

# Aiforia Technologies Plc

Board of Directors' Report and  
Financial Statements

2022

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# Board of Directors' Report

## General information about Aiforia

Aiforia is a Finnish company developing artificial intelligence-based image analysis software for medical research and diagnostics and aiming for international growth. The company's mission is to enable accurate diagnoses and personalized patient care, thereby improving healthcare outcomes.

An aging population and the rise of diseases such as cancer strain healthcare systems worldwide. The pathology sector is digitizing at an accelerating pace, and the demand for solutions that improve work efficiency is growing. Aiforia's products and services accelerate, refine, and standardize medical image analysis in various fields, from oncology to neuroscience.

Aiforia's business is based on providing AI-based Software as a Service (SaaS) solutions and tailored expert services to researchers and pathologists. Deep learning software solutions automate the routine tasks of pathologists and streamline the diagnostic workflow. They can speed up the discovery of new biomarkers or the introduction of new medicines to the market, for example. Pathologists and researchers can also build their own AI models using the Aiforia platform. Solutions designed for clinical use help hospitals to improve their workflow efficiency and accuracy of diagnostics.

In 2022, Aiforia made essential openings in the clinical market and acquired new customers on the preclinical side. Revenue doubled, and sales increased, especially in the US. During the year, the company also strengthened its international team and expanded its clinical diagnostics offering with four new CE-IVD-marked products.

## Business targets

Aiforia does not publish short-term outlooks or financial targets. However, the company has set short- and medium-term business targets at the time of the IPO. Aiforia's short-term business targets are:

- Obtain a CE-IVD marking for six AI models intended for clinical diagnostics
- Acquire five customers in clinical diagnostics
- Acquire 10 large customers in the pharmaceutical industry
- Reach more than 5,000 users.

Aiforia's mid-term business targets are:

- Create a product offering that covers 80% of the pathologist's diagnostic workflow
- Achieve a positive cash flow from operating activities by the end of 2025
- Achieve revenue of more than EUR 100 million

- Reach 20,000 users
- Achieve 50 key customer relationships that would generate annual recurring revenue of at least EUR 250,000 per customer.

Short-term refers to the company's business objectives by the end of 2023. In the medium term, the company's business objectives are to be achieved by the end of 2030. The wording of the medium-term target related to key customers has been clarified since the IPO. Previously, the target was to achieve 50 key customer relationships that would generate annual recurring revenue of EUR 250,000 per customer on average.

## Operating environment

An aging population and an increase in serious diseases, such as cancer, strain healthcare systems worldwide (WHO Report on Cancer, 2020). Laboratories and hospitals are reforming diagnostic workflows to improve efficiency and support the work of pathologists. Accurate diagnoses enable personalized patient care and improve the effectiveness of treatments.

Pathologists examine and diagnose patient specimens, thereby guiding medical treatment. With the digitalization of pathology, samples traditionally examined under the microscope are increasingly being analyzed by computers. Laboratories and hospitals can now access more and more sophisticated technologies such as artificial intelligence.

For example, in the period under review, the UK has made significant public sector investments in digital pathology. Europe and the US have seen several calls for tenders and product comparisons organized by both private and public operators for AI-assisted diagnostic solutions for pathology samples. Aiforia estimates that this reflects the fact that the digitalization rate of pathology has increased, and AI-based image analysis solutions are becoming more common as a result.

New reimbursement practices for digital pathology also support the growth of the US market. This is expected to encourage clinics to adopt new technologies faster.

The market's attractiveness is further demonstrated by the fact that in 2022, major radiology players, such as GE Healthcare, Siemens, and Fujifilm expanded into the digital pathology market through collaborations and acquisitions.

## Significant events in the financial year

### A major collaboration with Mayo Clinic moves forward

During the first half of 2022, Aiforia strengthened its partnership with one of the world's most prestigious hospitals, the Mayo Clinic. The collaboration covers the sale of software solutions for

both preclinical research and clinical diagnostics to the Mayo Clinic's Laboratory Medicine and Pathology department. In the second half of 2022, Aiforia recruited a local team to Rochester (Minnesota, USA) to strengthen the collaboration with the clinic. Aiforia Create software was installed for use by the clinic's pathologists, and the installation and validation of Aiforia Clinical software began. Analyzing patient samples with Aiforia's software is expected to begin in early 2023.

### **Expansion of product portfolio for diagnostics with four new CE-IVD-marked products**

Aiforia expanded its breast cancer diagnostics product portfolio by launching CE-IVD-marked AI models for automated counting of estrogen receptor-positive (ER) cells and progesterone receptor-positive cells.

In addition, Aiforia launched a CE-IVD-marked AI model for prostate cancer diagnostics. The deep learning tool can automatically detect and classify tumor regions in prostate tissue images over the whole slide image (WSI) area to determine the Gleason classification according to the most common prostate cancer classification system.

Aiforia also received CE-IVD marking for the Aiforia® Clinical Suite Viewer software solution. The cloud-based platform visualizes the digitized sample and AI-generated results over the entire tissue sample area (whole slide image; WSI) and enables seamless reporting of results to the surrounding systems.

### **Partnership with EpreDia for global distribution**

The commercial partnership with EpreDia, launched in 2021, has started to generate new customers for Aiforia. EpreDia is a leading supplier in anatomical pathology globally. One example of the customers gained through this collaboration is the Institute for Regenerative Medicine at Wake Forest University in North Carolina, USA.

### **New agreements with prestigious international organizations and hospitals**

During the reporting period, Aiforia signed agreements and started collaborations with several organizations and hospitals in the US and Europe.

City of Hope National Medical Center is in the process of implementing Aiforia software solutions for both research and clinical diagnostics. The City of Hope Hospital Group has 36 locations in Southern California and is one of the largest cancer treatment and research centers in the United States.

Brunel Medical School in the United Kingdom has signed a five-year agreement with Aiforia to implement the Aiforia training platform for medical education.

The University of Bern plans to use Aiforia's software platform to develop customized artificial intelligence models for diagnosing a wide range of diseases.

### **Competitive advantage from audited security and new patents**

Aiforia's information security management system (ISO27001 compliant) has been extended to cover the operations of the US subsidiary. In addition, the company has undergone a SOC 2 Type II audit and received a certificate.

