BETOLAR

Transition to IFRS reporting

AND UNAUDITED COMPARATIVE IFRS INFORMATION

Betolar transitioning to IFRS reporting and unaudited comparative IFRS information

The Finnish materials technology company Betolar Plc (the parent company or the company, together with its subsidiaries Betolar or the Group) will transition from the Finnish Accounting Standards (FAS) to International Financial Reporting Standards (IFRS). Betolar estimates that the transition to IFRS reporting will support the company's growth strategy, increase the comparability of financial figures and increase the interest of international investors in the company. The IFRS transition date was 1 January 2021.

Betolar has prepared the following unaudited IFRS financial information to provide investors with comparative information about the Group's comprehensive income statement and consolidated balance sheet for the financial period ending 31 December 2021. In addition, the consolidated balance sheet of the IFRS transition date 1 January 2021, is presented. The key differences resulting from the transition to IFRS reporting compared to FAS, the effects of the IFRS transition and the applicable reliefs are described in the transition report attached to this release.

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

- **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 affects 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 amortization of lease debt and interest expense. Depreciation of right-of-use assets recorded in the balance sheet is recorded in the income statement. These have an impact on the EBITDA indicator.
- **IFRS 2 Share-based payments** – The Group has option-based incentive and commitment plans, aimed to encourage the management and key persons and employees to work to increase shareholder value in the long term. In the FAS financial statements, option programs are not recorded in the income statement. According to IFRS, the fair value of stock options must be amortized as an expense in the income statement during the period in which the stock options are created. This has an impact on the EBITDA indicator.
- **IAS 32 Listing costs** – according to IFRS, transaction costs arising from equity transactions (e.g. initial public offering) should be treated as a reduction of equity in accounting to the extent that they are additional costs that directly result from equity transactions and which would otherwise have been avoided. The Group has transaction costs that are directly related to the issuance of new shares. In accordance with FAS, these are recorded as expenses in the income statement. With the application of IFRS, the expenses have been recorded to reserve for invested unrestricted equity.

Betolar transitioning to IFRS reporting and unaudited comparative IFRS information

During the first quarter of 2023, Betolar will publish an annual report with IFRS financial statements for the financial period ending 31 December 2022, with IFRS comparison figures for the financial period ending 31 December 2021 and the opening balance sheet of 1 January 2021.

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

Key Figures	1.1.2021-31.12.2021
(EUR thousand, unless otherwise specified)	
Financial indicators (IFRS)	
Net sales	10
Gross margin[1]	7
EBITDA[1]	-4 777
Operating profit (loss)	-5 513
Profit before appropriations and taxes	-5 587
Profit for the financial period	-4 124
Earnings per share, adjusted and unadjusted for dilution, EUR[1,2]	-0.39
Cash and cash equivalents (at the end of the period)	37 355
Operational indicators	
Personnel (average number during the financial period)	23
Number of pilot customers[1]	12

1) Betolar uses certain alternative performance measures (gross margin, EBITDA, EPS 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.

2) The weighted average used in the calculation of earnings per share is as follows: 31 December 2021: 10,448,522 shares.

