

Aiforia Technologies Plc

Financial Statement Bulletin

January-December 2021

Aiforia Technologies Plc Financial Statement bulletin for January-December 2021: Towards international growth in the preclinical research and clinical diagnostics markets

Aiforia Technologies Plc financial statements bulletin for 2021 (unaudited)

Aiforia Technologies Plc, Company Release, 3 March 2022 at 09.00 a.m. EET

Key figures for the 2021 financial year (Group)

- Turnover was EUR 974 (849) thousand
- EBITDA was EUR -3,451 (-1,610) thousand
- Operating loss (EBIT) was EUR 4,691 (2,632) thousand
- The loss was EUR 7,576 (2,756) thousand
- Unadjusted earnings per share (EPS) were EUR -0.43 (-0.21)
- Cash and cash equivalents at the end of the period amounted to EUR 38,092 (1,912) thousand

Key events for the 2021 financial year

- In February, Aiforia joined the EU H2020 project called DECIDER, coordinated by the University of Helsinki, which aims to develop new AI-assisted solutions for ovarian cancer diagnostics
- In May, Aiforia entered into a distribution agreement with EpreDia, a global player in the field of anatomical pathology, for Aiforia's AI-based image analysis software
- In June, Aiforia launched a CE-IVD-marked clinical AI model for quantifying the Ki67 biomarker in breast cancer diagnosis
- In September, Aiforia was granted the ISO 27001 certificate for its information security management system
- In September, Aiforia successfully closed a EUR 17.5 million Series B financing round
- In November, Aiforia launched a CE-IVD-marked clinical AI model for the quantification of the PD-L1 biomarker in lung cancer diagnosis
- In November, Aiforia signed a framework agreement with Mayo Clinic in the US. The framework agreement covers software solutions for both preclinical research and clinical diagnostics. Mayo Clinic is expected to implement several of Aiforia's clinical diagnostic software solutions during 2022. For preclinical research, the Mayo Clinic plans to make the Aiforia Create software solution available to several dozen of its pathologists and researchers to help them develop new AI models for use at the Mayo Clinic.



Key figures

Group	7-12/2021	7-12/2020	2021	2020	2019
Revenue, EUR 1,000	548	405	974	849	639
EBITDA, EUR 1,000	-2 174	-883	-3 451	-1 610	-2 141
Operating loss, EUR 1,000	-2 841	-1 428	-4 691	-2 632	-3 022
Net loss for the financial period, EUR 1,000	-5 233	-1 538	-7 576	-2 756	-3 053
Equity ratio, %	87 %	18 %	87 %	18 %	13 %
Net debt, EUR 1,000	-35 197	1 295	-35 197	1 295	691
Cash and cash equivalents at the end of the financial period, EUR 1,000	38 092	1 912	38 092	1 912	1 515
Balance sheet total, EUR 1,000	43 868	5 268	43 868	5 268	4 238
Number of employees on average	37	26	41	26	22
Personnel expenses, EUR 1,000	1 876	923	2 995	1 884	1 478
Investment in tangible and intangible assets, EUR 1,000	2 417	462	3 793	816	1 580
Earnings per share, undiluted and diluted***, EUR	-0,26**	-0,11	-0,43**	-0,21	-0,24

*Personnel expenses includes capitalisation of development expenses

**IPO-related costs have been taken into account in the loss used in the earnings per share calculation.

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

From the CEO

2021 was a historic year for Aiforia Technologies Plc as Aiforia forged an important partnership with one of the world's top hospitals, the Mayo Clinic, and gained significant financing to support our growth.

In November 2021, Aiforia signed a master agreement with the Mayo Clinic in the United States, for the sale of software solutions intended for use in both preclinical research and clinical diagnostics at the Mayo Clinic's Department of Laboratory Medicine and Pathology. The Department forms one of the largest clinical laboratories in the world, performing more than 2.6 million pathology tests annually. The cloud-based nature of the Aiforia platform harbours a huge advantage, as more than 2,000 people work in numerous laboratories multiple locations of the Mayo Clinic Department.

During 2022 we have also solidified the collaboration with the Mayo Clinic and look forward to our joint efforts to bring novel AI models to the market for numerous applications in pathology.

Aiforia was listed on Nasdaq Helsinki's First North Market Finland in December 2021, raising gross proceeds of approximately EUR 29 million. This, together with a B-round of funding earlier in the year, which raised approximately EUR 17.5 million, creates a strong foundation for growing the business.

