Aiforia Technologies Plc

Board of Directors' Report and Financial Statements

2021

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Board of Directors’ Report

General information about Aiforia

Aiforia is a Finnish company providing image analysis software utilising artificial intelligence ("AI"). Aiforia is registered in the Finnish Trade Register (the "Trade Register") under business identity code 2534910-2. Aiforia Technologies Plc has one wholly owned subsidiary, Aiforia Inc., incorporated under the laws of the State of Delaware in the United States in 2018. It is headquartered in Cambridge, MA. Aiforia Technologies Plc (the “Company”) and Aiforia Inc. together form the Aiforia Group (“Aiforia” or the “Group”).

Aiforia's cloud-based deep learning artificial intelligence solutions aim to increase the speed, accuracy, and consistency of analysing medical images across a wide range of fields. Aiforia's solutions aim to automate routine tasks and provide artificial intelligence to support the diagnostic workflow.

Ageing populations and rising rates of disease like cancer are creating a burden on healthcare systems around the world. Aiforia believes that automation, digital technology and artificial intelligence are increasingly needed to alleviate the challenges facing healthcare systems around the world. Artificial intelligence-based approaches aim to assist the work of pathologists, streamline their workflows, and enable more accurate diagnostics. The objective is to provide patients with faster and more accurate diagnoses, as well as more personalised treatment.

Aiforia's aim is to be a leading, global provider of artificial intelligence-assisted image analytics with its versatile and scalable cloud-based software solutions. The company aims to expand and develop the features and applications of its software for preclinical research as well as to build a comprehensive range of AI-based solutions for clinical diagnostics.

The past financial year was historic for the company. Aiforia was listed on Nasdaq Helsinki First North Market Finland in December 2021. In connection with the listing, the Company raised approximately EUR 29 million in gross assets. This, together with the B-financing round implemented earlier in the same year, which raised approximately EUR 17.5 million, provides a strong foundation for growing the Company's business.

Highlights 2021

During the financial year, Aiforia focused on selling its Aiforia Hub and Aiforia Create software solutions and services to the medical research, pharmaceutical drug development and medical education markets, and acquiring the first pilot customers for its clinical diagnostics solutions.

The development of disease-specific artificial intelligence models for the diagnosis of the most common cancers was started during the financial year. The company launched two CE-IVD marked artificial intelligence models for use in clinical diagnostics. These artificial intelligence models are made for the diagnosis of breast cancer (Ki67) and lung cancer (PD-L1) and serve as assistive tools for the pathologist to quantify the biomarkers in question.

During the financial year, Aiforia entered into a joint development agreement with the Mayo Clinic in the United States. The framework agreement covers the sale of software solutions for both preclinical research and clinical diagnostics to Mayo Clinic. Mayo Clinic is a U.S.-based academic medical research institute and provider of hospital services. The Mayo Clinic plans to deploy several of Aiforia's software solutions for clinical diagnostics in 2022. For preclinical research, the Mayo Clinic plans to make the Aiforia Create software solution available to its pathologists and researchers to develop new AI models.

Aiforia also entered into a global resale agreement with Epredia Group during the financial year, for the sale of Aiforia's artificial intelligence for image analysis software. Epredia is a global leader in the anatomical pathology market, providing hardware and software solutions for research and diagnostics of tissue and cell samples. Epredia is a distributor of Aiforia's software solutions in Japan, Germany, the United Kingdom, Italy, Spain, Sweden, Norway, Denmark, Iceland, France and the United States.

During the financial year Aiforia was granted the ISO 27001 certificate for its information security management system.

Future outlook 2022

In 2022, Aiforia's operations will focus on the sale of software solutions for both the preclinical and clinical sectors, as well as the development, validation and sale of new tools and selected disease-specific artificial intelligence models.

Aiforia intends to further develop Aiforia Create, a platform for the development of artificial intelligence models, by bringing new functions to support the needs of research and drug development more broadly, taking into account the quality requirements of good laboratory practice (GLP).

During 2022, Aiforia also plans to continue the development of its software for clinical diagnostics and to introduce several new artificial intelligence models to support the diagnosis of some of the most common cancers.

Sales and marketing activities will focus on clinical diagnostics laboratories in Europe and North America, as well as the pharmaceutical industry and major medical research institutes. During 2022, Aiforia plans to increase its sales staff and deepen its collaboration with Epredia to accelerate the commercialization of its preclinical and clinical products. Aiforia also seeks to establish new partnerships with, for example, scanner manufacturers and workflow management system providers, as well as relationships with system integration and cloud service partners.

