

A group of people are gathered around a wooden table in a meeting. A laptop in the center displays a bar chart with several bars of varying heights. One person is pointing at the chart with a pen. There are coffee cups, notebooks, and papers on the table. The scene is dimly lit, suggesting an indoor office or meeting room.

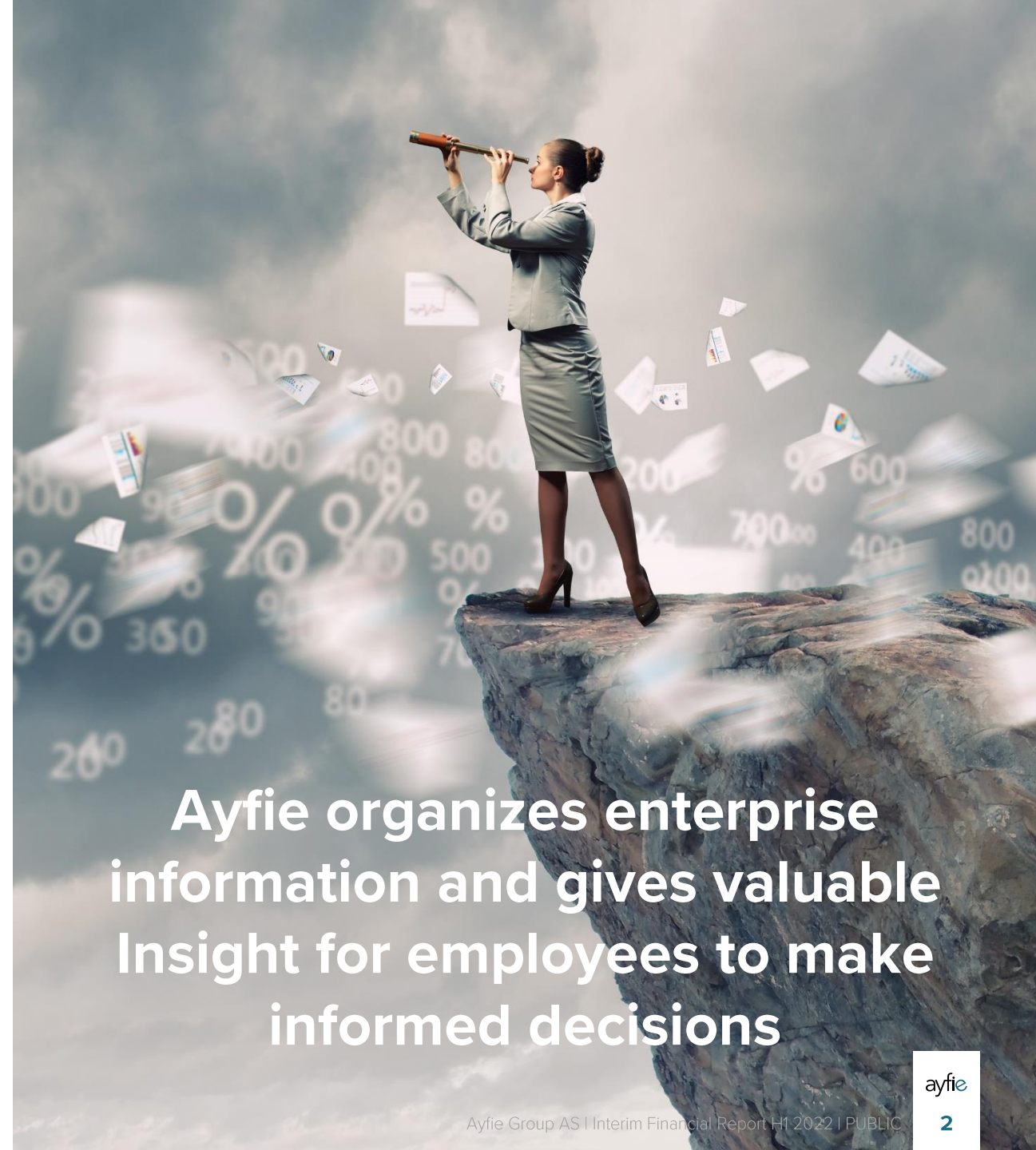
ayfie

Financial Report H1 2022

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This document contains the unaudited consolidated condensed first half year 2022 financial statements and notes for Ayfie Group AS.



