

CANATU

Annual report

2021



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Annual report 2021

Industry and significant events during the financial year

Canatu is a carbon nanomaterial developer. We create the most advanced carbon nanotubes for industry-transforming products. Canatu CNT is primed for highly-engineered solutions, where optoelectronic performance and reliability are vital. Our industrialized product and manufacturing platforms – currently free-standing CNT membranes and transparent conductive films – allow us to scale our business in Canatu CNT. Free-standing CNT membranes are used as highly sophisticated filters in the semiconductor industry. Under the automotive industry, Canatu advances autonomous driving in any weather with CNT film heaters for ADAS cameras and LiDARs. Additionally, Canatu's 3D touch sensors enable intuitive in-vehicle user experience and design freedom.

In 2021, Canatu started implementing its new long-term strategy that focuses on continuing mass production in the semiconductor and automotive industries, while further developing applications with forerunner companies to create new opportunities.

In 2021, Canatu made a major breakthrough in the semiconductor industry with the start of mass-production, contributing to strong revenue growth while offsetting the stagnating car industry due to COVID-19. Additionally, Canatu signed a significant Joint Development Agreement with its long-term strategic partner DENSO to develop new high-performance reactors aimed at tripling Canatu's CNT film manufacturing productivity. To strengthen its position as a leader in advanced CNT, Canatu acquired core competencies in the Engineering and Product teams that enhanced the organizational performance overall. Canatu laid the foundation for its sustainability strategy and targets and was ranked by the global rating platform EcoVadis as one of the top 25% companies in the world for sustainability, following the ISO14001:2015 Certification received already at the end of 2020. Finally, to further reflect this new direction, Canatu renewed its brand foundation and website, which were developed in alignment with the refocused company strategy.

Our vision

"Our new vision is to create the most advanced carbon nanotubes for industry-transforming products. We are already doing this in two industries, and expanding into new domains. Canatu has recently made major breakthroughs in the semiconductor and automotive industries, and our strategy is to pursue new business and product opportunities in continuation of Moore's law" - *Juha Kokkonen, CEO of Canatu*



Structure and financial arrangements

Canatu Oy had no changes in its structure in 2021.

The company has Business Finland loans totalling EUR 4,820,000.00 on December 31, 2021.

The company has European Investment Bank loans totalling EUR 5,500,000.00 on December 31, 2021.

The company has made repayment of loan from the European Investment Bank of total EUR 500,000.00 by 31.12.2021.

The main loan terms of the capital loan

The company has no capital loans in 2021.

Significant events after the financial year

There have been no material changes in the company's financial position since the financial year.

Estimate of future developments

The company's management estimates that net sales will increase significantly compared to the previous year. The increase in net sales is estimated to be due to the increase in orders in the semiconductor industry.

Report on the scope of research and development activities

The company has continued to invest in research and development. The company was involved in several projects financed by Business Finland in 2021.

The total financing received by the company has been EUR 546,936.20 for 2021.

Assessment of the most significant operational risks and uncertainties

Global economic cycles are the most significant risks and uncertainties in Canatu Oy's business, such as COVID-19. However, Canatu Oy has also made significant investments outside the automotive industry, thus reducing the impact of the business cycle. Current Ukraine-Russia war does not expose direct risk for Canatu Oy operations.

Estimate and key figures of financial position and results of operations

The company's business was unprofitable, but the company's solvency and liquidity were good.

The following key figures describe the company's financial position and results of operations:

	2021	2020	2019
Turnover	5 455 023,67	1 511 769,83	2 011 605,31
Net profit	-3 930 017,94	-6 777 444,44	-6 448 559,05
Net profit %	neg.	neg.	neg.
Return on equity -%	NA	NA	NA
Equity ratio -%	11%	31%	53%

Personnel

The company's average number of employees was 52 during 2021.

Key figures describing the company's personnel:

	2021	2020	2019
Average number of employees	52	56	59

Personnel expenses	2021	2020	2019
Wages and salaries	3 513 328,75	3 451 396,95	3 519 589,94
Pension expenses	619 612,89	514 299,50	644 489,29
Other personal expenses	131 155,42	106 658,25	104 837,85
Total personnel costs	<u>4 264 097,66</u>	<u>4 072 354,70</u>	<u>4 268 917,08</u>

Environmental

Canatu laid the foundation for its sustainability strategy and targets and was ranked by the global rating platform EcoVadis as one of the top 25% companies in the world for sustainability, following the ISO14001:2015 Certification received already at the end of 2020.

Option and other special rights

No new authorizations for the financial year 2021.

The share issue authorizations

No warrants and other special rights subscriptions in the financial year 2021.

Board of Directors' proposal on the handling of the company's distributable funds

The company has no distributable funds. The loss for the financial year is 3 930 017,94 euros. The Board of Directors proposes to the Annual General Meeting that the company does not distribute a dividend for 2021.