Aiforia has more than 3,000 active users in around 50 countries. In 2021, our users published 22 scientific papers in a wide range of fields from oncology to neuroscience using Aiforia's AI solutions and services, bringing the total number of publications to over 60. As we look ahead to 2022, I believe that with our expanding team and growing number of powerful products and services, we can continue to strengthen our international reach and to help advance healthcare.

Our business goals include expanding our portfolio of CE-IVD-marked AI models for clinical diagnostics, as well as significantly increasing our user base in preclinical and clinical pathology, while working towards a product offering



that covers most of the pathologist's diagnostic workflow. Aiforia aims to transform image-based diagnostics by increasing efficiency and accuracy beyond current capabilities.

The implementation of our strategy is progressing well. The field of pathology is in transition and faces a growing need to adopt AI-based methods to improve efficiency. I believe that Aiforia's expertise and experience can help revolutionize the entire healthcare industry, from discovery to diagnosis, for example by identification of novel biomarkers of disease, and supporting R&D scientists in speeding up time-to-market of novel drugs, to helping pathologists enhance the accuracy of cancer diagnostics.

I believe we are well positioned to offer the solutions needed to transform the field of pathology and achieve our mission; to provide the highest quality solutions for AI-assisted image analysis to enable personalised and democratised care for patients.

Jukka Tapaninen

CEO, Aiforia Technologies Plc

Market outlook

In 2022, Aiforia's activities will focus on the sale of software solutions to both the preclinical and clinical sectors, as well as the development, validation and the sale of new functionalities and disease-specific AI models.

Aiforia will further develop its Aiforia Create AI model development software by adding new functionality to support the needs of research and drug development more broadly. Aiforia will also continue to develop software for clinical diagnostic applications and aims to bring several new AI models to the market to support the diagnosis of some of the most common cancers.

The company has strengthened its collaboration with the Mayo Clinic and agreed on an approach in which they will work together to develop AI models for the clinical diagnostics market.

Sales and marketing activities will focus on clinical diagnostic laboratories in Europe and North America, and will continue to target the pharmaceutical industry and major medical research institutions.



Financial overview for 2021

Turnover

During the financial year, the Group's net sales were EUR 974 (849) thousand.

Revenue consists of the sale of Aiforia's software solutions and services to preclinical research customers, SaaS-based license sales and its ancillary services, and service sales.

The company recognized the income of EUR 421 (1,520) thousand in R&D and other grants during the financial year. Of this, revenue related to the H2020 project was EUR 329 thousand, revenue related to the Decider project was EUR 67 thousand and revenue related to BF Covid-19 grant was 24 thousand euros.

Materials and services costs directly related to net sales amounted to EUR 373 (259) thousand. The costs of materials and services consisted of services purchased during the financial year, which are mainly purchased cloud services related to the services and products sold.

Profit

The Group's operating loss excluding depreciation and impairment losses (EBITDA) was EUR 3,451 (1,610) thousand. The operating loss (EBIT) was EUR 4,691 (2,632) thousand. The loss for the financial year was EUR 7,576 (2,756) thousand.

Depreciation of tangible and intangible assets amounted to EUR 1,239 (1,022) thousand.

The Group's negative result is in line with the strategy and reflects the stage of Aiforia's development in which investments have been made to enable future growth. Aiforia's personnel expenses during the financial year were EUR 2,310 (1,680) thousand and other operating expenses were EUR 2,163 (2,041) thousand. During the financial year, Aiforia capitalized EUR 685 (205) thousand in personnel expenses and EUR 3,058 (607) thousand in other operating expenses. Financial expenses were EUR 2,995 (131) thousand, of which EUR 2,923 thousand were related to the IPO and Round B financing.

Balance sheet, financials and investment

The consolidated total of the balance sheet at the end of the financial year was EUR 43,868 (5,268) thousand. The equity ratio at the end of the financial year was 87 (18) percent.

At the end of the financial year, the Group's net debt was EUR -35,197 (1,295) thousand. Long-term debt was EUR 2,690 (2,706) thousand.

Net cash flow from operating activities during the financial year totalled EUR -2,450 (-2,866) thousand.

Cash flow from investing activities totalled EUR -2,807 (-749) thousand, consisting of investments in intangible and tangible assets.

Cash flow from financing activities was EUR 41,426 (4,003) thousand. Cash and cash equivalents at the end of the period were EUR 38,092 (1,912) thousand.

In February, the company announced that it was involved in the Decider project coordinated by the University of Helsinki, which aims to develop new, artificial intelligence-assisted solutions for ovarian cancer diagnostics. The company has been granted a total of EUR 400 thousand in grant funding for this five-year project, of which EUR 140 thousand was paid in February 2021.