Consolidated Statement of Comprehensive Income 2021

1.1.2021-31.12.2021

EUR	FAS 1 January–31 December 2021	IFRS 16 Leases (A)	IAS 12 Deferred tax assets from losses (B)	IFRS 10 Non-controlling interests (C)	IFRS 2 Share-based payments (D)	IAS 2 Inventories (E)	IAS 23 Borrowing Costs; IFRS 9 Financial instruments (F)	IAS 20 Government grants (G)	IAS 32 Listing expenses (H)	Reclassification (I)	Effects of the transition to IFRS	IFRS 1 January–31 December 2021
Net Sales	**9 924**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**9 924**
Manufacturing for own use	1 617 476	0	0	0	0	0	0	0	0	-1 617 476	-1 617 476	0
Other operating income	90 518	0	0	0	0	0	0	0	0	0	0	90 518
Materials and services	-10 876	0	0	0	0	8 351	0	0	0	0	8 351	-2 526
Personnel expenses	-2 004 338	0	0	0	-1 216 589	0	0	0	0	412 759	-803 830	-2 808 168
Depreciation and impairment	-688 284	-62 764	0	14 845	0	0	0	0	0	0	-47 920	-736 203
Other operating expenses	-2 873 648	67 387	0	0	0	0	0	0	-465 302	1 204 717	806 802	-2 066 846
Operating loss	**-3 859 228**	**4 622**	**0**	**14 845**	**-1 216 589**	**8 351**	**0**	**0**	**-465 302**	**0**	**-1 654 073**	**-5 513 301**
Financial income	374	0	0	0	0	0	0	0	0	0	0	374
Financial expenses	-3 470 367	-7 530	0	0	0	0	2 142	0	3 401 570	0	3 396 182	-74 185
Result before taxes	**-7 329 221**	**-2 907**	**0**	**14 845**	**-1 216 589**	**8 351**	**2 142**	**0**	**2 936 268**	**0**	**1 742 109**	**-5 587 112**
Income taxes	0	0	0	0	0	0	0	0	0	0	0	0
Change in deferred taxes	0	581	1 462 152	0	0	0	0	0	0	0	1 462 734	1 462 734
Result for the financial year	**-7 329 221**	**-2 326**	**1 462 152**	**14 845**	**-1 216 589**	**8 351**	**2 142**	**0**	**2 936 268**	**0**	**3 204 842**	**-4 124 379**
Other comprehensive income												
Translation differences	0	0	0	0	0	0	0	0	0	0	0	0
Other comprehensive income, total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total comprehensive income	**-7 329 221**	**-2 326**	**1 462 152**	**14 845**	**-1 216 589**	**8 351**	**2 142**	**0**	**2 936 268**	**0**	**3 204 842**	**-4 124 379**
Profit for the period attributable to shareholders of the parent company	-7 329 221	0	0	3 622	0	0	0	0	0	0	3 622	-4 120 757
Non-controlling interests	0	0	0	-3 622	0	0	0	0	0	0	-3 622	-3 622

Consolidated Balance Sheet 31 December 2021

EUR	FAS 31 December 2021	IFRS 16 Leases (A)	IAS 12 Deferred tax assets from losses (B)	IFRS 10 Non-controlling interests (C)	IFRS 2 Share-based payments (D)	IAS 2 Inventories (E)	IAS 23 Borrowing Costs; IFRS 9 Financial instruments (F)	IAS 20 Government grants (G)	IAS 32 Listing expenses (H)	Reclassification (I)	Effects of the transition to IFRS	IFRS 31 December 2021
ASSETS												
Non-current assets												
Development expenditures	1 812 848	0	0	0	0	0	9 874	-90 268	0	47 758	-32 636	1 780 212
Other intangible assets	28 885	0	0	0	0	0	0	0	0	0	0	28 885
Other capitalised long-term expenditures	47 758	0	0	0	0	0	0	0	0	-47 758	-47 758	0
Goodwill	112 270	0	0	-112 270	0	0	0	0	0	0	-112 270	0
Property, plant and equipment	169 995	0	0	0	0	0	0	0	0	0	0	169 995
Right-of-use assets	0	153 377	0	0	0	0	0	0	0	0	153 377	153 377
Non-current receivables	15 600	0	0	0	0	0	0	0	0	0	0	15 600
Deferred tax assets	0	581	1 924 349	0	0	0	0	0	0	0	1 924 930	1 924 930
Non-current assets, total	**2 187 355**	**153 958**	**1 924 349**	**-112 270**	**0**	**0**	**9 874**	**-90 268**	**0**	**0**	**1 885 643**	**4 072 998**
Current assets												
Inventories	9 057	0	0	0	0	-9 057	0	0	0	0	-9 057	0
Trade receivables	6 646	0	0	0	0	0	0	0	0	0	0	6 646
Other receivables	381 555	0	0	0	0	0	0	0	0	0	0	381 555
Accrued income and prepaid expenses	219 599	0	0	0	0	0	0	0	0	0	0	219 599
Financial securities	33 997 518	0	0	0	0	0	0	0	0	0	0	33 997 518
Cash and cash equivalents	3 357 609	0	0	0	0	0	0	0	0	0	0	3 357 609
Current assets, total	**37 971 983**	**0**	**0**	**0**	**0**	**-9 057**	**0**	**0**	**0**	**0**	**-9 057**	**37 962 926**
TOTAL ASSETS	**40 159 338**	**153 958**	**1 924 349**	**-112 270**	**0**	**-9 057**	**9 874**	**-90 268**	**0**	**0**	**1 876 586**	**42 035 924**