During the reporting period, Aiforia was granted two new patents in the US for the processing and analysis of images of pathological specimens.

### **Launch of the customer success platform Aiforia Community**

In April 2022, Aiforia launched the Aiforia Community platform. The web-based platform consists of content designed for the users of the Aiforia software, including user guides and learning materials. It also offers the possibility to share best practices directly with peers.

## **Turnover and profitability**

### **Turnover**

For the financial year 2022, the Group's turnover was EUR 1,868 (974) thousand, mainly due to the successes achieved in the US market. Revenue consisted of sales of Aiforia's software solutions and services to preclinical research customers, SaaS-based license sales and its ancillary services, and service sales. 14% (32%) of the turnover came from Finland, and the rest from outside Finland.

During 2022, the company received EUR 134 (421) thousand in product development and other grants, of which EUR 52 thousand related to the H2020 project and EUR 82 thousand to the Decider project.

### **Profitability**

The cost of materials and services directly related to revenue amounted to EUR 570 (373) thousand, mainly consisting of purchased cloud services associated with Aiforia's services and products.

The Group's EBITDA for the financial year 2022 was EUR -8,108 (-3,451) thousand. The operating result (EBIT) was EUR -10,203 (-4,691) thousand. The result for the financial year was EUR -10,607 (-7,576) thousand. The Group's result aligns with the company's strategy and reflects the stage in Aiforia's development where the company invests heavily in product development to enable future growth.

Depreciation of tangible and intangible assets amounted to EUR 2,095 (1,239) thousand.

Aiforia's personnel expenses for the financial year 2022 amounted to EUR 5,674 (2,310) thousand, and other operating expenses to EUR 3,871 (2,163) thousand. In the financial year 2022, the company capitalized EUR 918 (685) thousand in personnel expenses and EUR 4,821 (3,058) thousand in other operating expenses.

Financial income and expenses amounted to EUR -404 (-2,886) thousand, of which EUR -137 (103) thousand resulted from exchange rate changes.

## Balance sheet, cash flow, and financing

The Group's balance sheet total at the end of the financial year 2022 was EUR 35,336 (43,868) thousand. The equity ratio was 85 (87) percent.

At the end of the financial year, the Group's net debt was EUR -22,008 (-35,197) thousand. Non-current liabilities amounted to EUR 2,185 (2,690) thousand.

Net cash flow from operating activities in 2022 totaled EUR -9,418 (-2,450) thousand. The company continued to invest heavily in product development as planned.

Cash flow from investing activities totaled EUR 5,907 (2,807) thousand, consisting of investments in intangible and tangible assets.

Cash flow from financing activities in the financial year 2022 amounted to EUR 1,926 (41,426) thousand. Cash and cash equivalents at the end of the financial year 2022 amounted to EUR 24,698 (38,092) thousand. The company was listed on the First North Growth marketplace in Helsinki in 2021.

In January 2022, the company issued 412,409 shares at a price of EUR 5.01 to Swedbank based on an additional share option granted to Swedbank in connection with the IPO. The company recorded EUR 2,066 thousand from the sale of shares in the free equity reserve.

In May 2022, a total of 5,000 shares were subscribed for through employee stock options. The company received a total of EUR 7 thousand from the share subscriptions recorded in the free equity reserve.

In September 2022, a total of 42,500 shares were subscribed for through employee stock options. The company received a total of EUR 58 thousand from the share subscriptions recorded in the free equity reserve.

During 2022, long-term interest-bearing liabilities were reduced by EUR 205 thousand.

## Investments, research, and development

Gross investments in the financial year 2022 amounted to EUR 6,333 (3,793) thousand. The most significant part of Aiforia's investments comprises of investments in product development and the commercialization of new software solutions.

The company's investment in product development is essential for implementing its strategy without compromise. Product development investments are expected to deliver commercial

benefits over the next few years. The amortization period for product development investments is five years from the date of capitalization.

## Personnel

The average number of Aiforia's employees in the financial year 2022 was 65 (41) full-time equivalents. At the end of the financial year, Aiforia employed 78 (65) people. Of these, 57 (56) worked in Finland, 6 (5) in the rest of Europe, and 15 (4) in the United States. The Group had offices in Helsinki and Cambridge (MA), USA, where the wholly owned subsidiary Aiforia Inc. is located.

## Share, share capital, and shareholders

### Share capital and shares issued

Aiforia has a share capital of EUR 102,600, consisting of one series of shares. The company had 25,826,816 shares on the balance sheet date of 31 December 2022. The shares have no nominal value. At the end of the financial year, the company did not hold any of its shares. The Company's Board of Directors has no valid authorization to repurchase or dispose of treasury shares.

### Stock trading

On the last trading day of the financial period, 30 December 2022, the closing price of Aiforia's share was EUR 3.23 (5.22). The highest quoted price of the share for the financial year 2022 was EUR 5.84, and the lowest was EUR 2.96. The volume-weighted average price (VWAP) of the share for the financial year 2022 was EUR 3.98, and the average daily turnover was 4,895 shares.

Aiforia's market capitalization on 31 December 2022 was EUR 83,420,615 (135,541,001).

### Shareholders

Aiforia had 1,754 (1,850) shareholders, including those on the register of directors and joint account holders on the balance sheet date of 31 December 2022. The 100 largest registered shareholders of Aiforia are presented on the company's website at <https://investors.aiforia.com/>.