In February, the Company received the remaining EUR 24 thousand of the corona grant.

In April, the company repaid Finnvera's loan of EUR 500 thousand.



In April, the Company received the second tranche of the grant funding for the EU H2020 program initially granted in 2019, EUR 820 thousand.

In June, the company arranged a B-financing round for Finnish and international investors and raised EUR 12.6 million in equity financing. In the share issue, the Company issued 65,824 new Series D shares.

In September, the Company arranged the second part of the B financing round and raised EUR 4.9 million. In the share issue, the Company issued 25,640 new Series D shares

In September, the Company raised the last tranche of Business Finland's product development loan, EUR 189 thousand.

In October, a total of 249,150 A shares were subscribed for with employee stock options. The company received a total of EUR 159 thousand from the share subscriptions.

The company raised a total of approximately EUR 27 million in gross assets from the IPO in December. The remaining part of the funds raised in the IPO was approximately EUR 2.1 million in January 2022. In the IPO, the Company issued 5,806,066 new shares. The costs recorded in the financing costs of the listing project totalled approximately EUR 2.6 million.

Annual general meeting

The Annual General Meeting held on 29 June 2021 approved the financial statements for the financial period 1.1.2020-31.12.2020 and granted discharge to the members of the Board of Directors and the Managing Directors for the financial period.

The AGM elected Pekka Mattila, Johan Lundin, Monita Au Kin Lai, John Sweeney and John Wellbank as members of the Board. Kari Pitkänen, Mikael Lundin, Tuomas Tenkanen and David Oliver were elected as deputy members of the Board.

The AGM decided that the Board members will be reimbursed for reasonable travel expenses related to Board work, but no other compensation will be paid.

The AGM decided to change the company's legal form from a private limited company to a public limited company in accordance with the proposal of the Board of Directors.

The General Meeting decided to amend the Articles of Association as follows:

- (a) Articles 12 (Consent clause) and 13 (Redemption clause) of the Articles of Association are deleted;
- (b) the Series A, Series B, Series C and Series D share classes are combined into one share class at a ratio of 1:1 so that after the combination the company will have only one new share class and section 4 (Shares) of the Articles of Association is amended accordingly.

These decisions were conditional upon the Board of Directors' decision and the separate consent of all shareholders of the company to the amendment of the Articles of Association.

The General Meeting authorised the Board of Directors to decide on the issue of warrants and other special rights entitling to shares, so that the warrants and other special rights may entitle to a maximum of 15 000 Class A shares in total. This authorisation does not override previous authorisations granted to the Board of Directors to issue special rights entitling to shares. The authorisation is valid for five (5) years from the date of the resolution of the Annual General Meeting.



Unanimous decisions by shareholders

26.2.2021 The shareholders have decided, without holding a General Meeting, to include the company's shares in the book-entry system.

14.5.2021 Without holding a General Meeting, the shareholders have decided to issue new Series D shares and to direct a share issue of 65 824 Series D shares at a share price of EUR 191,40. In addition the Board of Directors is authorized to issue maximum of 65 824 new Series D shares at a share price of EUR 191.40. The authorisation does not revoke the previous share issue and option right authorisations. The shares can only be offered to subscribers who participated in the paid share issue decided on 14 May.

20.9.2021 The shareholders have decided, without holding a General Meeting, that an annual fee of EUR 20 000 will be paid to the members of the Board of Directors, excluding the Chairman, whose annual fee will be EUR 40 000, and the Vice Chairman, if any, whose annual fee will be EUR 25 000, and that the annual fee would be conditional on the completion of the IPO and the IPO.

A decision was also taken on a share issue free of charge (share split), in which shareholders will be issued new shares in proportion to their shareholding, 49 new shares of the same class for each existing share. Based on the number of existing shares, a total of 5 166 266 new class A shares, 3 968 951 new class B shares, 5 712 665 new class C shares and 4 481 736 new class D shares will be issued.

In addition, it was decided to authorise the Board of Directors to decide on the issue of a maximum of 10 000 000 new shares and the terms and conditions of the IPO on Nasdaq First North Growth Market Finland. The authorisation is valid until 31 December 2021. The authorisation does not revoke previous authorisations granted to the Board of Directors to issue shares or special rights entitling to shares.

The authorisation to issue shares, decided by a unanimous resolution of the shareholders on 14 May 2021, was amended so that 2 009 200 Series D shares may be issued under the authorisation and that the subscription price per share is EUR 3.83.