Key figures

Group	2021	2020	2019
Revenue, EUR 1,000	974	849	639
EBITDA, EUR 1,000	-3,451	-1,610	-2,141
Operating loss, EUR 1,000	-4,691	-2,632	-3,022
Net loss for the financial year, EUR 1,000	-7,576	-2,756	-3,053
Equity ratio, %	87 %	18 %	13 %
Net debt, EUR 1,000	-35,197	1,295	691
Cash and cash equivalents at the end of the financial year, EUR 1,000	38,092	1,912	1,515
Balance sheet total, EUR 1,000	43,868	5,268	4,238
Number of employees on average	41	26	22
Personnel expenses, EUR 1,000*	2,995	1,884	1,478
Investment in tangible and intangible assets, EUR 1,000	3,793	816	1,580

*Personnel expenses includes capitalisation of development expenses

Share performance indicators

	2021	2020	2019
Earnings per share, undiluted and diluted**, EUR	-0,43*	-0,21	-0,24
Equity per share, EUR	1,46	0,07	0,04
Lowest share price, EUR	4,80		
Highest share price, EUR	5,50		
Closing price at the end of the financial period, EUR	5,22		
Average daily trading volume of the shares	47,385		
Market value of the shares at the end of the financial period, EUR	135,541,001		

*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.

Turnover and profit

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.

Investments and R&D

During the financial year, gross investments amounted to EUR 3,793 (816) thousand.

The most significant part of Aiforia's investments is in product development and the commercialization of new software solutions.

The company's product development investments are necessary to implement the Company's strategy. R&D investments are expected to bring commercial benefits in the coming years. The depreciation period for product development investments is five years from the date of capitalization.

Market outlook

Pathologists play a pivotal role in the health care system in examining and diagnosing patient specimens that guide medical treatment. Ageing populations and an increase in cancer rates are burdening health care systems around the world. The prevalence of cancer is expected to increase by 47.4 percent between 2020 and 2040, while the proportion of people over 65 is expected to increase from 9.3 percent in 2020 to about 16.0 percent globally in 2050. These factors create a great burden on pathologists, an already an underrepresented group of healthcare professionals. Fewer doctors specialize in the field of pathology and while sample volumes increase, an imbalance arises. This is exacerbated by the fact that pathologists have had to rely on the same technology for the past 150 years. Manual analysis of specimens under a microscope is slow, manual, and prone to fluctuations.

Aiforia believes the industry is ready for change, where technology will reduce the burden on pathologists and patients. Modernization of the diagnostic workflow is becoming increasingly important in laboratories and hospitals around the world. Digital pathology has paved the way for increasingly advanced technology, such as artificial intelligence, which can further improve image analysis.

Aiforia believes that automation, digital technology, and artificial intelligence are increasingly needed to alleviate the challenges facing healthcare systems around the world. Artificial intelligence-based approaches can standardize sample evaluation by reducing bias and speeding up and making analyses more precise, supporting the work of pathologists, and enabling more accurate diagnostics. Patients can be diagnosed quicker and receive more individualized treatment.

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 a 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.

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.

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.

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.

Share and shareholders

Initial public offering

In November 2021, Aiforia announced its plans to go public and list its shares on the First North Growth 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/.

The company's shares are included in the book-entry system. Information on shareholders is based on data received from Euroclear Finland Ltd.

Shareholders by sector on 31 Dec. 2021

	Shareholders		Number of shares	
Sector	**no.**	**%**	**no.**	**%**
Companies	109	5,89	7,740,771	29,81
Financial and insurance institutions	8	0,43	4,667,001	17,97
Households	1,724	93,19	8,127,169	31,30
Non-profit organisations	2	0,11	2,100	0,01
Foreigners	7	0,38	5,428,668	20,91
Total	**1,850**	**100**	**25,965,709**	**100**
Of which nominee-registered	5	0,27	8,027,525	30,92
Of which in joint account	5	0,27	1,981,814	7,63

Distribution of holdings on 31 Dec. 2021

	Shareholders		Number of shares	
Shares	**no.**	**%**	**no.**	**%**
1-100	623	33,68	56,936	0,22
101-1,000	1,073	58,00	248,558	0,96
1,001-10,000	89	4,81	232,570	0,90
10,001-100,000	32	1,73	1,187,898	4,57
100,001-1,000,000	24	1,30	7,721,853	29,74
over 1,000,000	9	0,49	16,517,894	63,61
Total	**1,850**	**100**	**25,965,709**	**100**