Company shares

The company has 5 different share classes. All share classes have the same right to a dividend, but the rights of the share classes to the company's assets are defined in the Articles of Association. All shares are subject to the redemption clause in the Articles of Association, according to which shareholders have the right to redeem a share transferred to a non-shareholder.

The company's share capital is divided as follows:

	2021	2020
Shares (amount of shares)	6 289 733	6 289 733

Own shares

The company does not hold any of its own shares on December 31, 2021.

Company organization, management and auditors

Since the company's Annual General Meeting held on May 18, 2021, Ari Ahola, Jörg Buchholz, Denis Cherkasov and Tony Cannestra have served as members of the Board. Ari Ahola has served as Chairman of the Board. Following the company's Extraordinary General Meeting held on November 17, 2021, Ronald Black was elected as a new member of the Board of Directors, and the previously elected members continued their duties.

Ernst & Young Oy has acted as the company's auditor, with Harri Kauttonen as the principal auditor.

Juha Kokkonen has served as the company's CEO.

Foreign and domestic subsidiaries and associates

100% owned subsidiaries of Canatu Oy:

USA: Canatu Inc. Orlando

Financial statements

2021



Canatu OY

Business ID 1886098-1

PROFIT AND LOSS ACCOUNT	1.1.-31.12.2021	1.1.-31.12.2020
NET TURNOVER	5 455 023,67	1511 769,83
Other operating income	546 936,20	254 472,00
Raw materials and services		
Raw materials and consumables		
Purchases during the financial period	-1 479 810,12	-320 388,25
External services	-265 031,36	-373 749,47
Materials and external services total	-1 744 841,48	-694 137,72
Staff expenses		
Wages and salaries	-3 513 328,75	-3 451 396,95
Social security expenses		
Pension expenses	-619 612,89	-514 299,50
Other social security expenses	-131 155,42	-106 658,25
Staff expenses total	-4 264 097,06	-4 072 354,70
Depreciation and reduction in value		
Depreciation according to plan	-749 089,01	-775 641,65
Other operating expenses	-2 904 229,27	-2 725 639,99
OPERATING PROFIT (LOSS)	-3 660 296,95	-6 501 532,23
Financial income and expenses		
Other interest income and financial income		
From others	6 909,07	11 807,61
Interest and other financial expenses		
Others	-276 630,06	-287 719,82
Financial income and expenses total	-269 720,99	-275 912,21
PROFIT (LOSS) BEFORE APPROPRIATIONS AND INCOME TAXES	-3 930 017,94	-6 777 444,44
Taxes at source	0,00	0,00
PROFIT (LOSS) FOR THE FINANCIAL YEAR	-3 930 017,94	-6 777 444,44

CANATU

BALANCE SHEET	31/12/2021	31/12/2020
ASSETS		
NON CURRENT ASSETS		
Intangible assets		
Intangible rights	766 192,24	701 619,56
Other capitalized long-term expenses	1 948,06	3 323,02
Intangible assets total	768 140,30	704 942,58
Tangible assets		
Buildings	1 872 778,27	1 945 833,04
Machinery and equipment	1 831 612,31	1 462 537,77
Other tangible assets	706 611,03	979 551,16
Tangible assets total	4 411 001,61	4 387 921,97
Receivables		
Short-term assets		
Account receivable	444 726,11	376 925,16
Other receivables	258 519,09	258 501,10
Accrued receivables	258 955,41	148 273,08
Total receivables	962 200,61	783 699,34
Other investments	6 340 577,09	9 848 214,10
Cash and equivalents	2 088 294,49	2 098 121,89
TOTAL ASSETS	14 570 214,10	17 822 899,88
LIABILITIES & EQUITY		
Shareholders' equity		
Share capital	8 000,00	8 000,00
Share issue		
Other equity	49 496 273,12	49 496 273,12
Retained earnings (loss)	-43 908 648,96	-37 131 204,52
Profit for the financial year	-3 930 017,94	-6 777 444,44
Capital and reserves total	1 665 606,22	5 595 624,16
LIABILITIES		
Long-term liabilities		
Loans from financial institutions	6 351 333,00	5 758 750,00
Long-term liabilities, total	6 351 333,00	5 758 750,00
Short-term liabilities		
Loans from financial institutions	3 971 667,00	5 064 250,00
Received prepayments	770 682,00	
Accounts payable	705 367,81	497 828,17
Other liabilities	87 876,22	83 953,70
Accrued liabilities	1 017 681,85	822 493,85
Short-term liabilities, total	6 553 274,88	6 468 525,72
Total liabilities	12 904 607,88	12 227 275,72
TOTAL LIABILITIES & EQUITY	14 570 214,10	17 822 899,88

Appendix

Appendix to financial statements

Consolidated financial statements

The consolidated financial statements have not been prepared pursuant to section 6: 1 of the PCA, as the subsidiaries are not material to the correct and sufficient information.

