



Xiao-I Corporation Reports Unaudited Full Year 2022 Financial Results

April 26, 2023

- Net revenues grow 48% to All-Time High of US\$48.2 million

Conference call at 8:00 a.m. U.S. Eastern Time (8:00 p.m. China Time) to discuss results

SHANGHAI, China, April 26, 2023 (GLOBE NEWSWIRE) -- Xiao-I Corporation ("Xiao-I" or the "Company"), a leading cognitive artificial intelligence ("AI") enterprise in China, today announced its unaudited financial results for the full year ended December 31, 2022.

Full Year 2022 Financial Highlights

- Net revenues increased 48% year over year to a record-high of US\$48.2 million.
- Sale of cloud platform products increased 364% year over year to US\$25.7 million.
- Sale of technology development service increased 78% year over year to US\$16.4 million.
- Gross profit increased 42% year over year to US\$30.8 million.

Mr. Hui Yuan, Chairman and Chief Executive Officer of Xiao-I, commented, "Despite challenges and uncertainties, we nonetheless generated record revenue in 2022. Notably for this year, we successfully became a publicly traded company in the U.S. following an initial public offering in March. The proceeds of almost US\$39 million added strength and flexibility for implementing our growth strategies."

"We achieved significant progress by making record investments in AI technology R&D, improving our product and service capabilities, expanding our partnership ecosystem, and continuing our strong momentum. As we enter 2023, we are experiencing tailwinds from increased demand for our products and services due to macroeconomic recovery and greater recognition and interest in robotics and AI technology. We are confident that our advanced AI technology and commitment to our mission and strategies will enable us to meet the diverse user needs across broader industry verticals and capture sustainable growth in this expansive market."

Recent Developments and Strategic Highlights:

- **Closing of Initial Public Offering:** In March 2023, Xiao-I closed its initial public offering of 5,700,000 American Depositary Shares ("ADSs") at a price of US\$6.8 per ADS for total proceeds of US\$38.76 million. Each ADS represents one third of an ordinary share of the Company. Xiao-I's ADSs are listed on the Nasdaq Global Market under the ticker symbol "AIXI".
- **Strategic Partnership with Chinadatapay:** In April 2023, Xiao-I entered into a strategic partnership with Guizhou Chinadatapay Network Technology Co., Ltd. ("Chinadatapay") to drive Xiao-I's growth as a global leader in cognitive intelligence by combining Xiao-I's cognitive intelligence capabilities and Chinadatapay's big data expertise.

Full Year 2022 Financial Results

Net Revenues

Net revenues were US\$48.2 million in 2022, up 48% year over year from US\$32.5 million in 2021. The increase was primarily due to the increased sales of SaaS model-based cloud platform products and technology development service.

| By Revenue Type | 2022 | 2021 | % Change YoY |
|---------------------------------|----------------------|----------------------|--------------------|
| Sale of cloud platform products | \$ 25,742,135 | \$ 5,550,959 | 364 |
| Technology development service | 16,419,889 | 9,246,992 | 78 |
| Sale of software products | 3,547,113 | 14,878,256 | (76) |
| Maintenance & support service | 2,429,526 | 2,772,795 | (12) |
| Sale of hardware products | 46,295 | 75,011 | (38) |
| Total | \$ 48,184,958 | \$ 32,524,013 | 48 |

Cost of Revenues

Cost of revenues in 2022 was US\$17.4 million, up 60% year over year from US\$10.9 million in 2021, mainly driven by the increase of sales and the Company's expansion of product applications into certain new industries.

Gross Profit

Gross profit was US\$30.8 million in 2022, up 42% year over year from US\$21.6 million in 2021. Gross margin was 63.9% in 2022, compared to 66.5% in 2021. The decrease in gross margin was mainly due to the Company's expansion of product applications into certain new industries that initially had relatively lower margins before the applications matured.

Operating Expenses

Total operating expenses were US\$33.9 million in 2022, representing an increase of 104% year over year from US\$16.6 million in 2021. The increase was primarily due to the 347% increase in research and development expenses, offsetting the decreases in sales, marketing, general, and administrative expenses.

Income (Loss) from Operations

Loss from operations was US\$3.1 million in 2022, compared to an income of US\$5.0 million from operations in 2021.