Largest shareholders on 31 Dec. 2021

Shareholder	Shares, no	Shares, %
Sto-Rahoitus Oy	1 514 810	5,83
Johan Lundin	1 414 150	5,45
Mikael Lundin	1 414 150	5,45
Kari Pitkänen	1 260 000	4,85
Sijoitusrahasto Aktia Nordic Micro Cap	1 121 252	4,32
Markku Kaloniemi	987 000	3,80
Musta Aukko Oy	840 650	3,24
Fjärde AP-Fonden	773 557	2,98
Kaikarhenni Oy	601 750	2,32
Jukka Tapaninen	548 300	2,11
Ten largerst, total	**10 475 619**	**40,34**
In joint account	**1 981 814**	**7,63**
Nominee-registered	**8 027 525**	**30,92**
Others	**5 480 751**	**21,11**
Total	**25 965 709**	**100**

* Includes 1,959,200 shares owned by Shandon Diagnostics Limited

Shareholdings of Board members, CEO and Management team on 31 Dec. 2021

Shareholder	Shares	Shares, %
Board of Directors	3,917,100	15,09
CEO	548,300	2,11
Other Management Team	1,425,700	5,49
Total	**5,891,100**	**22,69**

Option rights

Issued options

Program	Share subscription price per share (EUR)	Subscription period of the shares to be subscribed based on option rights ends	Total amount of option rights issued	Total amount of option rights issued but not exercised	Maximum amount of shares to be issued, which are still unsubscribed and can be subscribed
2016 A	0,02	31.12.2025	11,900	9,300	465,000
2016 B	0,02	31.12.2025	2,000	1,900	95,000
2018 I	1,3724	31.12.2025	8,000	6,470	323,500
2019 I	1,3724	31.12.2025	1,500	1,500	75,000
2020 I	1,3724	31.12.2025	7,052	6,666	333,300
2020 II	1,3724	31.12.2025	3,016	3,016	150,800
2021 I	1,3724	31.12.2025	3,850	3,783	189,150
2021 II	1,3724	31.12.2025	2,500	2,500	125,000
2021 III	1,3724	31.12.2025	3,016	3,016	150,800
2021 IV	1,3724	31.12.2025	2,300	2,000	100,000
2021 V	1,3724	21.9.2026	603,200	603,200	603,200
			648,334	**643,351**	**2,610,750**

In connection with resolving on the share split, the Company's shareholders have on 20 September 2021 resolved to amend the terms and conditions of all existing option programs of the Company, notwithstanding the option program 2021 V, as follows:

- After the amendment, 1 option right entitles an option holder to subscribe to 50 new series A shares in the Company or series A shares in the possession of the Company.
- After the combination of the share series, option rights entitle an option holder to the shares of the sole share series in the Company.

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 %**

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.

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/.

In Helsinki, 3 March 2022

Aiforia Technologies Plc
Board of Directors

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 financial period / weighted average amount of shares outstanding during the financial period
Earnings per share diluted	Profit (loss) for the financial 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

Consolidated financial statements

Consolidated income statement

(EUR thousand)	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Revenue	**974**	**849**
Other operating income	421	1,520
Materials and services		
External services	-373	-259
Total materials and services	-373	-259
Personnel expenses		
Wages and salaries	-1,956	-1,434
Social security expenses		
Pension expenses	-159	-158
Other social security expenses	-195	-88
Total personnel expenses	-2,310	-1,680
Depreciation, amortisation and impairment losses		
Depreciation according to plan	-1,239	-998
Impairment losses on non-current assets	0	-24
Total depreciation, amortisation and impairment losses	-1,239	-1,022
Other operating expenses	-2,163	-2,041
Operating loss	**-4,691**	**-2,632**
Financial income and expenses		
Other interest income and other financial income	109	6
Interest and other financial expenses	-2,995	-131
Total financial income and expenses	-2,886	-124
Loss before appropriations and taxes	**-7,576**	**-2,756**
Loss for the financial year	**-7,576**	**-2,756**