Consolidated Balance Sheet 31 December 2021

EUR	FAS 31 December 2021	IFRS 16 Leases (A)	IAS 12 Deferred tax assets from losses (B)	IFRS 10 Non-controlling interests (C)	IFRS 2 Share-based payments (D)	IAS 2 Inventories (E)	IAS 23 Borrowing Costs; IFRS 9 Financial instruments (F)	IAS 20 Government grants (G)	IAS 32 Listing expenses (H)	Reclassification (I)	Effects of the transition to IFRS	IFRS 31 December 2021
SHAREHOLDERS' EQUITY AND LIABILITIES												
Equity												
Share capital	80 000	0	0	0	0	0	0	0	0	0	0	80 000
Reserve for invested unrestricted equity	47 958 008	0	0	0	0	0	0	0	-2 936 268	14 170	-2 922 098	45 035 910
Share issue	12 866	0	0	0	0	0	0	0	0	0	0	12 866
Treasury shares	0	0	0	0	0	0	0	0	0	-14 170	-14 170	-14 170
Translation differences	0	0	0	0	0	0	0	0	0	0	0	0
Retained earnings (losses)	-2 309 046	0	462 197	-130 737	1 216 589	-17 407	0	0	0	0	1 530 642	-778 404
Result from the financial year	-7 329 221	-2 326	1 462 152	18 466	-1 216 589	8 351	2 142	0	2 936 268	0	3 208 464	-4 120 757
Non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0
Total equity	**38 412 608**	**-2 326**	**1 924 349**	**-112 270**	**0**	**-9 057**	**2 142**	**0**	**0**	**0**	**1 802 838**	**40 215 446**
Non-current liabilities												
Loans from credit institutions	12 157	0	0	0	0	0	0	0	0	0	0	12 157
Government loan	359 635	0	0	0	0	0	7 733	-90 268	0	0	-82 535	277 100
Lease liabilities	0	72 922	0	0	0	0	0	0	0	0	72 922	72 922
Non-current liabilities, total	**371 792**	**72 922**	**0**	**0**	**0**	**0**	**7 733**	**-90 268**	**0**	**0**	**-9 613**	**362 179**
Current liabilities												
Loans from credit institutions	4 073	0	0	0	0	0	0	0	0	0	0	4 073
Lease liabilities	0	83362	0	0	0	0	0	0	0	0	83362	83 362
Accounts payable	766 990	0	0	0	0	0	0	0	0	0	0	766 990
Other liabilities	52 305	0	0	0	0	0	0	0	0	0	0	52 305
Accruals and deferred income	551 570	0	0	0	0	0	0	0	0	0	0	551 570
Current liabilities, total	**1 374 938**	**83 362**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**83 362**	**1 458 300**
Total liabilities	**1 746 730**	**156 284**	**0**	**0**	**0**	**0**	**7 733**	**-90 268**	**0**	**0**	**73 749**	**1 820 479**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**40 159 338**	**153 958**	**1 924 349**	**-112 270**	**0**	**-9 057**	**9 874**	**-90 268**	**0**	**0**	**1 876 586**	**42 035 924**