Ayfie organizes enterprise information and gives valuable Insight for employees to make informed decisions

Ayfie Group in Brief

- Ayfie Group is an international provider of market-leading search and text analytics products that bring structure to unstructured data
- Ayfie's products combine linguistics-based natural language processing and modern machine learning to form a unique type of AI to efficiently identify critical insights, conduct smart search and power business intelligence solutions
- The products are ideal tools for getting Insights from hidden unstructured data within your organization, and compliance within finance, insurance and healthcare industries
- With proven products and a solid customer base in Nordics, Europa and to a certain extent in the US, Ayfie is well positioned for further expansion in the Nordics and Europe
- Ayfie will later this year release - APIs which will provide managed, care-free access to the best of what no-code/low-code programming for Natural language processing (NLP) Machine Learning (ML) has to offer.



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**FENWICK
ELLIOTT**

Linklaters



Business Update and Outlook

Market

Historically Ayfie mainly had customers in B2B running a combination of SaaS based customers and “on prem” server installations.

The business model is based on subscriptions, with multiannual contracts.

Ayfie is placed in the market of Insight Engines and eDiscovery. The market is rapidly growing, but with a change of business model from project-based implementations to self-service sign-up. Which again puts new requirements on Ayfie business model.

Market is moving over to what is named Cognitive Search/ Services, which again is markets that has a rapid growth.

The global insight engines market was valued at \$926m in 2021 and is expected to reach \$3.6bn by 2027, a CAGR of 26%.

“Cognitive search differs from previously available search products because it combines indexing technology with powerful artificial intelligence technologies -- such as natural language processing (NLP) capabilities and algorithms” (Source: TechTarget)

The legal, financial and construction sectors together with public services continue to represent major opportunities as they attempt to handle large amounts of unstructured data. Other sectors and businesses are about to face similar challenges as data within their respective areas continue to grow.

With the change in market together with the change of business model (explained under “Business Development”), Ayfie believes the Group has the potential to become a major provider due to differential opportunities in the use of the technology. The combination of “opening up” our API’s, add more Cognitive Services to our products and at last adding self serviced models to our main product Locator.

Business Development

After gain of cost control and landed positive numbers for 2021, Ayfie is now in the second stage of transforming the business for future success.

The main development is separating our API’s from our platform, which gives us the opportunity to gain revenue from Self serviced SaaS services.

Example of company in this field is <https://onna.com/>

Further plans is to release later this year - a self serviced version of our SaaS platform with DropBox search. DropBox has around 700 million users globally, but with very limited search options. Similar companies in this area is <https://www.elastic.co/> and <https://www.docugami.com/>

At last, an important development based on what is explained above, is that we do a shift in opening for an B2C model with our products. With this change, we expect both new revenue streams as well as changing our sales model to inbound for prospecting.

Organizational Development

The Ayfie organization has strengthened the sales side of the company and are working focused on changing the sales model. We are further strengthening our tech side with the focus on AWS/ Azure areas.

Cash position was 31.0 MNOK 30.06, and Ayfie still has a stable financial situation.

Outlook

Ayfie does expects to see results from the different invested initiatives in 2H 2022, even though we first expects to see changes in revenue streams 1H 2023.

Financial Highlights and Key Figures 1H 2022



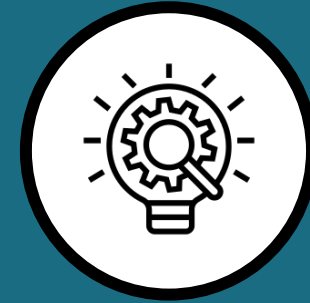
Revenue

14 MNOK



EBIT

Loss 5.3 MNOK



R&D

50% of employees in
R&D



Cash position

31 MNOK



ARR

13.4 MNOK



No debt

Financial Review

Ayfie delivered a loss in H1 2022 due to investment in several future revenue streams.