Consolidated balance sheet

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
ASSETS		
Non-current assets		
Intangible assets		
Development expenses	4,723	2,216
Tangible assets		
Machinery and equipment	8	6
Advance payments and construction in progress	43	0
Total tangible assets	50	6
Total non-current assets	**4,773**	**2,222**
Current assets		
Current receivables		
Trade receivables	139	263
Other receivables	440	114
Prepaid expenses and accrued income	424	757
Total 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**
Liabilities		
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 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Cash flow from operating activities		
Loss before appropriations and taxes	-7,576	-2,756
Adjustments for:		
Depreciation, amortisation and impairment losses	1,239	1,022
Other non-cash items	-421	-67
Financial income and expenses	2,886	124
Operating profit before working capital changes	-3,872	-1,677
Changes in working capital:		
Increase(-) or decrease(+) of current interest-free receivables	-343	-840
Increase(-) or decrease(+) of current interest-free liabilities	1,732	-324
Cash flow from operating activities before financial items and taxes	-2,483	-2,841
Interest paid and payments from other operating financial expenses	-76	-25
Interests received from business operations	109	0
Cash flow from operating activities (A)	**-2,450**	**-2,866**
Cash flow from investing activities		
Investments in tangible and intangible assets	-3,793	-816
Proceeds from sale of tangible and intangible assets	1	0
Grants received for investments	984	67
Cash flow from investing activities (B)	**-2,807**	**-749**
Cash flow from financing activities		
Proceeds from share issue	44,660	3,003
Share issue and IPO expenses	-2,923	0
Loans from financial institutions increase (+)/decrease (-)	-311	1,000
Cash flow from financing activities (C)	**41,426**	**4,003**
Net increase (+)/(-) decrease in cash and cash equivalents (A+B+C)	36,169	388
Effects of changes in foreign exchange rates	10	9
Cash and cash equivalents at the beginning of the financial year	1,912	1,515
Cash and cash equivalents at the end of the financial year	**38,092**	**1,912**

Notes to the consolidated financial statements

Accounting policies for the consolidated financial statements

These are the consolidated financial statements of Aiforia Technologies Oyj ("the Company") and its subsidiary (together "the Group" or Aiforia")

The consolidated financial statements have been prepared in accordance with the Finnish accounting legislation. The consolidated financial statements are presented in thousands of euros. Aiforia Technologies Oyj and its wholly owned subsidiary, which is domiciled in Cambridge, MA, USA, have been consolidated in the Group. The consolidated financial statements have been prepared as per the acquisition method. Intragroup transactions, internal receivables and internal liabilities have been eliminated.

The income statements of the foreign legal entity have been converted into euros using the average exchange rate for the financial period. The balance sheet items have been converted into euros using the Bank of Finland's exchange rate as of the balance sheet date. The conversion differences of the equity are presented in the equity item retained earnings (losses).

Measurement and accrual principles

Applied measurement and accrual principles and methods

The consolidated financial statements have been prepared in compliance with the measurement and accrual presumption principles and methods set in the Accounting Decree chapter 2, section 2a apart from the exceptions below:

Development expenses

The Company records research costs, such as acquiring new information and searching for product and process alternatives, on an accrual basis, i.e. at the time the costs are incurred. The Company capitalises development expenses in the balance sheet as intangible assets if they are expected to generate income over the next several financial years. The Company classifies development expenses as an intangible asset if the development of an asset is technically feasible in such a way that: when the asset is available for use or sale, the Company has the ability, intention and resources to complete the asset and use it or sell it, the Company estimates the asset is likely to have future economic benefits which can be validated, and the Company is able to reliably determine the expenses of that asset during its development phase.

When presenting distributable funds, the balance of development expenses capitalised in the balance sheet is deducted from unrestricted equity.

Capitalised development expenses in the balance sheet are subject to uncertainties. It is possible that as conditions change, the expected return on development projects will change and the value of capitalised development expenses may decrease if the expected economic benefits change. If the expected return on the intangible asset is less than the sum of the development expenses recognised in the balance sheet, the value of the capitalised development expenses is adjusted for impairment to reflect the expected return on the intangible asset.

Notes to the income statement

Revenue recognition principles

Aiforia's revenue is derived from the sales of SaaS licenses and additional services related to them, as well as from the sales of services. The sales of licences and maintenance are recognised as revenue monthly over the contract period. Since the beginning of 2021, the sales of credits related to the cloud computing capacity are recognised monthly over the contract period, while previously the sales were recognised as revenue at the time of invoicing. Services are recognised as revenue when invoices are sent to the customer, unless otherwise agreed in the customer agreement.

Geographical distribution of revenue

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Finland	313	301
Other Europe	252	156
North-America	358	238
Others	50	155
Total	**974**	**849**

Revenue recognition principles for grants received

Grants awarded are recognised as other operating income to the extent that the grant project's eligible costs are incurred in accordance with the grant decision and conditions. In the recognition of grants also any self-financing contribution related to grants is taken into account. The return liability related to the grants is presented in the notes on guarantees, commitments and off-balance-sheet arrangements.

Capitalisation of development expenses

Personnel expenses and other operating expenses are capitalised to development expenses as follows:

(EUR thousand)	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Personnel expenses		
Wages and salaries	-2,543	-1,603
Pension expenses	-244	-193
Other social security expenses	-207	-88
Capitalisation of development expenses	**685**	**205**
Total personnel expenses	-2,310	-1,680
Other operating expenses	-5,222	-2,648
Capitalisation of development expenses	**3,058**	**607**
Total other operating expenses	-2,163	-2,041
Total capitalisation of development expenses	**3,743**	**812**

Exceptional expenses

The fees and expenses, of EUR 2,923 thousand, in relation to the offering and B financing round are presented in financial income and expenses.