### Shareholders by sector, 31 Dec. 2022

Sector	Shareholders		Number of shares	
	no.	%	no.	%
Companies	103	5.87	7,398,072	28.64
Financial and insurance institutions	7	0.40	3,218,997	12.46
Households	1,633	93.10	8,358,423	32.36
Non-profit organisations	2	0.11	2,100	0.01
Foreigners	9	0.51	6,849,224	26.52
<b>Total</b>	<b>1,754</b>	<b>100</b>	<b>25,826,816</b>	<b>100</b>
Of which nominee-registered	7	0.40	8,725,170	33.78
Of which in joint account	1	0.06	1,959,200	7.59

### Distribution of holdings on 31 Dec. 2022

Shares	Shareholders		Number of shares	
	no.	%	no.	%
1-100	656	37.40	50,548	0.20
101-1,000	918	52.34	250,100	0.97
1,001-10,000	118	6.73	316,935	1.23
10,001-100,000	33	1.88	1,218,255	4.72
100,001-1,000,000	20	1.14	6,606,134	25.58
over 1,000,000	9	0.51	17,384,844	67.31
<b>Total</b>	<b>1,754</b>	<b>100</b>	<b>25,826,816</b>	<b>100</b>

## Largest shareholders on 31 Dec. 2022

Shareholder	Shares, no	Shares, %
Sto-Rahoitus Oy	1,514,810	5.87
Johan Lundin	1,414,300	5.48
Mikael Lundin	1,393,128	5.39
Kari Pitkänen	1,261,000	4.88
Sijoitusrahasto Aktia Nordic Micro Cap	1,121,252	4.34
Markku Kaloniemi	987,000	3.82
Musta Aukko Oy	830,650	3.22
Mikko Laakkonen	661,587	2.56
Jukka Tapaninen	605,717	2.35
Kaikarhenni Oy	601,750	2.33
<b>Ten largest, total</b>	<b>10,391,194</b>	<b>40.23</b>
<b>In joint account*</b>	<b>1,959,200</b>	<b>7.59</b>
<b>Nominee-registered</b>	<b>8,725,170</b>	<b>33.78</b>
<b>Others</b>	<b>4,751,252</b>	<b>18.40</b>
<b>Total</b>	<b>25,826,816</b>	<b>100</b>

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

## Shareholdings of Board members, CEO and Management team on 31 Dec. 2022

Shareholder	Shares, no	Shares, %
Board of Directors	2,244,950	8.69
CEO	605,717	2.35
Other Management Team	1,426,700	5.52
<b>Total</b>	<b>4,277,367</b>	<b>16.56</b>

## Option plans

Based on the authorizations received from the Annual General Meetings of the Company on 29 June 2021 (amended by unanimous shareholder resolution on 20 September 2021) and 5 April 2022, Aiforia's Board of Directors decided on 21 April 2022 to grant, free of charge, a maximum of 2,012,350 stock options entitling to the Company's shares to certain members of the Management Team and other key personnel. The subscription periods for shares subscribed for based on the options expire on 31 December 2028 at the latest.

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 Dec.2022
Maximum number of shares to be issued, which are still unsubscribed and can be subscribed	3,770,100
Number of shares at 31 Dec 2022	25,826,816
Number of shares if all options are converted into new shares	29,596,916
Proportion of holdings and votes if all options are converted into new shares	12.74 %

### Options of Board members, CEO, and Management Team on 31 December 2022

Shareholder	Maximum number 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	190,000	0.64 %
CEO	1,141,500	3.86 %
Other Management team	1,111,950	3.76 %
<b>Total</b>	<b>2,443,450</b>	<b>8.26 %</b>

## Governance

### Management Team

Aiforia's Management Team at the end of the financial year consisted of Jukka Tapaninen (CEO), Kaisa Helminen (COO), Veli-Matti Parkkonen (CFO), Kari Pitkänen (Business Development Director), Tuomas Ropponen (CTO) and Thomas Westerling-Bui (President, Americas). Kari Pitkänen has retired on 1 January 2023.

### Board of Directors

The members of Aiforia's Board of Directors during the financial period were Pekka Mattila (Chairman), Johan Lundin, Monita Au Kin Lai (until 5 April 2022), John Sweeney (until 25 August 2022), John Wellbank (until 5 April 2022), Maria Fe Paz de Paz (from 5 April 2022) and Jerry Jian Hong (from 5 April 2022).

### Group structure

Aiforia Technologies Plc is registered in the Trade Register under the business ID 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. Aiforia Inc. is located in Cambridge, MA, USA. Aiforia Technologies Plc and Aiforia Inc. together form the Aiforia Group.

### Annual General Meeting

The Annual General Meeting (AGM) held on 5 April 2022 approved the financial statements for the financial period 1 January 2021–31 December 2021 and granted the members of the Board of Directors and the CEO exemption from liability.

The AGM elected Pekka Mattila, Johan Lundin, John Sweeney, Maria Fe Paz de Paz and Jerry Jian Hong as members of the Board of Directors.

The AGM decided on the annual remuneration of the Board of Directors as follows: EUR 40 thousand for the Chairman, EUR 25 thousand for the Vice-Chairman and EUR 20 thousand for the members. The annual remuneration of the Chairmen of the Audit and Remuneration Committees was decided to be EUR 4 thousand and the Committee members EUR 2 thousand.

The AGM re-elected PricewaterhouseCoopers Oy as the company's auditor, who has appointed Martin Grandelli, Authorized Public Accountant, as the principal auditor until the end of the next Annual General Meeting.

The AGM authorized the Board of Directors to decide on the issue of a maximum of 2,577,000 shares. This authorization cancels the previous authorizations granted to the Board of Directors to issue shares. The authorization is valid until the next Annual General Meeting, but not later than 30 June 2023. The AGM authorized the Board of Directors to decide on the issue of warrants and other special rights entitling the holder to shares, with the maximum number of shares being 1,400,000. This authorization does not override previous authorizations granted to the Board of Directors to issue special rights entitled to shares. The authorization is valid until the next Annual General Meeting, but no later than 30 June 2023.

## **Risks and risk management**

Aiforia is exposed to risks arising from the operating environment, business, information systems and Aiforia is exposed to risks arising 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 as well as identifying, measuring, reviewing, addressing, reporting, monitoring, and preventing risks.

The following paragraphs describe the risks that Aiforia considers the most significant ones that may harm the company's business, prospects, and value.

### **Risks related to Aiforia's operating environment**

The escalation of the war in Ukraine during the year under review has brought instability to European geopolitics and energy and financial markets on many levels. The situation has no direct impact on the company's business at present. However, Aiforia is constantly monitoring the situation and is ready to take action if necessary.

### **Risks related to Aiforia's business**

According to Aiforia's assessment, there have been no significant changes in the risks to its business. Despite the promising sales growth, the company's prospects and profitability still remain dependent on whether and in what timeframe the company succeeds in winning customers for its clinical diagnostics software solutions. In addition, the business is subject to risks related to the success of product development and the retention of key personnel.