Revenues

Ayfie operates a combination of a Software-as-a-Service (SaaS) business model and “on prem” installation, securing multiannual subscription-contracted revenues. Typical SaaS customers are in verticals both in Privat and Public. We experience most activities in Public, Legal, Energy, Construction and other know-how-based entities that need efficient tools for handling unstructured data. In addition to recurring revenues, Ayfie has non-recurring revenue from professional services when onboarding new customers and from perpetual license sales through resellers.

H1 2022 revenue amounted to 14.0 MNOK (17.9¹ MNOK) million, where recurring revenue amounted to 13.4 MNOK (16.4 MNOK) and non-recurring revenue amounted to 0,7 MNOK (1,5 MNOK). Non-recurring revenue declined as there were less implementation activities.

Recurring revenue where somewhat reduced due to some changes in the customer base. The with gross margin of 93% which is in line with 2021.

Expenses

H1 2022 personnel expenses amounted to 10.6 MNOK (10.9 MNOK). The number of employees and contract labour where on the same level as last year.

Other operating expenses amounted to 5,5 MNOK in H1 2022 (2.1 MNOK), due to major investment I future products.

H1 2022 depreciation and amortization of 0.7 MNOK (0,7 MNOK) mainly constituted of depreciation related to right-of-use assets.

¹ All figures in brackets refer to the corresponding period last year

Financial Review (continued)

EBIT and Net profit/loss

H1 2022 EBIT amounted to negative 5.3 MNOK (2.1 MNOK), and the period's net loss to 5,5 MNOK (2.0 MNOK)

Financial position

Total assets amounted to 53.7 MNOK (68.9 MNOK). The total non-current assets of 19.0 MNOK (20.5 MNOK) consisted mainly of right-of-use-assets related to an office lease in Oslo of 1.4 MNOK (2.4 MNOK), intangible assets of MNOK 1.9 (customer portfolio) (MNOK 2.2) and goodwill of MNOK 15.5 both from the acquisition of Haive AS in September 2020.

Current assets amounted to 34.7 MNOK (48.4 MNOK). Other current assets of 2.6 MNOK (3.1 MNOK)

The end of H1 2021 equity amounted to 37.9 MNOK (38.0 MNOK), and MNOK 41.9 at the end of 2021.

There were 110,906,774 shares at the end of H1 2022, each with a nominal value of NOK 1.

Ayfie's end of H1 2022 total liabilities amounted to 15.8 MNOK (30.9 MNOK).

- Non-current liabilities amounted to 1.0 MNOK (2.0 MNOK), and the total reduction of 1.0 MNOK was mainly due to reduced lease liabilities of 1.0 MNOK.
- Current liabilities of 14.8 MNOK (28.9 MNOK) consisted mainly of contracted liabilities 8.8 MNOK (16.8 MNOK) that were prepayments from customers and other current liabilities 6.0 MNOK (12.1 MNOK) The majority of the reduction of 6.1 MNOK final payment of debt to the seller of Language Tools GmbH (seller's credit).

Cash flow

Ayfie had a negative cash flow from operations of 5.4 MNOK (negative 5.3 MNOK) in H1 2022. There was no cash flow from investing activities (negative 4,8 MNOK). There was no cash flow from financing activities (similar H1 2021).

Consolidated Income Statement

NOK thousands	Notes	Unaudited H1 2022	Unaudited H1 2021	Audited FY 2021
Recurring revenue		13,355	16,361	34,024
Non-recurring revenue/Sale of source code		666	1,493	4,701
Total revenue		14,021	17,854	38,725
Cost of sales		1,022	1,052	1,806
Gross profits		12,999	16,802	36,919
<i>Gross margin</i>		93%	94%	95%
Personnel expenses	4	10,646	10,915	23,160
Option program		1,488	973	2,169
Other operating expenses		5,470	2,108	4,933
EBITDA		-4,605	2,806	6,657
Depreciation and amortization		660	660	1,522
EBIT / Operating loss		-5,265	2,145	5,135
Finance income		69	11	224
Finance expenses		293	142	644
Profit or loss before tax		-5,490	2,014	4,715
Income tax expenses	5	-	-	-75
Net profit or loss for the year		-5,490	2,014	4,790
Other comprehensive income				
Items that may subsequently be reclassified to profits or loss:				
Exchange differences on translation of foreign operations		-	-	-140
Total other comprehensive income		-	-	-140
Total comprehensive income		-5,490	2,014	4,650