Notes to the assets in the balance sheet

Basis of depreciation and amortisation according to plan and changes

The value of non-current assets is recognised in the balance sheet at their direct acquisition cost deducted with depreciations and amortisations according to plan.

Depreciation and amortisation periods are:

Development expenses	Straight line amortisation	5 years
Machinery and equipment	Straight line depreciation	3 years

Changes in non-current assets

(EUR thousand)	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Development expenses		
Cost on 1 January	5,244	4,432
Additions	3,743	812
Cost on 31 December	8,988	5,244
Accumulated amortisation and impairment losses on 1 January	-3,028	-2,033
Amortisation and impairment losses	-1,236	-995
Accumulated amortisation and impairment losses on 31 December	-4,264	-3,028
Cost on 31 December	8,988	5,244
Accumulated amortisation and impairment losses on 31 December	-4,264	-3,028
Book value on 31 December	4,723	2,216
Machinery and equipment		
Cost on 1 January	23	20
Additions	7	4
Disposals	-1	0
Cost on 31 December	29	23
Accumulated depreciation and impairment losses on 1 January	-18	-13
Depreciation and impairment losses	-3	-5
Accumulated depreciation and impairment losses on 31 December	-21	-18
Cost on 31 December	29	23
Accumulated depreciation and impairment losses on 31 December	-21	-18
Book value on 31 December	8	6
Other tangible assets		
Cost on 1 January	102	102
Cost on 31 December	102	102
Accumulated depreciation and impairment losses on 1 January	-102	-80
Depreciation and impairment losses	0	-22
Accumulated depreciation and impairment losses on 31 December	-102	-102
Cost on 31 December	102	102
Accumulated depreciation and impairment losses on 31 December	-102	-102
Book value on 31 December	0	0
Advance payments		
Cost on 1 January	0	0
Additions	43	0
Disposals	0	0
Cost on 31 December	43	0

Depreciation and amortisation of non-current assets

(EUR thousand)	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Development expenses	-1,236	-995
Machinery and equipment	-3	-5
Other tangible assets	0	-22
Total depreciation	-1,239	-1,022

Prepaid expenses and accrued income

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
EU grant	255	746
Prepaid items	71	11
Other accrued income	97	0
Total	424	757

Notes to equity and liabilities in the balance sheet

Equity breakdown

(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**

(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**

Non-current liabilities due after more than five years

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Loans from financial institutions	726	912

Accruals and deferred income

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Staff expenses (accrual)	515	329
EU grant	73	0
Lease costs	0	53
Interest	5	9
Other accruals and deferred income	51	57
Total	644	448

Notes to income taxes

Deferred tax assets not recognised in the balance sheet

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Losses,	17,398	9,712
of which deferred tax assets	3,496	1,953

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	0

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

Auditor's fees

(EUR thousand)	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Statutory audit	79	14
Other actions referred to in section 1, subsection 1, paragraph 2 of Auditing Act	10	7
Tax advisory	4	77
Other services	330*	2
Total	423	100

* Other services are mainly related to the company's IPO and B-round financing.

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.

Stock options have been granted to the management. In the section management remuneration, there are additional details on these items.

Notes concerning employees and members of administrative bodies

Number of employees

	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Average number of personnel during the financial year	41	26

Management remuneration

(EUR thousand)	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Board		
Wages and salaries	20	0
Total	20	0
CEO		
Wages and salaries	220	149*
Pension expenses	39	24
Social security expenses	6	4
Total	264	177
Other members of the Management Team		
Wages and salaries	406	239
Pension expenses	72	39
Social security expenses	11	6
Total	489	284

*The CEO of the Company has changed on 1 July 2020

Stock options have been granted to the management during the financial years 2020-2021 as follows*:

	Stock option program	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
CEO	2020 I		1,500
CEO	2020 II		3,016
CEO	2021 V	603,200	
Management Team	2020 I		1,000
Management Team	2021 III	3,016*	
Management Team	2021 IV	2,300*	
Total		**608,516**	**5,516***

* Changes to option programs as a result of the share split, which was resolved on 20 September 2021 have not been considered in the above option amounts.