### **Risks related to Aiforia's information systems**

The risk of power outages and attacks on information systems is estimated to have increased during the period under review. In addition to the information systems used internally by Aiforia in

its operations, Aiforia's software solutions for its customers are also based on cloud computing. The company purchases the cloud service required to provide its software solutions from external suppliers. Thus, the availability and smooth operation of the cloud service are beyond Aiforia's control. In the event of any disruption to the cloud services, the availability of the software solutions provided by Aiforia to its customers will also be affected. As its cloud service providers, Aiforia selects prominent international players, which have the resources to ensure the quality and availability of the service.

### **Legal and regulatory risks**

During the period under review, there were significant changes in the regulation of in vitro diagnostic (IVD) medical devices in Europe. The previous IVD Directive was replaced by the IVDR Regulation, which changed the risk classification of in vitro diagnostic medical devices. At the same time, the role of notified bodies changed, and stricter requirements for clinical trial demonstration and conformity assessment, and quality control were introduced. These changes also affect the registration of Aiforia's new in vitro diagnostic products and may slow down the commercialization process of these products in Europe.

In addition, as the company offers clinical software solutions in new geographic regions, it is possible that the medical device regulations or personal data processing regulations applicable in such regions may differ significantly from those applicable, for example, in the European Union. Aiforia monitors regulatory developments and has already implemented several required and recommended practices in its operations. Examples include systems, practices, and certifications according to the ISO13485 and ISO27001 standards, and the SOC 2 Type II report.

Aiforia seeks to protect innovations important to its operations, for example, through patents and patent applications. In the period under review, Aiforia obtained two new patents in the United States for the processing and analysis of images of pathological specimens.

### **Risks related to Aiforia's financial position**

At the end of the financial year, Aiforia is in a good financial position. As the business is loss-making and it is not entirely certain when it will turn profitable, the need for and availability of financing may pose a risk to Aiforia in the future.

Exchange rate fluctuations, particularly the US dollar exchange rate, play a role, as an increasing proportion of Aiforia's turnover is made up of dollars coming from the US market. However, it should be noted that Aiforia also has dollar-based costs, which offset the currency risks. Aiforia constantly monitors its financial position and takes measures to reduce its level of risk where necessary.

Risk management and business risks are described in more detail in the company's IPO prospectus and on its website at <https://investors.aiforia.com/>.

## **Estimate of likely future developments**

Aiforia expects to achieve all the short-term targets set in the IPO as planned by the end of 2023. This provides a sound basis for continued growth towards our longer-term goals of positive cash flow from operating activities by the end of 2025 and EUR 100 million in net sales by the end of 2030.

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

The parent company's loss for the financial year is EUR -8,355 thousand and the distributable free equity is EUR 24,917 thousand. 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.

## **Significant events after the financial period**

On 10 February 2023, Aiforia announced it had received a contract award to provide artificial intelligence solutions for 25 NHS Trusts pathology departments in the UK to support the diagnosis of patients. The contract award enables the Trusts to purchase directly from Aiforia and to sign individual contracts without laborious tender processes. The duration of the individual contracts with the hospitals will be three years, with a possible three-year extension.

## Key Figures and Share Performance Indicators

EUR 1,000 Group	2022	2021	2020
Revenue	1,868	974	849
EBITDA	-8,108	-3,451	-1,610
Operating loss	-10,203	-4,691	-2,632
Net loss for the financial year	-10,607	-7,576	-2,756
Equity ratio, %	85 %	87 %	18 %
Net debt	-22,008	-35,197	1,295
Cash and cash equivalents at the end of the financial year	24,698	38,092	1,912
Balance sheet total	35,336	43,868	5,268
Number of employees on average	65	41	26
Personnel expenses*	6,592	2,995	1,884
Investment in tangible and intangible assets	6,333	3,793	816

\*Gross personnel expenses includes capitalization of development expenses.

EUR	2022	2021	2020
Earnings per share, undiluted and diluted	-0.41	-0.43	-0.21
Equity per share	1.13	1.46	0.07
Lowest share price	2.96	4.80	
Highest share price	5.84	5.50	
Closing price at the end of the financial period	3.23	5.22	
Average daily trading volume of the shares, pcs	4,895	47,385	
Market value of the shares at the end of the financial period	83,420,616	135,541,001	



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 * number of outstanding shares

## Consolidated financial statements

### Consolidated income statement

(EUR thousand)	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
<b>Revenue</b>	<b>1,868</b>	<b>974</b>
Other operating income	138	421
Materials and services		
Materials and consumables		
Purchases during the financial year	-	-
External services	-569	-373
<b>Total materials and services</b>	<b>-570</b>	<b>-373</b>
Personnel expenses		
Wages and salaries	-4,769	-1,956
Social security expenses		
Pension expenses	-423	-159
Other social security expenses	-481	-195
<b>Total personnel expenses</b>	<b>-5,674</b>	<b>-2,310</b>
Depreciation, amortisation and impairment losses		
Depreciation according to plan	-2,095	-1,239
Total depreciation, amortisation and impairment losses	-2,095	-1,239
Other operating expenses	-3,871	-2,163
<b>Operating loss</b>	<b>-10,203</b>	<b>-4,691</b>
Financial income and expenses		
Other interest income and other financial income	99	109
Interest and other financial expenses	-503	-2,995
Total financial income and expenses	-404	-2,886
<b>Loss before appropriations and taxes</b>	<b>-10,607</b>	<b>-7,576</b>
<b>Loss for the financial year</b>	<b>-10,607</b>	<b>-7,576</b>

## Consolidated balance sheet

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets		
Development expenses	8,427	4,723
Other intangible assets	10	0
Total intangible assets	8,437	4,723
Tangible assets		
Machinery and equipment	531	8
Advance payments and construction in progress	0	43
Total tangible assets	531	50
<b>Total non-current assets</b>	<b>8,968</b>	<b>4,773</b>
Current assets		
Non-current receivables		
Other receivables	88	0
Current receivables		
Trade receivables	990	139
Other receivables	241	440
Prepaid expenses and accrued income	350	424
Total current receivables	1,582	1,003
Cash and cash equivalents	24,698	38,092
<b>Total current assets</b>	<b>26,368</b>	<b>39,095</b>
<b>Total assets</b>	<b>35,336</b>	<b>43,868</b>
	<b>31 Dec. 2022</b>	<b>31.12.2021</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	103	103
Reserve for invested unrestricted equity	57,582	55,451