Consolidated Balance Statement

NOK thousands	Notes	Unaudited 30/06/2022	Unaudited 30/06/2021	Audited 31/12/2021
Assets				
Non-current assets				
Property, plant and equipment		162	371	219
Right-of-use assets		1,412	2,354	1,883
Intangible assets		1,881	2,223	2,052
Goodwill		15,540	15,540	15,540
Total non-current asset		18,995	20,488	19,694
Current assets				
Trade receivables		1,064	7,561	1,164
Other current assets		2,632	3,146	3,585
Cash and cash equivalents		31,016	37,714	36,388
Total current assets		34,712	48,421	41,137
Total assets		53,707	68,908	60,831

NOK thousands	Notes	Unaudited 30/06/2022	Unaudited 30/06/2021	Audited 31/12/2021
Equity and liabilities				
Equity				
Issued share capital		110,907	110,907	110,907
Share premium		-	259,020	-
Other capital reserves		6,170	-	4,682
Currency and other equity		5,841	9,389	5,841
Uncovered losses		-85,009	-341,314	-79,519
Total equity		37,909	38,002	41,911
Non-current liabilities				
Deferred tax liabilities		414	489	452
Non-current leases liabilities		549	1,530	1,039
Total non-current liabilities		963	2,019	1,491
Current liabilities				
Trade payables		2,421	2,706	3,835
Public duties		453	1,007	
Current lease liabilities		980	953	980
Contracted liabilities		8,765	16,803	10,241
Other current liabilities		2,216	7,419	2,373
Total current liabilities		14,835	28,887	17,429
Total liabilities		15,798	30,906	18,920
Total equity and liabilities		53,707	68,908	60,831

Consolidated Cash Flow Statement

NOK thousands	Note	Unaudited 30/06/2022	Unaudited 30/06/2021	Audited 31/12/2021
Profit/ loss before tax		-5,490	2,014	4,715
Adjustments to reconcile profit before tax to net cash flow:				
Depreciation and amortization		660	660	1,552
Leases interests		61	94	183
Net finance income and costs included in financing activities		-	-	-
Net foreign exchange differences			-77	-140
Share based payments		1,488	973	2,169
Working capital adjustments:				
Change in trade receivables		100	-3,532	2,865
Change in other current assets		953	1,006	567
Change in trade and other payables		-960	-530	- 408
Changes in provisions and other liabilities		-2,184	-5,944	-18,135
Net cash flows from operating activities		-5,372	-5,337	-6,632
Purchase of property, plant and equipment		-	-73	-103
Investment in tangible assets		-	-	-
Interests received		-	-	-
Deferred purchase consideration paid		-	-4,761	-4,761
Purchase of shares in subsidiaries, net of cash acquired		-	-	-
Net cash flow from investing activities		-	-4,834	-4,864
Net cash flow from financing activities		-	-	-
Net change in cash and cash equivalents		-5,372	-10,171	-11,497
Cash and cash equivalents, BOP		36,388	47,886	47,885
Cash and cash equivalents, EOP		31,016	37,714	36,388

Notes to the Consolidated Interim Financial Statement

Note 1 – Corporate information

Ayfie Group AS (the “Company”) is a Norwegian private limited liability company. The shares of the Company were admitted to trading on Euronext Growth 7 July 2020 with the ticker AYFIE.

The Company own 100 percent of the shares in Ayfie AS in Norway, Haive AS in Norway.

The Company and its subsidiaries (together “Ayfie,” “Ayfie Group” or “Group”) is an international provider of market-leading search and text analytics products that bring structure to unstructured data. Ayfie’s products combine linguistics-based natural language processing and modern machine learning to form a unique type of AI to efficiently identify critical insights, conduct smart search and power business intelligence solutions. Ayfie’s proprietary technology is based on more than 30 years research and development.

Note 2 – Basis of preparation and statement

The condensed interim financial statements do not include all information and disclosures required in the annual financial statements and should be read in accordance with the Group’s Annual Report for 2021, which has been prepared according to IFRS as adopted by the EU.