Parent company’s financial statements

Parent company’s income statement

(EUR thousand)	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Revenue	**862**	**755**
Other operating income	421	1,520
Materials and services		
External services	-373	-259
Total materials and services	-373	-259
Personnel expenses		
Wages and salaries	-1,624	-1,076
Social security expenses		
Pension expenses	-149	-153
Other social security expenses	-131	-34
Total personnel expenses	-1,904	-1,262
Depreciation, amortisation and impairment losses		
Depreciation according to plan	-1,236	-995
Impairment losses on non-current assets	0	-24
Total depreciation, amortisation and impairment losses	-1,236	-1,020
Other operating expenses	-1,920	-1,817
Operating loss	**-4,150**	**-2,083**
Financial income and expenses		
Other interest income and other financial income	73	50
Interest and other financial expenses	-2,995	-35
Total financial income and expenses	-2,921	15
Loss before appropriations and taxes	**-7,071**	**-2,068**
Loss for the financial year	**-7,071**	**-2,068**

Parent company's balance sheet

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
ASSETS		
Non-current assets		
Intangible assets		
Development expenses	4,723	2,216
Tangible assets		
Advance payments and construction in progress	43	0
Investments	-	-
Total tangible assets	43	-
Total non-current assets	**4,766**	**2,216**
Current assets		
Current receivables		
Trade receivables	7	366
Other receivables	426	112
Receivables from group companies	1,956	1,042
Prepaid expenses and accrued income	329	746
Total current receivables	2,718	2,265
Cash and cash equivalents	37,945	1,801
Total current assets	**40,662**	**4,066**
Total assets	**45,428**	**6,283**

	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)	-8,813	-6,745
Loss for the financial year	-7,071	-2,068
Total equity	**39,669**	**2,080**
Liabilities		
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	303	191
Trade payables	1,885	388
Liabilities to group companies	51	0
Other current liabilities	74	34
Accruals and deferred income	552	383
Total current liabilities	**3,069**	**1,496**
Total liabilities	**5,759**	**4,203**
Total equity and liabilities	**45,428**	**6,283**

Parent company's cash flow statement

(EUR thousand)	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Cash flow from operating activities		
Loss before appropriations and taxes	-7,071	-2,068
Adjustments for:		
Depreciation, amortisation and impairment losses	1,236	1,020
Other non-cash items	-421	-67
Financial income and expenses	2,921	-15
Operating profit before working capital changes	-3,334	-1,130
Changes in working capital:		
Increase(-) or decrease(+) of current interest-free receivables	-525	-951
Increase(+) or decrease(-) of current interest-free liabilities	1,748	-406
Cash flow from operating activities before financial items and taxes	-2,111	-2,486
Interest paid and payments from other operating financial expenses	-76	-25
Interest received from business operations	6	0
Cash flow from operating activities (A)	**-2,181**	**-2,511**
Cash flow from investing activities		
Investments in tangible and intangible assets	-3,786	-812
Grants received for investments	984	67
Loans granted	-301	0
Cash flow from investing activities (B)	**-3,102**	**-745**
Cash flow from financing activities		
Proceeds from share issue	44,660	3,003
Share issue and IPO expenses	-2,923	0
Loans from financial institutions increase (+)/decrease (-)	-311	550
Cash flow from financing activities (C)	**41,426**	**3,553**
Net increase (+)/(-) decrease in cash and cash equivalents (A+B+C)	36,143	296
Cash and cash equivalents at the beginning of the financial year	1,801	1,505
Cash and cash equivalents at the end of the financial year	**37,945**	**1,801**

Notes to the parent company's financial statements

Measurement and accrual principles

Applied measurement and accrual principles and methods

The financial statement has been prepared in compliance with the measurement and accrual presumption principles and methods set in the Accounting Decree chapter 2, section 2a apart from the exceptions below:

Development expenses

The Company records research costs, such as acquiring new information and searching for product and process alternatives, on an accrual basis, i.e. at the time the costs are incurred. The Company capitalises development expenses in the balance sheet as intangible assets if they are expected to generate income over the next several financial years. The Company classifies development expenses as an intangible asset if the development of an asset is technically feasible in such a way that: when the asset is available for use or sale, the Company has the ability, intention and resources to complete the asset and use it or sell it, the Company estimates the asset is likely to have future economic benefits which can be validated, and the Company is able to reliably determine the expenses of that asset during its development phase.

When presenting distributable funds, the balance of development expenses capitalised in the balance sheet is deducted from unrestricted equity.

Capitalised development expenses in the balance sheet are subject to uncertainties. It is possible that as conditions change, the expected return on development projects will change and the value of capitalised development expenses may decrease if the expected economic benefits change. If the expected return on the intangible asset is less than the sum of the development expenses recognised in the balance sheet, the value of the capitalised development expenses is adjusted for impairment to reflect the expected return on the intangible asset.