Retained earnings (losses)	-17,792	-10,130
Loss for the financial year	-10,607	-7,576
<b>Total equity</b>	<b>29,286</b>	<b>37,848</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Loans from financial institutions	2,185	2,690
<b>Total non-current liabilities</b>	<b>2,185</b>	<b>2,690</b>
<b>Current liabilities</b>		
Loans from financial institutions	505	205
Advances received	1,041	513
Trade payables	992	1,895
Other current liabilities	113	74
Accruals and deferred income	1,214	644
<b>Total current liabilities</b>	<b>3,865</b>	<b>3,331</b>
<b>Total liabilities</b>	<b>6,050</b>	<b>6,020</b>
<b>Total equity and liabilities</b>	<b>35,336</b>	<b>43,868</b>

## Consolidated statement of cash flows

(EUR thousand)	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
<b>Cash flow from operating activities</b>		
Loss before appropriations and taxes	-10,607	-7,576
Adjustments for:		
Depreciation, amortisation and impairment losses	2,095	1,239
Other non-cash items	-91	-421
Financial income and expenses	404	2,886
Operating profit before working capital changes	-8,199	-3,872
Changes in working capital:		
Increase(-) or decrease(+) of current interest-free receivables	-920	-343

Increase(-) or decrease(+) of current interest-free liabilities	101	1,732
Cash flow from operating activities before financial items and taxes	-9,017	-2,483
Interest paid and payments from other operating financial expenses	-499	-76
Interests received from business operations	99	109
<b>Cash flow from operating activities (A)</b>	<b>-9,418</b>	<b>-2,450</b>
<b>Cash flow from investing activities</b>		
Investments in tangible and intangible assets	-6,333	-3,793
Proceeds from sale of tangible and intangible assets	0	1
Grants received for investments	425	984
<b>Cash flow from investing activities (B)</b>	<b>-5,907</b>	<b>-2,807</b>
<b>Cash flow from financing activities</b>		
Proceeds from share issue	2,131	44,660
Share issue and IPO expenses	0	-2,923
Loans from financial institutions increase (+)/decrease (-)	-205	-311
<b>Cash flow from financing activities (C)</b>	<b>1,926</b>	<b>41,426</b>
Net increase (+)/(-) decrease in cash and cash equivalents (A+B+C)	-13,399	36,169
Effects of changes in foreign exchange rates	5	10
Cash and cash equivalents at the beginning of the financial year	38,092	1,912
<b>Cash and cash equivalents at the end of the financial year</b>	<b>24,698</b>	<b>38,092</b>

## 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.

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 as well as the sales of credits related to the cloud computing capacity are recognised as revenue monthly over the contract period. 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. 2022	31 Dec. 2021
Finland	258	313
Other Europe	281	252
North-America	1,264	358
Others	65	50
<b>Total</b>	<b>1,868</b>	<b>974</b>

### 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. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
<b>Personnel expenses</b>		
Wages and salaries	-5,529	-2,543
Pension expenses	-538	-244
Other social security expenses	-525	-207

Total personnel expenses	-6,592	-2,995
<b>Capitalisation of development expenses</b>	<b>918</b>	<b>685</b>
<b>Total personnel expenses</b>	<b>-5,674</b>	<b>-2,310</b>
<b>Other operating expenses</b>	<b>-8,692</b>	<b>-5,222</b>
<b>Capitalisation of development expenses</b>	<b>4,821</b>	<b>3,058</b>
<b>Total other operating expenses</b>	<b>-3,871</b>	<b>-2,163</b>
<b>Total capitalisation of development expenses</b>	<b>5,739</b>	<b>3,743</b>

## 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. During the accounting period, the company changed the depreciation plan for machines and equipment. The depreciation period for machines and equipment was changed from 3-year straight-line depreciation to 5-year straight-line depreciation.

### Depreciation and amortisation periods are:

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

### Changes in non-current assets

(EUR thousand)	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
<b>Development expenses</b>		
Cost on 1 January	8,988	5,244
Additions	5,739	3,743
<b>Cost on 31 December</b>	<b>14,727</b>	<b>8,988</b>
Accumulated amortisation and impairment losses on 1 January	-4,264	-3,028
Amortisation and impairment losses	-2,035	-1,236



<b>Accumulated amortisation and impairment losses on 31 December</b>	-6,300	-4,264
Cost on 31 December	14,727	8,988
Accumulated amortisation and impairment losses on 31 December	-6,300	-4,264
<b>Book value on 31 December</b>	<b>8,427</b>	<b>4,723</b>

#### Other intangible assets

Cost on 1 January	0	0
Additions	11	0
<b>Cost on 31 December</b>	<b>11</b>	<b>0</b>
Accumulated amortisation and impairment losses on 1 January	0	0
Amortisation and impairment losses	-	0
<b>Accumulated amortisation and impairment losses on 31 December</b>	<b>-</b>	<b>0</b>
Cost on 31 December	11	0
Accumulated amortisation and impairment losses on 31 December	-	0
<b>Book value on 31 December</b>	<b>10</b>	<b>0</b>

#### Machinery and equipment

Cost on 1 January	29	23
Additions	583	7
Disposals	0	-1
<b>Cost on 31 December</b>	<b>611</b>	<b>29</b>
Accumulated depreciation and impairment losses on 1 January	-21	-18
Depreciation and impairment losses	-59	-3
<b>Accumulated depreciation and impairment losses on 31 December</b>	<b>-80</b>	<b>-21</b>
Cost on 31 December	611	29
Accumulated depreciation and impairment losses on 31 December	-80	-21
<b>Book value on 31 December</b>	<b>531</b>	<b>8</b>

#### Advance payments

Cost on 1 January	43	0
Additions	0	43
Disposals	-43	0
<b>Cost on 31 December</b>	<b>0</b>	<b>43</b>