Valuation principles and methods

Intangible and tangible assets are recognized in the balance sheet at acquisition cost less planned depreciation.

Ordinary machine and equipment investments account for a 25% expense depreciation.

Two-year straight-line depreciation on R & D, equipment and testing facilities has been booked until the end of 2015, and from thereafter a straight-line depreciation of five years.

10 year straight-line depreciation on R&D machinery, equipment and test facility costs from 2018 onwards.

10 year straight-line depreciation on production equipment's costs from 2018 onwards.

Sequential principles and methods

Fundamentals of planned depreciation:

	Estimated holding time	Depreciation and depreciation method
Buildings	20 years	straight-line depreciation
Production equipment's	10 years	straight-line depreciation
Patents	5 years	straight-line depreciation
Patents since 2018	10 years	straight-line depreciation
Computer software	2 - 3 years	straight-line depreciation
Research and development expenses	2 - 5 years	straight-line depreciation
Machinery and equipment		25% expense depreciation

Partial revenue recognition

Partial revenue recognition for an unfinished project is based on the degree of completion.

The percentage of completion is calculated on the basis of actual costs and estimated total costs.

Partial revenue is recognized on the basis of the percentage of completion times the sales of the project.

Impact of partial income recognition

The remaining EUR 147,777 of the partially recognized project in 2019 has been recognized as income in 2021.

In 2021, the invoice 10833 will be partially recognized so that in 2021 the remaining portion will be EUR 770,682.

The remaining portion will be recognized as income for the financial year 2022 when delivery is completed.

Appendix to the profit and loss account

Personnel costs and staff on average	2021	2020
During the financial year, the company employed an average of	52 employees	56 employees
Personnel expenses		
Wages and salaries	3 513 328,75	3 451 396,95
pension costs	619 612,89	514 299,50
Other personal expenses	131 155,42	106 658,25
Total staff costs	4 264 097,06	4 072 354,70
Depreciation and impairment		
Research and development expenditure	293 255,79	333 812,27
Depreciation on long-term expenditures	139 426,85	162 941,08
Depreciation on buildings	103 111,37	100 613,14
Depreciation on machinery and equipment	205 657,99	178 275,16
Reduction in value of current	7 637,01	0,00
Depreciation total	749 089,01	775 641,65
Auditor's fees		
Audit	11 977,00	12 283,00
The assignments referred to in section 1.1.2 of the TTL	0,00	0,00
Total auditor's fees	11 977,00	12 283,00
Financial income and expenses		
Financial income		
Interest income	177,82	0,00
Foreign exchange gains	6 731,25	11 807,61
Total financial income	6 909,07	11 807,61
Exchange rate differences on sales were recognized in sales adjustment items	7 672,61	-1 642,73
Financial expenses		
Interest expenses on financial institution loans	274 501,78	81 921,34
Other interest expenses	180,58	18 306,76
Other borrowing costs	1 506,86	16 193,16
Foreign and exchange losses	440,84	171 298,56
Total financial expenses	276 630,06	287 719,82
Exchange losses on purchases are booked on purchase adjustments	15 742,59	4 297,78

Appendix to the balance sheet

Fixed assets	2021	2020
Intangible assets		
Patents 1.1.	1 064 342,28	788 651,61
Additions	202 624,57	275 690,67
Depreciation in the beginning of the financial year	-362 722,72	-201 156,60
Depreciation for the financial year	-138 051,89	-161 566,12
Patents 31.12.	766 192,24	701 619,56
Premises renovation costs 1.1.	6 072,94	6 072,94
Depreciation in the beginning of the financial year	-2 749,92	-1374,96
Depreciation for the financial year	-1374,96	-1374,96
Premises renovation costs 31.12.	1948,06	3323,02
Intangible assets total 31.12.	768 140,30	704 942,58
Tangible assets		
Buildings 1.1.	2 046 446,18	1 933 774,70
Additions	30 056,60	112 671,48
Depreciation in the beginning of the financial year	-100 613,14	0,00
Depreciation for the financial year	-103 111,37	-100 613,14
Buildings 31.12.	1 872 778,27	1 945 833,04
Machinery and equipment 1.1.	94 577,60	94 577,60
Depreciation in the beginning of the financial year	-41 377,32	-23 644,20
Depreciation for the financial year	-13 299,84	-17 733,12
Machinery and equipment 31.12.	39 900,44	53 200,28
Production machinery 1.1.	1 666 736,63	1 531 635,45
Additions	574 732,53	135 101,18
Depreciation in the beginning of the financial year	-257 399,14	-96 857,10
Depreciation for the financial year	-192 358,15	-160 542,04
Production machinery 31.12.	1 791 711,87	1 409 337,49
Other tangible assets 1.1.	1 605 685,47	1 325 899,54
Additions	20 315,66	279 785,93
Depreciation in the beginning of the financial year	-626 134,31	-292 322,04
Depreciation for the financial year	-293 255,79	-333 812,27
Other tangible assets 31.12.	706 611,03	979 551,16
Total tangible assets 31.12.	4 411 001,61	4 387 921,97
Holdings in other companies		
	Own capital	Profit of the financial period
Canatu Inc, Orlando, USA	40 906	16 799