Total Other Income (Loss)

Total other loss was US\$2.2 million in 2022, compared to US\$1.1 million in 2021, mainly due to increased interest expenses arising from loans.

Net Income (Loss)

Net loss was US\$6.0 million in 2022, compared to a net income of US\$3.4 million in 2021.

The financial statements for the year ended December 31, 2022 herein have not been audited or reviewed by the Company's independent registered accounting firm. The audited financial statements for the year ended December 31, 2022 to be disclosed in the Company's Form 20-F may differ from the above-mentioned unaudited and unreviewed financial statements.

Conference Call Information

The Company will conduct a corresponding conference call at 8:00 a.m. U.S. Eastern Time (8:00 p.m. China Time) to discuss the results.

What: Xiao-I Full Year (ended December 31, 2022) Earnings Call
When: 8:00 a.m. U.S. Eastern Time on Wednesday, April 26, 2023
Webcast: ir.xiaoi.com/events

To join the conference call via telephone, participants must use the following link to complete an online registration process. Upon registering, each participant will receive email instructions to access the conference call, including dial-in information and a PIN number allowing access to the conference call. This pre-registration process is designed by the operator to reduce delays due to operator congestion when accessing the live call.

Online Registration: <https://register.vevent.com/register/Bl6261524526c403d9c15cac8e9e5361d>

Participants who have not pre-registered may join the webcast by accessing the link at ir.xiaoi.com/events.

A live and archived webcast of the conference call will be available on the Investors section of Xiao-I's website at www.xiaoi.com.

About Xiao-I Corporation

Xiao-I Corporation is a leading cognitive intelligence enterprise in China that offers a diverse range of business solutions and services in artificial intelligence, covering natural language processing, voice and image recognition, machine learning and affective computing. Since its inception in 2001, the Company has developed an extensive portfolio of cognitive intelligence technologies that are highly suitable and have been applied to a wide variety of business cases. Xiao-I powers its cognitive intelligence products and services with its cutting-edge, proprietary AI technologies to enable and promote industrial digitization, intelligent upgrading, and transformation.

Forward-Looking Statements

Certain statements in this announcement are forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties and are based on the Company's current expectations and projections about future events that the Company believes may affect its financial condition, results of operations, business strategy and financial needs. Investors can identify these forward-looking statements by words or phrases such as "approximates," "assesses," "believes," "hopes," "expects," "anticipates," "estimates," "projects," "intends," "plans," "will," "would," "should," "could," "may" or similar expressions. The Company undertakes no obligation to update or revise publicly any forward-looking statements to reflect subsequent occurring events or circumstances, or changes in its expectations, except as may be required by law. Although the Company believes that the expectations expressed in these forward-looking statements are reasonable, it cannot assure you that such expectations will turn out to be correct, and the Company cautions investors that actual results may differ materially from the anticipated results and encourages investors to review other factors that may affect its future results in the Company's registration statement and other filings with the SEC.

For investor and media inquiries, please contact:

Ms. Sarah Gu
Phone: +1 5713269722
Email: ir@xiaoi.com

XIAO-I CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS
(in U.S. dollars, except for share and per share data, or otherwise noted)

| | As of December 31, | |
|--|--------------------|-------------------|
| | 2021 | 2022 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,311,846 | \$ 1,026,245 |
| Accounts receivable, net | 31,184,779 | 41,362,705 |
| Amounts due from related parties | 391,919 | 346,517 |
| Inventories | 768,762 | 768,216 |
| Contract costs | 1,669,519 | 2,012,309 |
| Deferred offering costs | - | 1,330,902 |
| Advance to suppliers | 90,350 | 1,115,672 |
| Prepaid expenses and other current assets, net | 388,848 | 460,854 |
| Total current assets | 35,806,023 | 48,423,420 |
| Non-current assets: | | |
| Property and equipment, net | 207,989 | 219,470 |
| Intangible assets, net | 798,459 | 637,114 |