#### Depreciation and amortisation of non-current assets

(EUR thousand)	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Development expenses	-2,035	-1,236
Other intangible assets	-	0
Machinery and equipment	-59	-3
<b>Total depreciation</b>	<b>-2,095</b>	<b>-1,239</b>

#### Prepaid expenses and accrued income

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
EU grant	0	255
Prepaid items	350	71
Other accrued income	0	95
<b>Total</b>	<b>350</b>	<b>424</b>

### Notes to equity and liabilities in the balance sheet

#### Equity breakdown

(EUR thousand)	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
<b>Equity at 1 January 2022</b>	<b>103</b>	<b>55,451</b>	<b>-17,706</b>	<b>37,848</b>
Conversion difference and average exchange rate difference			-86	-86
Loss for the financial year			-10,607	-10,607
Share issue		2,131		2,131

<b>Equity at 31 December 2022</b>	<b>103</b>	<b>57,582</b>	<b>-28,399</b>	<b>29,286</b>
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(EUR thousand)	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
<b>Equity at 1 January 2021</b>	<b>103</b>	<b>10,790</b>	<b>-10,007</b>	<b>886</b>
Conversion difference and average exchange rate difference			-123	-123
Loss for the financial year			-7,576	-7,576
Share issue		44,660		44,660
<b>Equity at 31 December 2021</b>	<b>103</b>	<b>55,451</b>	<b>-17,706</b>	<b>37,848</b>

#### Non-current liabilities due after more than five years

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
Loans from financial institutions	525	726

#### Accruals and deferred income

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
Staff expenses (accrual)	1,076	515
EU grant	0	73
Interest	9	5
Other accruals and deferred income	129	51
<b>Total</b>	<b>1,214</b>	<b>644</b>

#### Notes to income taxes

##### Deferred tax assets not recognised in the balance sheet

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
Losses,	27,581	17,398
of which deferred tax assets	5,516	3,496

## Guarantees, commitments and off-balance sheet arrangements

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
<b>Lease commitments</b>		
Payable during the following financial year	301	105
Payable later	1,030	0
<b>Other commitments</b>		
EU H2020 grant, unaudited	0	1,743
Decider grant, unaudited	149	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.

## Auditor's fees

(EUR thousand)	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Statutory audit	43	79
Other actions referred to in section 1, subsection 1, paragraph 2 of Auditing Act	16	10
Tax advisory	0	4
Other services	39	330*
<b>Total</b>	<b>98</b>	<b>423</b>

\* 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.

During the financial year 2022 Aiforia has had two related party transactions, when services have been sold to a controlling entity of a related party for EUR 37 thousand.

A total of 834 500 options have been granted to related parties for the period 1.1.2022-31.12.2022.

## Notes concerning employees and members of administrative bodies

### Number of employees

	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Average number of personnel during the financial year	65	41

### Management remuneration

(EUR thousand)	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
<b>Board</b>		
Wages and salaries	105	20
<b>Total</b>	<b>105</b>	<b>20</b>
<b>CEO</b>		
Wages and salaries	457	220
Pension expenses		39
Social security expenses		6
<b>Total</b>	<b>457</b>	<b>264</b>
<b>Other members of the Management Team</b>		
Wages and salaries	563	406
Pension expenses	46	72
Social security expenses	16	11
<b>Total</b>	<b>625</b>	<b>489</b>

Stock options have been granted to the management during the financial years 2021-2022 as follows\*:

	Stock option program	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
CEO	2021 V		603,200
CEO	2022 II	450,000	
Management Team	2021 III		3,016*
Management Team	2021 IV		2,300*
Management Team	2022 I	124,500	
Management Team	2022 II	260,000	
<b>Total</b>		<b>834,500</b>	<b>608,516</b>

\* 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.

### 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	8,600*	430,000
2016 B	0.02	31.12.2025	2,000	1,900*	95,000
2018 I	1.3724	31.12.2025	7,250	5,720*	286,000
2019 I	1.3724	31.12.2025	1,300	1,300*	65,000
2020 I	1.3724	31.12.2025	7,052	5,863*	293,150
2020 II	1.3724	31.12.2025	3,016	1,016*	50,800
2021 I	1.3724	31.12.2025	3,850	3,033*	151,650
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	2,200	1,900*	95,000
2021 V	1.3724	21.9.2026	603,200	603,200	603,200

2022 I	1.3724	31.12.2028	124,500	124,500	124,500
2022 II	5.01	31.12.2028		800,000	800,000
2022 II 2	3.75	31.12.2028	1,887,850	90,000	90,000
2022 II 3	3.5	31.12.2028		410,000	410,000
			<b>2,659,634</b>	<b>2,062,548</b>	<b>3,770,100</b>

\* As per the stock split decision by the Company's shareholders on 20 September 2021, 1 option right entitles an option holder to subscribe to 50 shares.

## Parent company's financial statements

### Parent company's income statement

(EUR thousand)	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
<b>Revenue</b>	<b>1,380</b>	<b>862</b>
Other operating income	137	421
Materials and services		
Materials and consumables		
Purchases during the financial year	-	-
External services	-569	-373
Total materials and services	-570	-373
Personnel expenses		
Wages and salaries	-3,447	-1,624
Social security expenses		
Pension expenses	-409	-149
Other social security expenses	-244	-131
Total personnel expenses	-4,100	-1,904

Depreciation, amortisation and impairment losses		
Depreciation according to plan	-2,081	-1,236
Total depreciation, amortisation and impairment losses	-2,081	-1,236
Other operating expenses	-2,924	-1,920
<b>Operating loss</b>	<b>-8,158</b>	<b>-4,150</b>
Financial income and expenses		
Other interest income and other financial income	228	73
Interest and other financial expenses	-426	-2,995
Total financial income and expenses	-197	-2,921
<b>Loss before appropriations and taxes</b>	<b>-8,355</b>	<b>-7,071</b>
<b>Loss for the financial year</b>	<b>-8,355</b>	<b>-7,071</b>

## Parent company's balance sheet

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets		
Development expenses	8,427	4,723
Other intangible assets	10	0
Total intangible assets	8,437	4,723
Tangible assets		