The authorisation of the General Meeting of Shareholders of 29 June 2021 to the Board of Directors to issue warrants and other special rights entitling to shares was amended to include a maximum number of 750,000 class A shares.

The terms of the stock option plans were amended after the above-mentioned free share issue so that each option entitles the holder to subscribe for 50 new shares and the subscription price of the shares is one fiftieth of the original subscription price. All other terms and conditions of the stock option plans remained unchanged.

It was decided to amend the content of the authorisations granted to the Board of Directors by the Annual General Meetings of 27 May 2020 and 29 June 2021 concerning stock options and other special rights entitling to shares accordingly.

24.9.2021 The shareholders, without holding a General Meeting, resolved on 20 September 2021 to set the record date for the free-of-charge share issue under the book-entry system as 28 September 2021, in accordance with the unanimous resolution of the shareholders, and requested the Patent and Registration Office to register the new shares with the Trade Register on 28 September 2021.

Board of Directors, management, and auditors

Board

At the end of the financial period, Aiforia's Board of Directors consisted of Pekka Mattila (Chairman), Johan Lundin, Monita Au Kin Lai, Kari Pitkänen (1.1.2021- 29.6.2021), John Sweeney (from 29.6.2021) and John Wellbank (from 29.6.2021).



Management

Aiforia's management team at the end of the financial year consisted of Jukka Tapaninen (CEO), Kaisa Helminen (COO), Veli-Matti Parkkonen (CFO), Tuomas Ropponen (CTO) and Kari Pitkänen (Business Development Director).

Auditors

The company's auditor is PricewaterhouseCoopers Oy, where the auditor in charge has been Martin Grandell.

Employees

The average number of Aiforia's employees during the financial period was 41 (26) full-time equivalents. At the end of the financial year, Aiforia employed 65 people, including the CEO. Of these, 56 worked in Finland, five in the rest of Europe and four in the United States. The Group had offices in Helsinki and in Cambridge (MA), USA, where the wholly owned subsidiary Aiforia Inc. is located.

Share and shareholders

In November 2021, Aiforia announced its plans to go public and list its shares on the First North Market Finland of Nasdaq Helsinki Oy.

Aiforia's IPO was oversubscribed, and the IPO was completed as planned. In the IPO, Aiforia raised gross proceeds of approximately EUR 29 million by issuing a total of 5 992 459 new shares. The subscription price was EUR 5.01 per share for the public and institutional issue and EUR 4.51 per share for the employee issue. After the IPO, Aiforia's market capitalisation was approximately EUR 130 million.

In the public offering 460 829 shares were allotted to individuals and entities in Finland. In the institutional offering, 5 476 876 shares were allotted to Finnish and international institutional investors, including an additional share option of 598 802 shares granted to Swedbank AB (publ). In addition, 54 754 shares were allocated to employees.

Swedbank decided to use 412 409 shares from the additional share option received, which the company issued at a price of EUR 5.01 to Swedbank. At the same time, Swedbank returned 598 802 shares to the company, which were cancelled by Aiforia's Board of Directors in accordance with the decisions taken at its meeting on 9 December 2021.

The total number of shareholders of the company at the balance sheet date 31 December 2021 was 1 850, which includes nominee registries and joint account holders.

Trading in Aiforia shares commenced on the First North Growth Market Finland of Nasdaq Helsinki Ltd on 10 December 2021. Aiforia's trading symbol is AIFORIA.

Share capital and shares issued

Aiforia's share capital is EUR 102 600, consisting of one series of shares and the company had 25 965 709 shares at the balance sheet date 31.12.2021. The shares have no nominal value. At the end of the financial year, the company did not hold any of its own shares.

Share trading

The closing price of the share on the first trading day on 10 December 2021 was EUR 5.06. On the last trading day of the financial year on 30 December 2021, the closing price of the share was EUR 5.22. The highest quoted share price for the period was EUR 5.50 and the lowest was EUR 4.80. The volume weighted average price (VWAP) of the share during the period was EUR 5.05 and the average daily turnover was 47 385 shares.

Aiforia had a market capitalisation of EUR 135 541 001 on 31.12.2021.



Shareholders

As of 31 December 2021, Aiforia had 1 850 shareholders, including nominee registries and joint account holders. The 100 largest shareholders are listed on the company's website <https://investors.aiforia.com>.

Option rights

The table below shows the shareholding and voting rights that may be exercised under the Issued stock options and the effect of the options on the number of shares.