Consolidated Balance Sheet at transition date 1 January 2021

EUR	FAS 1 January 2021	IFRS 16 Leases (A)	IAS 12 Deferred tax assets from losses (B)	IFRS 10 Non-controlling interests (C)	IFRS 2 Share-based payments (D)	IAS 2 Inventories (E)	Reclassification (I)	Effects of the transition to IFRS	IFRS 1 January 2021
ASSETS									
Non-current assets									
Development expenditures	803 165	0	0	0	0	0	55 017	55 017	858 182
Other intangible assets	55 017	0	0	0	0	0	-55 017	-55 017	0
Property, plant and equipment	120 262	0	0	0	0	0	0	0	120 262
Right-of-use assets	0	111 770	0	0	0	0	0	111 770	111 770
Deferred tax assets	0	0	462 197	0	0	0	0	462 197	462 197
Non-current assets, total	**978 444**	**111 770**	**462 197**	**0**	**0**	**0**	**0**	**573 967**	**1 552 410**
Current assets									
Inventories	17 407	0	0	0	0	-17 407	0	-17 407	0
Trade receivables	272	0	0	0	0	0	0	0	272
Other receivables	101 327	0	0	0	0	0	0	0	101 327
Accrued income and prepaid expenses	73 388	0	0	0	0	0	0	0	73 388
Financial securities	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	644 186	0	0	0	0	0	0	0	644 186
Current assets, total	**836 581**	**0**	**0**	**0**	**0**	**-17 407**	**0**	**-17 407**	**819 173**
TOTAL ASSETS	**1 815 024**	**111 770**	**462 197**	**0**	**0**	**-17 407**	**0**	**556 559**	**2 371 584**

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Consolidated Balance Sheet at transition date 1 January 2021

EUR	FAS 1 January 2021	IFRS 16 Leases (A)	IAS 12 Deferred tax assets from losses (B)	IFRS 10 Non-controlling interests (C)	IFRS 2 Share-based payments (D)	IAS 2 Inventories (E)	Reclassification (I)	Effects of the transition to IFRS	IFRS 1 January 2021
SHAREHOLDERS' EQUITY AND LIABILITIES									
Equity									
Share capital	2 500	0	0	0	0	0	0	0	2 500
Reserve for invested unrestricted equity	949 995	0	0	0	0	0	0	0	949 995
Share issue	2 770 538	0	0	0	0	0	0	0	2 770 538
Translation differences	0	0	0	0	0	0	0	0	0
Retained earnings (losses)	-926 914	0	462 197	0	219 713	0	0	681 910	-245 004
Result from the financial year	-1 385 495	0	0	0	-219 713	-17 407	0	-237 120	-1 622 616
Non-controlling interests	0	0	0	0	0	0	0	0	0
Total equity	**1 410 624**	**0**	**462 197**	**0**	**0**	**-17 407**	**0**	**444 790**	**1 855 413**
Non-current liabilities									
Loans from credit institutions	0	0	0	0	0	0	0	0	0
Government loan	0	0	0	0	0	0	0	0	0
Lease liabilities	0	57 279	0	0	0	0	0	57 279	57 279
Non-current liabilities, total	**0**	**57 279**	**0**	**0**	**0**	**0**	**0**	**57 279**	**57 279**
Current liabilities									
Loans from credit institutions	0	0	0	0	0	0	0	0	0
Lease liabilities	0	54 491	0	0	0	0	0	54 491	54 491
Accounts payable	141 348	0	0	0	0	0	0	0	141 348
Other payables	50 811	0	0	0	0	0	0	0	50 811
Accruals and deferred income	212 242	0	0	0	0	0	0	0	212 242
Current liabilities, total	**404 400**	**54 491**	**0**	**0**	**0**	**0**	**0**	**54 491**	**458 891**
Total liabilities	**404 400**	**111 770**	**0**	**0**	**0**	**0**	**0**	**111 770**	**516 170**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**1 815 024**	**111 770**	**462 197**	**0**	**0**	**-17 407**	**0**	**556 559**	**2 371 584**

Effects of the IFRS transition by standard and applicable reliefs

The impact of the adoption of key IFRS accounting principles on Betolar's income statement and balance sheet is described below. In the transition, the Group applied IFRS 1, which defines the applicable procedures for the first-time adoption of IFRS. The letters of the headings (A–I) refer to the columns of the adjustment tables.