The preparation of interim financial statements requires the Group to make certain estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated by the Company based on historical experience and other factors, including expectations of future events that are deemed to be reasonable under the circumstances.

Actual results may differ from these estimates. The most significant judgements used in preparing these interim financial statements and the key areas of estimation uncertainty are the same as those applied in the consolidated annual report for 2021.

These condensed consolidated interim financial statements for the first half year 2022 were approved by the Board of Directors and the CEO on 30 August 2022. The financial statements have not been subject to audit or review.

Note 3 – Significant accounting principles

The accounting policies applied in the preparation of the consolidated interim financial statements are consistent with those applied in the preparation of the annual IFRS financial statement for the year ended 31 December 2021, which are available on www.ayfie.com and upon request from the Company’s registered office at Karenslyst Allé 10, 0279 Oslo, Norway.

New standards, amendments to standards, and interpretations that have been published, but not effective as of 31 December 2021, have not been applied in preparing these condensed financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

Notes (continued)

Note 4 – Personnel expenses

In H1 2022 personnel expenses amounted to NOK 12.1 million. There were no capitalization of R&D

Note 5 – Taxes

The tax expense in the period is zero as Ayfie does not recognize deferred tax assets on tax losses carried forward.

Note 6 – Alternative Performance Measures (APMs)

Ayfie discloses APMs as a supplement to the financial statements prepared in accordance with IFRS as the Company believes that the APMs provide useful supplemental information to management, investors, equity analysts and other stakeholders. These measures are commonly used and are meant to provide an enhanced insight into the financial development of Ayfie's business operations and to improve comparability between periods.

- Gross profits is operating revenue less cost of sales
- Gross margin is gross profit divided by total revenue
- EBITDA is short for Earnings Before Interest and other financial items, Taxes, Depreciation and Amortization
- EBIT is short for Earnings Before Interest and other financial items and Taxes

Responsibility Statement by the Board and CEO

The Board and CEO have considered and approved the condensed consolidated financial statements for the period 1 January to 30 June 2022. We confirm to the best of our knowledge that the condensed financial statements for the above-mentioned period:

- Has been prepared in accordance with IAS 34 (Interim Financial Reporting)
- Provide a true and fair view of the Group's assets, liabilities, financial position, and overall result for the period viewed in their entirety
- That the interim management report includes a fair review of any significant events that arose during the above-mentioned period and their effect on the financial report
- Provide a true picture of any significant related parties' transactions, principal risks and uncertainties faced by the Group