	31.12.2021
Maximum amount of shares to be issued, which are still unsubscribed and can be subscribed	2,610,750
Number of shares at 31 Dec 2021	25,965,709
Number of shares if all options are converted into new shares	28,576,459
Proportion of holdings and votes if all options are converted into new shares	9,14 %

Options of Board members, CEO and Management Team on 31 Dec. 2021

Shareholder	Maximum amount of shares to be issued, which are still unsubscribed and can be subscribed	Proportion of holdings and votes if all options are converted into new shares
Board of Directors	315,000	1,10 %
CEO	729,000	2,55 %
Other Management Team	585,800	2,05 %
Total	1,629,800	5,70 %

Risk and risk management

Aiforia is exposed to risks that may arise from the operating environment, business, information systems and intellectual property rights, regulation, and financial position. Aiforia's risk management is based on a risk management policy approved by the Board of Directors. Risk management includes all activities related to setting objectives, identifying, measuring, reviewing, addressing, reporting, monitoring, and preventing risks. Aiforia's risk management and the risks associated with its business are described in detail in the company's listing prospectus and on its website.

The following paragraphs describe the risks that Aiforia considers to be the most significant and that could have an adverse effect on its business, prospects, and value.

Risks related to Aiforia's operating environment

Global epidemics or pandemics, such as the current one caused by the coronavirus pandemic (COVID-19), may affect Aiforia's business, both directly and indirectly, due to, among other things, epidemics, or pandemics, as well as restrictions and other measures to prevent their spread. The movement of people has also been restricted internationally through various and varying lengths of travel restrictions between countries and, at times, complete border closures. Such restrictive measures have affected, and may continue to affect, the availability and accessibility of the experts and employees that Aiforia utilizes and make it difficult for key personnel to operate internationally, as



well as impede the sale and marketing of the Company's products. Aiforia has adopted the best available communication tools for virtual communication. In addition, the sale and marketing of software and software services, as compared to the sale and marketing of physical products, are more easily accomplished in a virtual environment. In addition, Aiforia already has sales and marketing power on several continents through its own sales force and through partners. This helps in situations where mobility between countries is restricted.

Aiforia's industry is vulnerable to technological change and, although technological progress in pathology has historically been relatively slow, it is likely that technological progress in pathology will also accelerate significantly in the future. Technological developments may lead to the introduction of new and more efficient solutions and to the development and commercialisation of, for example, higher quality, more cost-effective, more accurate and more scalable services. Aiforia may not be able to develop its software solutions and services quickly enough to respond to technological developments. Aiforia continuously monitors technological developments in the industry and with its accumulated capital and knowledgeable staff is ready to respond to new developments in the industry.

Risks related to Aiforia's business

The Company's future prospects and ability to generate profits will depend to a large extent on whether and in what timeframe the Company is able to win customers for its clinical diagnostics software solutions and services, for example in Europe and the United States. There is a risk that the Company will not be able to develop software solutions and services that are widely adopted for commercial use as anticipated or within the planned timeframe. In addition, there is no guarantee that Aiforia will be successful in developing new diagnostic-specific AI models or bringing new diagnostic-specific AI models to market as planned or at all. Aiforia has already launched several AI models validated for clinical diagnostics in a short period of time, which confirms the Company's ability to develop several diagnosis-specific AI models in a timely manner and in line with its objectives.

Aiforia intends to offer its software solutions and services to a significant number of clinical diagnostics players, and such players are expected to constitute a significant part of Aiforia's customer base in the future. Aiforia estimates that clinical diagnostics customers have the highest revenue potential of the various customer segments and that the future development of Aiforia's business is therefore significantly dependent on Aiforia's ability to enter into profitable contracts with such customers and on the demand from such customers for Aiforia's software solutions and services. Aiforia has announced a major framework agreement with one of the world's most prestigious hospitals. This will continue to serve as a strong reference when approaching other customers on the clinical side.

The sale of clinical diagnostic software solutions and services offered by Aiforia may be subject to Aiforia obtaining the necessary regulatory approvals for the software solutions and services it offers in certain countries. The applicable laws and regulatory procedures and marketing authorization requirements for Aiforia's provision of software solutions and services outside the European Union may differ significantly from the regulatory procedures and marketing authorization requirements in the European Union. Aiforia has certified its processes in recognition of the diversity of licensing practices. In addition, Aiforia's products support the analysis of physicians and pathologists and do not independently make a diagnosis. According to Aiforia, this lowers the threshold for obtaining marketing authorisation in the target market.