Machinery and equipment	470	0
Other tangible assets		
Advance payments and construction in progress	0	43
Investments	-	-
Total tangible assets	470	43
<b>Total non-current assets</b>	<b>8,907</b>	<b>4,766</b>
Current assets		
Non-current receivables		
Other receivables	88	0
Current receivables		
Trade receivables	175	7
Other receivables	225	426
Receivables from group companies	4,818	1,956
Prepaid expenses and accrued income	181	329
Total current receivables	5,400	2,718
Cash and cash equivalents	24,241	37,945
<b>Total current assets</b>	<b>29,729</b>	<b>40,662</b>
<b>Total assets</b>	<b>38,636</b>	<b>45,428</b>

	31 Dec. 2022	31 Dec. 2021
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	103	103
Reserve for invested unrestricted equity	57,582	55,451
Retained earnings (losses)	-15,884	-8,813
Loss for the financial year	-8,355	-7,071
<b>Total equity</b>	<b>33,446</b>	<b>39,669</b>

<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Loans from financial institutions	2,185	2,690
<b>Total non-current liabilities</b>	<b>2,185</b>	<b>2,690</b>
<b>Current liabilities</b>		
Loans from financial institutions	505	205
Advances received	409	303
Trade payables	936	1,885
Liabilities to group companies	-	51
Other current liabilities	113	74
Accruals and deferred income	1,043	552
<b>Total current liabilities</b>	<b>3,005</b>	<b>3,069</b>
<b>Total liabilities</b>	<b>5,190</b>	<b>5,759</b>
<b>Total equity and liabilities</b>	<b>38,636</b>	<b>45,428</b>

## Parent company's cash flow statement

(EUR thousand)	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
<b>Cash flow from operating activities</b>		
Loss before appropriations and taxes	-8,355	-7,071
Adjustments for:		
Depreciation, amortisation and impairment losses	2,081	1,236
Other non-cash items	-91	-421
Financial income and expenses	197	2,921
Operating profit before working capital changes	-6,168	-3,334
Changes in working capital:		
Increase(-) or decrease(+) of current interest-free receivables	-881	-525

Increase(-) or decrease(+) of current interest-free liabilities	-462	1,748
Cash flow from operating activities before financial items and taxes	-7,511	-2,111
Interest paid and payments from other operating financial expenses	-421	-76
Interest received from business operations	142	6
<b>Cash flow from operating activities (A)</b>	<b>-7,790</b>	<b>-2,181</b>
<b>Cash flow from investing activities</b>		
Investments in tangible and intangible assets	-6,265	-3,786
Grants received for investments	425	984
Loans granted	-2,000	-301
<b>Cash flow from investing activities (B)</b>	<b>-7,839</b>	<b>-3,102</b>
<b>Cash flow from financing activities</b>		
Proceeds from share issue	2,131	44,660
Share issue and IPO expenses	0	-2,923
Loans from financial institutions increase (+)/decrease (-)	-205	-311
<b>Cash flow from financing activities (C)</b>	<b>1,926</b>	<b>41,426</b>
Net increase (+)/(-) decrease in cash and cash equivalents (A+B+C)	-13,703	36,143
Cash and cash equivalents at the beginning of the financial year	37,945	1,801
<b>Cash and cash equivalents at the end of the financial year</b>	<b>24,241</b>	<b>37,945</b>

## 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 as well as the sales of credits related to the cloud computing capacity are recognised as revenue monthly over the contract period. 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. 2022	31 Dec. 2021
Finland	258	313
Rest of Europe	281	252
North-America	750	246
Others	90	50
<b>Total</b>	<b>1,380</b>	<b>862</b>

## 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. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
<b>Personnel expenses</b>		
Wages and salaries	-4,206	-2,212
Pension expenses	-524	-234
Other social security expenses	-288	-143
<b>Capitalisation of development expenses</b>	<b>918</b>	<b>685</b>
Total personnel expenses	-4,100	-1,904
<b>Other operating expenses</b>	<b>-7,745</b>	<b>-4,978</b>
<b>Capitalisation of development expenses</b>	<b>4,821</b>	<b>3,058</b>
Total other operating expenses	-2,924	-1,920
<b>Total capitalisation of development expenses</b>	<b>5,739</b>	<b>3,743</b>

## 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. During the accounting period, the company changed the depreciation plan for machines and equipment. The depreciation period for machines and equipment was changed from 3-year straight-line depreciation to 5-year straight-line depreciation.

### Depreciation and amortisation periods are:

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

### Changes in non-current assets

(EUR thousand)	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
<b>Development expenses</b>		
Cost on 1 January	8,988	5,244
Additions	5,739	3,743
<b>Cost on 31 December</b>	<b>14,727</b>	<b>8,988</b>
Accumulated amortisation and impairment losses on 1 January	-4,264	-3,028
Amortisation and impairment losses	-2,035	-1,236
<b>Accumulated amortisation and impairment losses on 31 December</b>	<b>-6,300</b>	<b>-4,264</b>
Cost on 31 December	14,727	8,988
Accumulated amortisation and impairment losses on 31 December	-6,300	-4,264
<b>Book value on 31 December</b>	<b>8,427</b>	<b>4,723</b>
<b>Other intangible assets</b>		
Cost on 1 January	0	0
Additions	11	0
<b>Cost on 31 December</b>	<b>11</b>	<b>0</b>
Amortisation and impairment losses	-	0
<b>Accumulated amortisation and impairment losses on 31 December</b>	<b>-</b>	<b>0</b>
Cost on 31 December	11	0
Accumulated amortisation and impairment losses on 31 December	-	0
<b>Book value on 31 December</b>	<b>10</b>	<b>0</b>

## Machinery and equipment

Cost on 1 January	14	14
Additions	515	0
<b>Cost on 31 December</b>	<b>528</b>	<b>14</b>
Accumulated depreciation and impairment losses on 1 January	-14	-14
Depreciation and impairment losses	-45	0
<b>Accumulated depreciation and impairment losses on 31 December</b>	<b>-59</b>	<b>-14</b>
Cost on 31 December	528	14
Accumulated depreciation and impairment losses on 31 December	-59	-14
<b>Book value on 31 December</b>	<b>470</b>	<b>0</b>