Appendix to the balance sheet liabilities

Own capital	2021	2020
Restricted equity		
Share Capital 1.1.	8 000,00	8 000,00
Share Capital 31.12.	8 000,00	8 000,00
Free equity		
Fund for invested unrestricted equity 1.1.	49 496 273,12	49 496 273,12
Fund for invested unrestricted equity 31.12.	49 496 273,12	49 496 273,12
Profit (loss) from previous financial years 1.1.	-43 908 648,96	-37 131 204,52
Net profit (loss)	-3 930 017,94	-6 777 444,44
Profit (loss) from previous financial years 31.12.	-47 838 666,90	-43 908 648,96
Equity total 31.12.	1 665 606,22	5 595 624,16
Distributable own capital		
Free equity	1 657 606,22	5 587 624,16
Other tangible assets	-706 611,03	-979 551,16
	950 995,19	4 608 073,00
In the invested unrestricted equity fund is presented the share subscription fee corresponding to the number of registered items.		
Accrued expenses		
Pension expenses	462853,00	790100,75
Interest expenses	32 393,09	32393,10
	495246,09	822493,85
Responsibilities and guarantees		
Creditcards, amount of responsibility	5 710,84	7 832,63
Amount available secured deposit	5 710,84	7 832,63
10 475,99	10 475,99	10 475,99
Rental liabilities		
Leaseholdability of premises, Vantaa Tiilitie 6 months	214 115,82	172 260,96
Leaseholdability of premises	193 025,11	193 025,11
Leasing		
Payable next financial year	62 957,25	65 055,37
Payable later than one year	28 816,09	55 950,10
Other responsibilities	2021	2020
Hosiden Europe GmbH, 24.10.2017	55 000,00	55 000,00
Liabilities that mature later than five years	0,00	0,00

Appendix to the operations

An estimate of likely future development

The company's operations involve uncertainty due to the development of sales. The company's management plans measures to ensure continuity of operation. These actions may include a new equity financing round.

Subordinated loans

The company has no subordinated loans on December 31, 2021.

Option and other special rights

The company has no subordinated loans on December 31, 2021.

The share issue authorizations

No warrants and other special rights subscriptions in the financial year 2021

Directed share issues

No direct share issues in 2021.

Appendix to the operations

The number of shares in the company by type of shares and the main provisions of the Articles of Association concerning each class of shares

The company's share capital is divided by class of shares as follows:		
Shares (1 vote per share)		
Registered share capital:	31.12.2021	31.12.2020
A-share, number of	1 511 805	1 511 805
B-share, number of	2 115 345	2 115 345
C-share, number of	564 722	564 722
D-share, number of	1 045 296	1 045 296
E-share, number of	1 052 565	1 052 565
Total subscribed, paid, number of	6 289 733	6 289 733
The Articles of Association contain a redemption clause for shares.		

The Board of Directors proposal on measures for the financial year

The Board of Directors proposes that a loss of EUR 3 930 017,94 for the financial year be transferred to the Profit / Loss Account for previous years and no dividend is paid.

Salaries and remuneration of the CEO and members of the Board of Directors 2021

The CEO has received remuneration of EUR 211 646,60 in 2021.

Canatu Oy's actual Board members has received remuneration of EUR 15 000 in 2021.

Signatures

Vantaa

April

2022

DocuSigned by:



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Ari Ahola
member, appointed as Chairman

DocuSigned by:



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Jörg Buchholz
member

DocuSigned by:



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Denis Cherkasov
member

DocuSigned by:



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Tony Cannestra
member

DocuSigned by:



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Ronald Black
member

DocuSigned by:



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Juha Kokkonen
CEO

Auditor's note

Helsinki

2022

Ernst & Young Oy
Tilintarkastusyhteisö

Harri Kauttonen,
KHT

Business ID 1886098-1

CANATU

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working world**

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AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Canatu Oy

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Canatu Oy (business identity code 1886098-1) for the year ended 31 December, 2021. The financial statements comprise the balance sheet, income statement and notes.

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

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other reporting requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 13.5.2022

Ernst & Young Oy
Authorized Public Accountant Firm

HARRI KAUTTONEN

Harri Kauttonen
Authorized Public Accountant