The skills and experience of the Company's key employees and other key personnel are key to the development of Aiforia's business. Since Aiforia's business development depends essentially on the skills of its employees and management, it also depends essentially on the Company's ability to retain existing key personnel and to recruit new, competent personnel and other key personnel in the future, if necessary. Aiforia strives to create a good working environment for growth and professional development. Share-based incentive schemes are also a tool to promote retention.

Risks related to Aiforia's information systems and intellectual property rights

It is important for Aiforia's reputation and its business that the Company does not infringe the intellectual property rights of third parties in its business activities. However, Aiforia may unintentionally infringe the intellectual property rights of third parties during its business and there is no guarantee that its current or future products do not currently or in the future infringe the intellectual property rights of third parties, such as patents.



Aiforia's intellectual property rights include patent, trademarks, domain names and unregistered intellectual property rights such as know-how and trade secrets. Although Aiforia has sought to protect innovations that are important to its operations, for example through patents and patent applications, there can be no assurance that Aiforia will be able to adequately assess the protection afforded by such intellectual property rights and may fail to adequately protect its software solutions. Aiforia's product and service offering is very difficult to copy, even if it is not protected by patents.

In addition to the information systems used internally by Aiforia in its operations, Aiforia's customers also rely heavily on cloud computing for their software solutions. The company purchases the cloud service necessary to provide its software solutions from a third-party provider and the availability and smooth operation of the cloud service is therefore beyond Aiforia's control. If the use of the cloud services is prevented, for example due to disruptions in the service, this will also have a material impact on the availability of the software solutions offered by Aiforia to its customers and may even prevent the use of the software solution offered by Aiforia altogether. Aiforia may change its cloud service provider if necessary. In general, cloud service providers have significantly better resources to ensure the proper functioning of the service than if Aiforia were to attempt to implement the service itself. In addition, national regulations often require data to remain within certain national borders, making it almost impossible for operators like Aiforia to offer cloud solutions locally without an international service provider.

Legal and regulatory risks

As a manufacturer of medical devices, Aiforia is exposed to significant risk from product liability and product safety claims. As a result of such claims, Aiforia may be subject to product liability or product safety litigation to determine whether the Company's software solutions or services have adverse effects on patients or users of the software solutions and services.

In addition to financial penalties, violations of or failure to comply with data protection legislation may result in significant reputational damage to Aiforia, as data protection aspects of the Company's operations have been highlighted in the public domain, particularly since the entry into force of the GDPR. In addition, as the Company expands its offering of clinical software solutions into new geographic areas, it is possible that the personal data processing regulations applicable in such areas may differ significantly from those applicable, for example, in the European Union. Aiforia monitors regulatory developments and has already implemented a number of required and recommended practices in its operations. Examples include systems, practices, and certifications to the ISO27001 standard.

Risks related to Aiforia's financial position

As Aiforia's own reporting currency is the euro, it is exposed to the risk of exchange rate fluctuations whenever it pays or receives payments in a currency other than the euro. In particular, exchange rate fluctuations may lead to significant changes in the value of Aiforia's receivables and Aiforia's revenues may decrease significantly as a result of exchange rate fluctuations. Aiforia monitors exchange rate developments and risk on an ongoing basis and reacts to them when necessary.

The terms of financing agreements, such as product development loan agreements, may affect Aiforia's financing in the future. The terms may require renegotiation with financiers if the terms cannot be met and there can be no assurance that Aiforia will be able to meet the terms of its financing agreements or successfully renegotiate with financiers. At the balance sheet date, Aiforia had interest-bearing debt of EUR 2 900 thousand. The company's cash and cash equivalents were many times higher than its debt. Aiforia does not believe that, as a debtor, it will have to negotiate unfavourable financing terms in the near future.

The company's balance sheet on 31 December 2021 included EUR 4 723 thousand in capitalised development costs. The Company capitalizes development costs in the balance sheet under intangible assets if they are expected to generate revenue over several financial years. If the expected return on an intangible asset recognised in the balance sheet is less than the amount of development costs recognised in the balance sheet, the value of the capitalised development costs is adjusted by an impairment charge to reflect the expected return through the income statement.



The Company has made comprehensive calculations of the expected return on development expenditure and does not believe that any write-downs are required.

Due to the Company's variable rate borrowings, an increase in interest rates could have a material adverse effect on the Company's finance costs. With respect to cash, there is a risk that in a significantly weaker economic environment, the European Central Bank may lower its policy rates further or that commercial banks may begin to charge smaller companies such as the Company higher interest rates on cash deposits. The Company monitors currency and interest rate developments on an ongoing basis and reacts as necessary.