Notes to the income statement

Revenue recognition principles

Aiforia's revenue is derived from the sales of SaaS licenses and additional services related to them, as well as from the sales of services. The sales of licences and maintenance are recognised as revenue monthly over the contract period. Since the beginning of 2021, the sales of credits related to the cloud computing capacity are recognised monthly over the contract period, while previously the sales were recognised as revenue at the time of invoicing. Services are recognised as revenue when invoices are sent to the customer, unless otherwise agreed in the customer agreement.

Geographical distribution of revenue

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Finland	313	301
Rest of Europe	252	156
North-America	246	143
Others	50	155
Total	**862**	**755**

Revenue recognition principles for grants received

Grants awarded are recognised as other operating income to the extent that the grant project's eligible costs are incurred in accordance with the grant decision and conditions. In the recognition of grants also any self-financing contribution related to grants is considered. The return liability related to the grants is presented in the notes on guarantees, commitments, and off-balance-sheet arrangements.

Capitalisation of development expenses

Personnel expenses and other operating expenses are capitalised to development expenses as follows:

(EUR thousand)	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Personnel expenses		
Wages and salaries	-2,212	-1,245
Pension expenses	-234	-188
Other social security expenses	-143	-34
Capitalisation of development expenses	**685**	**205**
Total personnel expenses	-1,904	-1,262
Other operating expenses	-4,978	-2,424
Capitalisation of development expenses	**3,058**	**607**
Total other operating expenses	-1,920	-1,817
Total capitalisation of development expenses	**3,743**	**812**

Exceptional expenses

The fees and expenses, of EUR 2,923 thousand, in relation to the offering and B financing round are presented in financial income and expenses.

Notes to the assets in the balance sheet

Basis of depreciation and amortisation according to plan and changes

The value of non-current assets is recognised in the balance sheet at their direct acquisition cost deducted with depreciations and amortisations according to plan.

Depreciation and amortisation periods are:

Development expenses	Straight line amortisation	5 years

Changes in non-current assets

(EUR thousand)	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Development expenses		
Cost on 1 January	5,244	4,432
Additions	3,743	812
Cost on 31 December	8,988	5,244
Accumulated amortisation and impairment losses on 1 January	-3,028	-2,033
Amortisation and impairment losses	-1,236	-995
Accumulated amortisation and impairment losses on 31 December	-4,264	-3,028
Cost on 31 December	8,988	5,244
Accumulated amortisation and impairment losses on 31 December	-4,264	-3,028
Book value on 31 December	4,723	2,216
Machinery and equipment		
Cost on 1 January	14	14
Cost on 31 December	14	14
Accumulated depreciation and impairment losses on 1 January	-14	-11
Depreciation and impairment losses	0	-2
Accumulated depreciation and impairment losses on 31 December	-14	-14
Cost on 31 December	14	14
Accumulated depreciation and impairment losses on 31 December	-14	-14
Book value on 31 December	0	0
Other tangible assets		
Cost on 1 January	102	102
Cost on 31 December	102	102
Accumulated depreciation and impairment losses on 1 January	-102	-80
Depreciation and impairment losses	0	-22
Accumulated depreciation and impairment losses on 31 December	-102	-102
Cost on 31 December	102	102
Accumulated depreciation and impairment losses on 31 December	-102	-102
Book value on 31 December	0	0
Advance payments		
Cost on 1 January	0	0
Additions	43	0
Cost on 31 December	43	0
Investments		
Cost on 1 January	-	-
Book value on 31 December	-	-

Depreciation and amortisation of non-current assets

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Development expenses	-1,236	-995
Machinery and equipment	0	-2
Other tangible assets	0	-22
Total depreciation	**-1,236**	**-1,020**

Holdings in other companies

Aiforia Inc, which is domiciled in Cambridge, MA, USA, holding 100%.

Receivables from Group companies

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Trade receivables	398	0
Prepaid expenses and accrued income	216	0
Loan receivables	1,342	1,042
Total	**1,956**	**1,042**

Prepaid expenses and accrued income

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Salary and staff expenses (accrual)	2	0
EU grant	255	746
Prepaid items	71	0
Total	**329**	**746**

Notes to equity and liabilities in the balance sheet

Equity breakdown

(EUR thousand)	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity at 1 January 2021	**103**	**10,790**	**-8,813**	**2,080**
Loss for the financial year			-7,071	-7,071
Share issue		44,660		44,660
Equity at 31 December 2021	**103**	**55,451**	**-15,884**	**39,669**

(EUR thousand)	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity at 1 January 2020	**103**	**7,788**	**-6,745**	**1,145**
Loss for the financial year			-2,068	-2,068
Share issue		3,003		3,003
Equity at 31 December 2020	**103**	**10,790**	**-8,813**	**2,080**

