proposal of the Board to resolve on the issuance a maximum of 1,850,208 shares (including shares to be issued under special rights) in one or more tranches corresponding to approximately 9.5 % of all the shares in the company. The Board of Directors decides on all terms and conditions of the share issue and the issuance of option rights and other special rights entitling to shares within the limits of the authorisation. The issuance of shares and special rights entitling to shares, including options, may be carried out in deviation from the shareholders' pre-emptive right (directed issue). The authorisation revokes previously granted unexercised authorisations regarding share issue and issuance of option rights and other special rights entitling to shares and it is valid for a maximum of 18 months from the resolution of the Annual General Meeting.

Authorizing the Board of Directors to decide on the repurchase of Company's own shares

The Annual General Meeting resolved to authorize the Board of Directors in accordance with the proposal of the Board to resolve on the repurchase of a maximum of 973,793 shares, which corresponds to approximately 5 % of the current number of all the company's shares. The company's own shares can only be repurchased with unrestricted equity and the shares can be repurchased on the repurchase date at a price formed in multilateral trading or otherwise at a price formed in the market. Shares may also be acquired outside public trading at a price that does not exceed the market price in public trading at the time of acquisition.

The Board of Directors decides how the shares are acquired. Own shares may be repurchased other than in proportion to the shares held by the shareholders (directed repurchase) if there is a compelling financial reason for doing so. The authorization is valid for 18 months from the resolution of the Annual General Meeting.

Permanent shareholders' nomination committee

The Annual General Meeting resolved to establish a permanent Shareholders' Nomination Committee and approved the rules of procedure for the Shareholders' Nomination Committee. The Nomination Committee consist of five (5) members, of whom the company's four (4) largest shareholders are each entitled to nominate one member. The Nomination Committee also includes the Chairman of the Board as a member. The members of the Nomination Committee are appointed annually and the term of office of the members ends when new members have been appointed to the Nomination Committee.

The Nomination Committee's task is to annually prepare and present to the Annual General Meeting and, if necessary, the Extraordinary Annual General Meeting, proposals on Board composition (number of members and persons) and remuneration. In addition, the Nomination Committee is responsible for finding candidates to succeed members of the Board and preparing the Board's principles for diversity.

Decisions of the Organizational Meeting of the Board of Directors

Betolar Plc's new Board of Directors held its organizational meeting on Wednesday 23 March 2022 after the Annual General Meeting.

The Board of Directors confirmed the election of Tero Ojanperä as the Chairman. The other members of the Board are Soile Kankaanpää, Kalle Härkki, Inka Mero, Juha Leppänen and Ilkka Salonen. In addition to, the Board decided to establish an Audit Committee and a Personnel and Remuneration Committee. The Committees are responsible for assisting the Board and do not have independent decision-making power.

Duties of the Committees

The role of the Audit Committee is to assist the Board in ensuring that the company's accounting and its financial affairs have been arranged in a reliable manner and that the company has a

comprehensive and adequate internal control system for all its operations. The committee is also responsible for monitoring that the company's operations and internal monitoring are organized as required by the laws, regulations and good management and governance system, and for supervising the operation of the internal audit.

The role of the Personnel and Remuneration Committee includes assisting the Board in preparing personnel matters related to the operations and remuneration of the company's CEO and the management team, as well as the company's remuneration and incentive schemes. The committee is also responsible for monitoring remuneration in the company and in industries that are relevant to the company.

Composition of the Committees

The Board appointed the Chairmen and the members of the established Committees.

Audit Committee:

- Ilkka Salonen, Chairman
- Soile Kankaanpää
- Kalle Härkki

The members of the Audit Committee are independent of the company and the company's significant shareholders.

Personnel and Remuneration Committee:

- Tero Ojanperä, Chairman
- Inka Mero
- Kalle Härkki

Financial reporting in 2022

Betolar will publish the following financial reports in 2022

- Half-year financial report 2022 will be published on 31 August 2022
- Business review 1–9/2022 will be published on 26 October 2022

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

Calculation formulas for certain alternative measures and other indicators

Measure	Definition	Purpose of use
Gross margin	Net sales + other operating income – 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.
Number of new 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 during the financial year.