1. Leases (A)

Betolar has leases on premises as well as a furniture lease agreement for which the balance sheet impact in accordance with IFRS 16 has to be calculated at the time of transition. At initial recognition, the value of the right-of-use asset corresponds to the amount of the lease liability calculated as the present value of the leases payable during the lease term. As a transitional measure, the Group has adopted a simplified approach in accordance with the standard, whereby the impact of applying the standard is recognised as an adjustment to the opening balance of retained earnings at the date of transition to IFRSs.

At the date of transition to IFRSs, a right-of-use asset of EUR 112 thousand and a corresponding lease liability divided into a non-current and a current component is recognised in the consolidated balance sheet. The present value of the lease liability has been determined using the estimated incremental borrowing rate, because the internal rate of return cannot be measured reliably in principle. Most of the agreements remain in force until further notice. With respect to agreements that remain in force until further notice, the Group has estimated that exercising the extension option is reasonably certain, in which case the lease term is defined as the period of time including the option. At the beginning of each lease, the Group assesses how long it is likely to stay in the premises, and reassessments are made in the event of changes in circumstances.

According to FAS, lease payments are recognised in other operating expenses during the lease term and lease payments after the end of the financial year are presented as off-balance-sheet liabilities. In IFRS financial statements, rental expenses are adjusted from other operating expenses to amortisation of the lease liability and interest expense. The right-of-use assets recognised on the balance sheet are amortised through profit or loss. On 31 December 2021, the total right-of-use asset arising from leases was EUR 153 thousand and the total lease liabilities EUR 156 thousand.

2. Deferred tax (B)

In FAS, no deferred taxes were recognised, whereas according to IFRS, the Group recognises deferred taxes for all temporary differences between IFRS values and taxable amounts. With regard to the opening balance sheet, deferred taxes totalling EUR 462 thousand have been recognised from the Group's confirmed losses and IFRS 16 adjustments. The change in deferred taxes for the financial year 2021 is EUR 1.5 million. Deferred tax assets are recognised for temporary differences only to the extent that it is probable that future taxable profit will be available.

Effects of the IFRS transition by standard and applicable reliefs

3. Non-controlling interests (C)

The Group has non-controlling interests on its opening balance sheet. According to FAS, non-controlling interests are separated, as the companies are loss-making. Under IFRSs, an entity shall allocate profit or loss and all other items of comprehensive income to owners and non-controlling interests of the parent. An entity shall also allocate comprehensive income to the owners and non-controlling interests of the parent, even if this would result in the non-controlling interests becoming negative. A first-time adopter shall apply the above requirements non-retroactively. Therefore, non-controlling interests are not retrospectively separated in the opening balance sheet. The non-controlling interests' share of the result for the period 2021 is EUR -4 thousand.

The Group redeemed the non-controlling interests during the financial year 2021. In connection with acquisitions, the Group has recognised goodwill of EUR 127 thousand, which has also been amortised in accordance with FAS. Under IFRSs, changes in a parent's participation in a subsidiary that result in the parent not losing or gaining control of control are equity transactions. Therefore, according to the IFRSs, the cost recognised as goodwill under FAS is reclassified to equity and the amortisation recognised under FAS is reversed under IFRSs.