Distributable non-restricted equity statement of the parent Company

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Retained earnings	-8,813	-6,745
Loss for the financial year	-7,071	-2,068
Reserve for invested unrestricted equity	55,451	10,790
Capitalized development expenditure	-4,723	-2,216
Total	**34,844**	**-239**

Non-current liabilities due after more than five years

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Loans from financial institutions	726	912

Liabilities to Group companies

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Trade payables	50	0
Other liabilities	0	0
Total	**51**	**0**

Accruals and deferred income

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Staff expenses (accrual)	474	317
EU grant	73	0
Interest	5	9
Other accruals and deferred income	0	57
Total	**552**	**383**

Notes to income taxes

Deferred tax assets not recognised in the balance sheet

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Losses,	15,764	8,696
of which deferred tax assets	3,153	1,739

Guarantees, commitments and off-balance sheet arrangements

(EUR thousand)	31 Dec. 2021	31 Dec. 2020
Lease commitments		
Payable during the following financial year	104	29
Other commitments		
EU H2020 grant, unaudited	1,743	923
Decider grant, unaudited	67	0

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

Auditor's fees

(EUR thousand)	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Statutory audit	79	14
Other actions referred to in section 1, subsection 1, paragraph 2 of Auditing Act	10	7
Tax advisory	4	77
Other services	330*	2
Total	**423**	**100**

*Other services are mainly related to the company's IPO and B-round financing

Related party transactions

The related parties include the Company's subsidiary, 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.

Related party transactions to the subsidiary have been as follows:

(EUR thousand)	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Sales	246	226
Total	246	226

Stock options have been granted to the management. In the section management remuneration, there are additional details on these items.

Notes concerning employees and members of administrative bodies

Number of employees

	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Average number of personnel during the financial year	38	23

Management remuneration

(EUR thousand)	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
Board		
Wages and salaries	20	0
Total	20	0
CEO		
Wages and salaries	220	149*
Pension expenses	39	24
Social security expenses	6	4
Total	264	177
Other members of the Management Team		
Wages and salaries	406	239
Pension expenses	72	39
Social security expenses	11	6
Total	489	284

*The CEO of the Company has changed on 1 July 2020

Stock options have been granted to the management during the financial years 2020-2021 as follows:

	Stock option program	1 Jan. 2021 - 31 Dec. 2021	1 Jan. 2020 - 31 Dec. 2020
CEO	2020 I		1,500
CEO	2020 II		3,016
CEO	2021 V	603,200	
Management Team	2020 I		1,000
Management Team	2021 III	3,016*	
Management Team	2021 IV	2,300*	
Total		608,516	5,516*

* Changes to option programs as a result of the share split, which was resolved on 20 September 2021 have not been considered in the above option amounts.

Signatures to the financial statements and Board of Director's report

In Helsinki, 3 March 2022

Pekka Mattila	Johan Lundin
Chairman of the board	Board member
Monita Au Kin Lai	John Sweeney
Board member	Board member
John Wellbank	Jukka Tapaninen
Board member	CEO

The Auditor's note

A report of the audit performed has been issued today.

In Helsinki, 3 March 2022

PricewaterhouseCoopers Oy

Authorised Public Accountants

Martin Grandell

Authorised Public Accountant

List of accounting books and materials

	Method of retention
Journal ledger	Electronic archive
General ledger	Electronic archive
Financial statements and report by the Board of Directors	Electronic archive
Balance sheet items	Electronic archive

Voucher types and method of retention

Accrual vouchers	Electronic archive
Memo vouchers	Electronic archive
Sales vouchers	Electronic archive
Purchase vouchers	Electronic archive
Payroll vouchers	Electronic archive
Bank vouchers	Electronic archive
Note vouchers	Electronic archive

Original purchase invoices received in paper format shall be retained on paper by the reporting entity. If the paper invoice has been scanned, the invoice shall only be retained in electronic format in a paperless archive.

The original records attached to the record related to travel expense statements and expense invoices shall be retained on paper by the reporting entity. If the paper invoice or its attachments have been scanned, they shall only be retained in electronic format in the paperless archive.

Auditor’s report (Translation of the Finnish Original)

To the Annual General Meeting of Aiforia Technologies Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion, the financial statements give a true and fair view of the group’s and 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.

What we have audited

We have audited the financial statements of Aiforia Technologies Oyj (business identity code 2534910-2) for the financial period 1 January - 31 December 2021. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

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 Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies 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.

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 an 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 parent company’s and the group’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 parent company or the group 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 scepticism 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 effectiveness of the parent company’s or the group’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 parent company’s or the group’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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 information included in 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 information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors 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 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 information included in the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 3 March 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell
Authorised Public Accountant (KHT)