Proposal by the Board of Directors on the treatment of the result for the financial year

The loss of Aiforia Technologies Plc for the financial year is EUR -7,070,862. The company's distributable free equity is EUR 34,843,627. The Board of Directors proposes to the General Meeting that the loss for the financial year be retained in the retained earnings account and that no dividend be paid.

Key events after the reporting period

In January 2022 the Company issued 412 409 shares at a price of EUR 5.01 to Swedbank from the additional share option it has received for the IPO. At the same time, Swedbank returned 598 802 shares to the company, which were cancelled by Aiforia's Board of Directors in accordance with the decisions taken at its meeting on 9 December 2021.

In January 2022 The Board of Directors established an Audit Committee and a Remuneration Committee to prepare matters to be discussed by the Board of Directors. The committees are responsible for assisting the Board. They do not have independent decision-making powers. The Board of Directors has laid down the main tasks and operating principles of the committees in written charters. The Committees will take up their duties at the beginning of February 2022.

Annual General Meeting

The Annual General Meeting of Aiforia Technologies Plc will be held on Tuesday 5 April 2022. The notice of the Annual General Meeting will be published later.

Financial overviews for the financial year 2022

Aiforia will publish its half-yearly report for the period 1.1-30.6.2022 on 25 August 2022.

After publication, the financial reports will be available on Aiforia's website at <https://investors.aiforia.com/>

Investor webinar

Aiforia will host a webinar on 7 March 2022 at 2.30 p.m. EET.

During the webinar, Aiforia's CEO, CFO and COO present on the highlights and financials from 2021, the market environment as well as dive into the future outlook for Aiforia.

To join the webinar, please visit:

<https://unitedbankers.webex.com/unitedbankers/j.php?MTID=ebbc54d1ef9312ca149d292c33242633a>

The recording of the webinar will be available after 7 March 2022 on Aiforia's website at <https://investors.aiforia.com/>



In Helsinki, 3 March 2022

Aiforia Technologies Plc

Board of Directors

Further enquiries

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Accounting policies for the financial statement bulletin

The financial statement bulletin has been prepared in accordance with the Finnish accounting legislation and it is unaudited. The amounts are presented in thousands of euros.

Consolidated income statement

(EUR thousand)	1 Jul. 2021 - 31 Dec. 2021	1 Jul. 2020 - 31 Dec. 2020	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Revenue	548	405	974	849
Other operating income	162	662	421	1,520
Materials and services	-78	-179	-373	-259
Personnel expenses	-1,429	-839	-2,310	-1,680
Depreciation, amortisation and impairment losses	-667	-545	-1,239	-1,022
Other operating expenses	-1,376	-932	-2,163	-2,041
Operating loss	-2,841	-1,428	-4,691	-2,632
Financial income and expenses	-2,393	-110	-2,886	-124
Loss before appropriations and taxes	-5,233	-1,538	-7,576	-2,756
Income taxes				
Loss for the period	-5,233	-1,538	-7,576	-2,756



Consolidated balance sheet

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
ASSETS		
Non-current assets		
Intangible assets	4,723	2,216
Tangible assets	50	6
Total non-current assets	4,773	2,222
Current assets		
Current receivables	1,003	1,134
Cash and cash equivalents	38,092	1,912
Total current assets	39,095	3,046
Total assets	43,868	5,268
	31 Dec. 2021	31 Dec. 2020
EQUITY AND LIABILITIES		
EQUITY		
Share capital	103	103
Reserve for invested unrestricted equity	55,451	10,790
Retained earnings (losses)	-10,130	-7,251
Loss for the financial year	-7,576	-2,756
Total equity	37,848	886
Non-current liabilities		
Loans from financial institutions	2,690	2,706
Total non-current liabilities	2,690	2,706
Current liabilities		
Loans from financial institutions	205	500
Advances received	513	298
Trade payables	1,895	395
Other current liabilities	74	34
Accruals and deferred income	644	448
Total current liabilities	3,331	1,675
Total liabilities	6,020	4,382
Total equity and liabilities	43,868	5,268