## Advance payments

Cost on 1 January	43	0
Additions	0	43
Disposals	-43	0
<b>Cost on 31 December</b>	<b>0</b>	<b>43</b>

## Investments

Cost on 1 January	-	-
<b>Book value on 31 December</b>	<b>-</b>	<b>-</b>

## Depreciation and amortisation of non-current assets

(EUR thousand)	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Development expenses	-2,035	-1,236
Other intangible assets	-	0
Machinery and equipment	-45	0

<b>Total depreciation</b>	<b>-2,081</b>	<b>-1,236</b>
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### Holdings in other companies

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

### Receivables from Group companies

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
Trade receivables	0	398
Prepaid expenses and accrued income	491	216
Loan receivables	4,328	1,342
<b>Total</b>	<b>4,818</b>	<b>1,956</b>

### Prepaid expenses and accrued income

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
Salary and staff expenses (accrual)	-	2
EU grant	0	255
Prepaid items	181	71
<b>Total</b>	<b>181</b>	<b>329</b>

## Notes to equity and liabilities in the balance sheet

### Equity breakdown

(EUR thousand)	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
<b>Equity at 1 January 2022</b>	<b>103</b>	<b>55,451</b>	<b>-15,884</b>	<b>39,669</b>
Loss for the financial year			-8,355	-8,355



Share issue		2,131		2,131
<b>Equity at 31 December 2022</b>	<b>103</b>	<b>57,582</b>	<b>-24,238</b>	<b>33,446</b>

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

#### Distributable non-restricted equity statement of the parent Company

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
Retained earnings	-15,884	-8,813
Loss for the financial year	-8,355	-7,071
Reserve for invested unrestricted equity	57,582	55,451
Capitalized development expenditure	-8,427	-4,723
<b>Total</b>	<b>24,917</b>	<b>34,844</b>

#### Non-current liabilities due after more than five years

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
Loans from financial institutions	525	726

#### Liabilities to Group companies

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
Trade payables	0	50
Other liabilities	-	-

<b>Total</b>	-	<b>51</b>
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### Accruals and deferred income

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
Staff expenses (accrual)	925	474
EU grant	0	73
Interest	9	5
Other accruals and deferred income	109	0
<b>Total</b>	<b>1,043</b>	<b>552</b>

### Notes to income taxes

#### Deferred tax assets not recognised in the balance sheet

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
Losses,	24,231	15,764
of which deferred tax assets	4,846	3,153

#### Guarantees, commitments and off-balance sheet arrangements

(EUR thousand)	31 Dec. 2022	31 Dec. 2021
<b>Lease commitments</b>		
Payable during the following financial year	294	104
Payable later	1,030	0
<b>Other commitments</b>		
EU H2020 grant, unaudited	0	1,743
Decider-grant, unaudited	149	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.

## Auditor's fees

(EUR thousand)	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Statutory audit	43	79
Other actions referred to in section 1, subsection 1, paragraph 2 of Auditing Act	16	10
Tax advisory	0	4
Other services	39	330*
<b>Total</b>	<b>98</b>	<b>423</b>

\*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.

During the financial year 2022 the Company has had two related party transactions, when services have been sold to a controlling entity of a related party for EUR 37 thousand.

**Related party transactions to the subsidiary have been as follows:**

(EUR thousand)	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Sales	764	246
<b>Total</b>	<b>764</b>	<b>246</b>

A total of 834 500 options have been granted to related parties for the period 1.1.2022-31.12.2022.

## Notes concerning employees and members of administrative bodies

### Number of employees

	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Average number of personnel during the financial year	56	38

### Management remuneration

(EUR thousand)	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
<b>Board</b>		
Wages and salaries	105	20
<b>Total</b>	<b>105</b>	<b>20</b>
<b>CEO</b>		
Wages and salaries	457	220
Pension expenses	-	39
Social security expenses	-	6
<b>Total</b>	<b>457</b>	<b>264</b>
<b>Other members of the Management Team</b>		
Wages and salaries	563	406
Pension expenses	46	72
Social security expenses	16	11
<b>Total</b>	<b>625</b>	<b>489</b>

Stock options have been granted to the management during the financial years 2021-2022 as follows\*:

	Stock option program	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
CEO	2021 V		603,200
CEO	2022 II	450,000	
Management Team	2021 III		3,016*
Management Team	2021 IV		2,300*
Management Team	2022 I	124,500	
Management Team	2022 II	260,000	
<b>Total</b>		<b>834,500</b>	<b>608,516</b>

\* 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.

### 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	8,600*	430,000
2016 B	0.02	31.12.2025	2,000	1,900*	95,000
2018 I	1.3724	31.12.2025	7,250	5,720*	286,000
2019 I	1.3724	31.12.2025	1,300	1,300*	65,000
2020 I	1.3724	31.12.2025	7,052	5,863*	293,150
2020 II	1.3724	31.12.2025	3,016	1,016*	50,800

2021 I	1,3724	31.12.2025	3,850	3,033*	151,650
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	2,200	1,900*	95,000
2021 V	1,3724	21.9.2026	603,200	603,200	603,200
2022 I	1,3724	31.12.2028	124,500	124,500	124,500
2022 II	5,01	31.12.2028		800,000	800,000
2022 II 2	3,75	31.12.2028	1,887,850	90,000	90,000
2022 II 3	3,5	31.12.2028		410,000	410,000
			<b>2,659,634</b>	<b>2,062,548</b>	<b>3,770,100</b>

\* As per the stock split decision by the Company's shareholders on 20 September 2021, 1 option right entitles an option holder to subscribe to 50 shares.

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

In Helsinki, 2 March 2023

**Pekka Mattila**

Chairman of the Board

**Johan Lundin**

Board member

**Maria Fe Paz de Paz**

Board member

**Jerry Jian Hong**

Board member

**Jukka Tapaninen**

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

	<b>Method of retention</b>
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, we submit that the financial statements give a correct and sufficient picture of the group's and the parent company's performance and financial position in accordance with the regulations on the preparation of financial statements in force in Finland and meet the statutory requirements.