4. Share-based payments (D)

Betolar has four option-based incentive and commitment plans, aimed to encourage the management and select key persons and employees to work to increase shareholder value in the long term. In the FAS financial statements, option plans are not recognised on the income statement. In accordance with IFRS 2, the fair value of the options should be expensed to profit or loss during the vesting period. In applying IFRS 2 to share-based payments, the Group has measured the options granted in the option plans at fair value and recognised the resulting expense in the income statement in the period in which the options were earned in employee costs and in offsetting with unrestricted equity. An expense of EUR 220 thousand has been recognised in the opening balance sheet. The amount expensed during the financial year 2021 is EUR 1.2 million.

5. Inventories (E)

Betolar's inventories are based on the Group's previous business operations, when the equipment in inventories was part of the ordinary business operations. For Betolar Plc, the requirements of IAS 2.6 regarding the definition of inventories are not met. Inventory items are not related to the ordinary business operations of the company, are not handled in the production process for sale, and are not raw materials or supplies related to the business operations. Therefore, inventories at 1 January 2021 and 31 December 2021 have been written down in the IFRS financial statements.

6. Financial instruments and borrowing costs (F)

On the date of transition to IFRS, the Group did not have any loans from financial institutions. Loans drawn in the financial year 2021 have been measured using the effective interest rate method, which has resulted in the interest recognised in the IFRS income statement. The interest recorded under FAS is accrued interest amortised in accordance with the loan agreement. In accordance with IAS 23, interest on R&D loans has been capitalised as intangible assets.

IFRS-siirtymän vaikutukset standardeittain sekä sovellettavat helpotukset

7. Government grants (G)

Betolar has one product development loan issued by the State Treasury, which was drawn down in the financial year 2021 and had a balance of EUR 360 thousand on 31 December 2021. The loan is a government loan that meets the interpretation of IFRSs because its interest rate is below the market rate. The market rate used is an interest rate based on the financial position of the Group and the current interest rate during the period under review. The benefit of a government loan at a rate lower than the market rate is treated as a government grant under IAS 20. The actual loan is recognised initially at its fair value in accordance with IFRS 9 and subsequently measured at amortised cost using the effective interest method.

The benefit of a loan at a rate lower than the market rate, that is, a government grant, is determined as the difference between the fair value at initial recognition of the loan, calculated in accordance with IFRS 9, and the cash payment receivable from the lender. The official grant accounted for EUR 90 thousand of the loan on 31 December 2021 and has been recognised as an adjustment to the balance of the loan with a reversing entry of the development costs to which the grant received relates.

8. Listing costs (H)

IAS 32 requires that transaction costs arising from an equity transaction (e.g. a public offering) should be accounted for as a deduction of equity to the extent that they are incremental costs that are directly attributable to the equity transaction and that would otherwise have been avoided. Transaction costs may include, for example, fees paid to public authorities or experts in legal and accounting matters.

The listing costs of Betolar Plc, EUR 3.4 million, at the end of 2021 have been recognised as an expense in accordance with Finnish accounting standards in the profit and loss for the financial year 2021. Since listing costs can be attributed in full to the new shares issued in the IPO, the subscription price of which is entered in the invested unrestricted equity reserve, listing costs must be adjusted from profit and loss at 31 December 2021 and reclassified on the balance sheet from retained earnings to the invested unrestricted equity reserve. The total equity adjustment is EUR 2.9 million. However, listing marketing costs, 'road show' costs, tax advice or internal cost allocation are not deducted from equity but are recognised as expenses. These costs, EUR 465 thousand, are included in other operating expenses as part of marketing costs.

9. Reclassification (I)

These adjustments have dealt with other differences between FAS and IFRS, such as the classification of the cost of patents as part of development costs from other long-term costs, the presentation of capitalisation of development costs in the income statement as a netting expense, the replacement of manufacturing for own use and the presentation of own shares in the Group’s equity as a separate item. These adjustments have no impact on the figures but are changes in presentation in accordance with the IFRS financial statements.

Definition of Key Figures

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 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.