Consolidated statement of cash flows

(EUR thousand)	1 Jul. 2021 - 31 Dec. 2021	1 Jul. 2020 - 31 Dec. 2020	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Cash flow from operating activities				
Loss before appropriations and taxes	-5,233	-1,538	-7,576	-2,756
Adjustments for:				
Depreciation, amortisation and impairment losses	667	545	1,239	1,022
Other non-cash items	-162	791	-421	-67
Financial income and expenses	2,393	110	2,886	124
Operating profit before working capital changes	-2,335	-92	-3,872	-1,677
Changes in working capital:				
Increase(-) or decrease(+) of current interest-free receivables	-346	-896	-343	-840
Increase(+) or decrease(-) of current interest-free liabilities	1,728	-240	1,732	-324
Cash flow from operating activities before financial items and taxes	-954	-1,228	-2,483	-2,841
Interest paid and payments from other operating financial expenses	-57	-13	-76	-25
Interests received from business operations	109		109	
Cash flow from operating activities (A)	-902	-1,241	-2,450	-2,866
Cash flow from investing activities				
Investments in tangible and intangible assets	-2,417	-462	-3,793	-816
Proceeds from sale of tangible and intangible assets	1		1	
Grants received for investments		11	984	67
Cash flow from investing activities (B)	-2,415	-451	-2,807	-749
Cash flow from financing activities				
Proceeds from share issue	32,062	2,003	44,660	3,003
Share issue and IPO expenses	-2,581		-2,923	
Loans from financial institutions increase (+)/decrease (-)	189	366	-311	1,000
Cash flow from financing activities (C)	29,669	2,368	41,426	4,003
Net increase (+)/(-) decrease in cash and cash equivalents (A+B+C)	26,352	677	36,169	388
Effects of changes in foreign exchange rates	13	7	10	9
Cash and cash equivalents at the beginning of the period	11,726	1,228	1,912	1,515
Cash and cash equivalents at the end of the period	38,092	1,912	38,092	1,912



Consolidated statement of changes in equity

1 Jul. 2021 - 31 Dec. 2021

(EUR thousand)	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity at 1 July 2021	103	23,389	-12,391	11,101
Conversion difference and average exchange rate difference			-84	-84
Loss for the financial year			-5,231	-5,231
Share issue		32,062		32,062
Equity at 31 December 2021	103	55,451	-17,706	37,848

1 Jul. 2020 - 31 Dec. 2020

(EUR thousand)	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity at 1 July 2020	103	8,788	-8,564	326
Conversion difference and average exchange rate difference			97	97
Loss for the financial year			-1,540	-1,540
Share issue		2,003		2,003
Equity at 31 December 2020	103	10,790	-10,007	886

1 Jan. 2021 - 31 Dec. 2021

(EUR thousand)	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity at 1 January 2021	103	10,790	-10,007	886
Conversion difference and average exchange rate difference			-123	-123
Loss for the financial year			-7,576	-7,576
Share issue		44,660		44,660
Equity at 31 December 2021	103	55,451	-17,706	37,848

1 Jan. 2020 - 31 Dec. 2020

(EUR thousand)	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity at 1 January 2020	103	7,788	-7,349	541
Conversion difference and average exchange rate difference			99	99
Loss for the financial year			-2,756	-2,756
Share issue		3,003		3,003
Equity at 31 December 2020	103	10,790	-10,007	886



Changes in intangible and tangible assets

(EUR thousand)	INTANGIBLE ASSETS		TANGIBLE ASSETS	In all
	Capitalized development costs	Advance payments	Machinery and equipment	
Book value on 1 January	2,216		6	2,222
Additions	3,743	43	7	3,793
Disposals			-1	-1
Amortisation and impairment losses	-1,236		-3	-1,239
Book value on 31 December	4,723	43	8	4,774

Guarantees, commitments and off-balance sheet arrangements

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Lease commitments		
Payable during the following financial year	105	29
Other commitments		
EU H2020 grant, unaudited	1,743	923
Decider grant, unaudited	67	

Grant accounts, which are not audited at the end of the financial year, relate to a potential return liability equivalent to the grant amount.

Related party transactions

The Group's related parties include the CEO, the Board of Directors and the Management Team as well as their family members and companies under their control. In addition, related parties include the Company's shareholders, which are deemed to have significant influence over the Company. There have been no related party transactions for the period from 1 January 2021 to 31 December 2021 nor in the comparative period.



Calculation of key figures

Key figure	Formula
EBITDA	Operating profit (loss) before depreciation and amortisation
Operating profit (loss)	Profit (loss) before income taxes and financial income and expenses
Equity ratio	Total equity/ (Balance sheet total - advances received)
Net debt	Loans from financial institutions - cash and cash equivalents
Earnings per share, undiluted	Profit (loss) for the period / weighted average amount of shares outstanding during the financial period
Earnings per share diluted	Profit (loss) for the period / weighted average amount of shares outstanding during the financial period + potential dilutive shares
Equity per share	Equity / number of shares (issue adjusted) - own shares
Market value of the shares at the end of the financial period	Market value of the shares at the end of the financial period * amount of outstanding shares