Oslo, 30 August 2022

Sign.
Lars Boilesen
Chairman of the Board

Sign.
Martin Nes
Board member

Sign.
Jan Christian Opsahl
Vice Chairman of the Board

Sign.
Lars Nilsen
Board member

Sign.
Herman Sjøberg
CEO

Sign.
Øystein Stray Spetalen
Board member

Sign.
Jostein Devold
Board member

Top 20 Shareholders

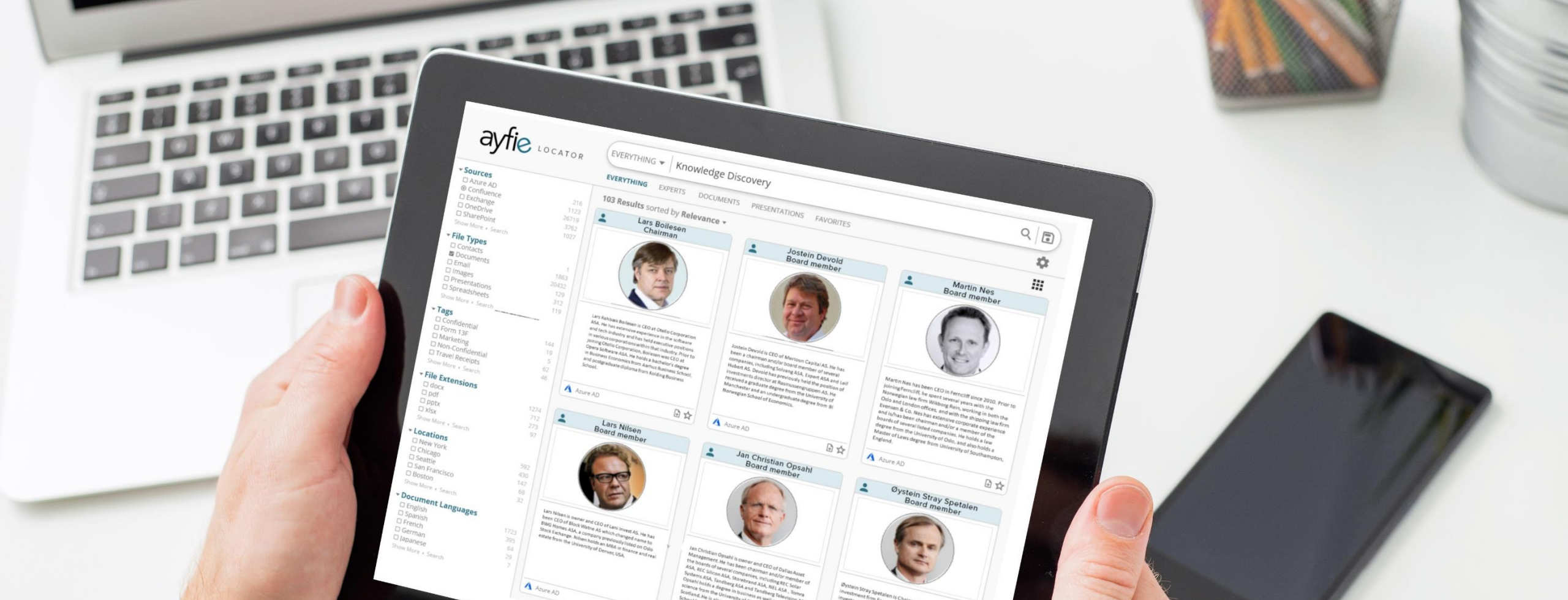
As of 16 August 2022

Shareholder	Shares	Ownership %
1 FERNCLIFF LISTED DAI AS	17 706 451	15,97
2 LANI INVEST AS	11 027 693	9,94
3 DALLAS ASSET MANAGEMENT AS	5 406 493	4,87
4 DATUM AS	5 341 000	4,82
5 STAFF HOLDING AS	5 035 922	4,54
6 MERTOUN CAPITAL AS	4 963 832	4,48
7 LEIJO AS	3 116 372	2,81
8 HØYLANDET BYGGUTLEIE AS	2 897 990	2,61
9 PER-ERIK BURUD AS	2 636 777	2,38
10 UFI AS	2 524 046	2,28
11 LEIF HÜBERT AS	2 356 252	2,12
12 NIGA AS	2 325 682	2,10
13 CAMACA AS	1 889 991	1,70
14 TERSUS AS	1 818 522	1,64
15 BRUSKELAND	1 602 060	1,44
16 Delta Commerce AS	1 525 000	1,38
17 THABO ENERGY AS	1 418 265	1,28
18 MP PENSJON PK	1 300 000	1,17
19 SONGA CAPITAL AS	1 217 500	1,10
20 NORDNET LIVSFORSIKRING AS	1 140 732	1,03
Sum top 20	77 250 580	69,65
Other	33 656 195	30,35
Total	110 906 775	100,00

Comments

- There are 110,906,775 shares, each with a nominal value of NOK 1.
- There are approximately 800 shareholders.
- The board has in the extraordinary general meeting 7 April 2022, granted an authorization to increase the Company's share capital of up to approximately 50 percent of the Company's share capital.
- Board of directors control the following shareholdings:

Board member	Shares	Ownership %
Øystein Stray Spetalen (FERNCLIFF LISTED DAI AS)	17 706 451	15,97
Lars Nilsen (LANI INVEST AS)	11 027 693	9,94
Jan Christian Opsahl (DALLAS ASSET MNG. AS)	5 406 493	4,87
Jostein Devold (MERTOUN CAPITAL AS)	4 963 832	4,48



Ayfie Group AS

Karenslyst Allé 10 · 0278 Oslo · Norway

www.ayfie.com

IR Contact

Lasse Ruud, CFO

lasse.ruud@ayfie.com · + 47 930 90 008