| | | |
|---|----------------------|----------------------|
| Long-term investment | 335,448 | 2,852,492 |
| Right of use assets | 1,194,859 | 865,399 |
| Deferred tax assets, net | 4,906,287 | 3,888,574 |
| Prepaid expenses and other, non-current assets | 3,941,346 | 3,697,675 |
| Total non-current assets | 11,384,388 | 12,160,724 |
| TOTAL ASSETS | \$ 47,190,411 | \$ 60,584,144 |
| Commitments and Contingencies | | |
| Liabilities | | |
| Current liabilities: | | |
| Short-term borrowings | \$ 9,117,158 | \$ 18,784,459 |
| Accounts payable | 5,581,879 | 9,180,532 |
| Amount due to related parties-current | 1,558,642 | 896,431 |
| Deferred revenue | 2,953,238 | 2,553,808 |
| Convertible loans | 5,717,737 | 3,754,269 |
| Accrued expenses and other current liabilities | 10,316,432 | 17,006,713 |
| Lease liabilities, current | 800,658 | 435,462 |
| Income tax payable | 17,904 | - |
| Total current liabilities | 36,063,648 | 52,611,674 |
| Non-current liabilities: | | |
| Amount due to related parties-non current | 8,905,313 | 8,581,743 |
| Accrued liabilities, non-current | 5,157,971 | 8,073,912 |
| Lease liabilities, non-current | 446,140 | 300,974 |
| Total non-current liabilities | 14,509,424 | 16,956,629 |
| TOTAL LIABILITIES | 50,573,072 | 69,568,303 |
| Shareholders' deficit | | |
| Ordinary shares (par value of \$0.00005 per share; 1,000,000,000 shares authorized as of December 31, 2021 and December 31, 2022, respectively; 22,115,592 shares issued and outstanding as of December 31, 2021 and December 31, 2022, respectively) | \$ 1,106 | \$ 1,106 |
| Additional paid-in capital | 75,621,294 | 75,621,294 |
| Statutory reserve | 237,486 | 237,486 |
| Accumulated deficit | (72,584,621) | (78,483,156) |
| Accumulated other comprehensive loss | (3,464,423) | (3,262,666) |
| XIAO-I CORPORATION shareholders' deficit | (189,158) | (5,885,936) |
| Non-controlling interests | (3,193,503) | (3,098,223) |
| Total shareholders' deficit | (3,382,661) | (8,984,159) |
| TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT | \$ 47,190,411 | \$ 60,584,144 |

XIAO-I CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE
INCOME/(LOSS)

(in U.S. dollars, except for share and per share data, or otherwise noted)

| | 2021 | 2022 |
|--|---------------------|---------------------|
| Sale of software products | \$ 14,878,256 | \$ 3,547,113 |
| Sale of hardware products | 75,011 | 46,295 |
| Technology development service | 9,246,992 | 16,419,889 |
| M&S service | 2,772,795 | 2,429,526 |
| Sale of cloud platform products | 5,550,959 | 25,742,135 |
| Net revenues (including sales to related parties of \$2,449,560, \$286,875 and nil for the years ended December 31, 2020, 2021 and 2022, respectively) | 32,524,013 | 48,184,958 |
| Cost of revenues | (10,885,731) | (17,379,144) |
| Gross profit | 21,638,282 | 30,805,814 |
| Operating expenses: | | |
| Selling expenses | (4,620,113) | (3,911,818) |
| General and administrative expenses | (6,657,251) | (6,028,637) |
| Research and development expenses | (5,363,909) | (24,001,138) |
| Total operating expenses | (16,641,273) | (33,941,593) |

| | | |
|---|----------------------------|------------------------------|
| Income/(Loss) from operations | <u>4,997,009</u> | <u>(3,135,779)</u> |
| Other loss: | | |
| Investment losses | (156,630) | (143,181) |
| Interest expense | (1,866,831) | (2,440,815) |
| Foreign currency exchange gain/(loss) | 11,252 | (68,902) |
| Other income, net | <u>932,557</u> | <u>444,018</u> |
| Total other loss | <u>(1,079,652)</u> | <u>(2,208,880)</u> |
| Income/(Loss) before income tax expense | <u>3,917,357</u> | <u>(5,344,659)</u> |
| Income tax expense | <u>(552,355)</u> | <u>(660,655)</u> |
| Net income/(loss) | <u>\$ 3,365,002</u> | <u>\$ (6,005,314)</u> |
| Net loss attributable to non-controlling interests | (312,811) | (106,779) |
| Net (loss)/income attributable to XIAO-I CORPORATION shareholders | 3,677,813 | (5,898,535) |
| Other comprehensive (loss)/income | | |
| Foreign currency translation change, net of nil income taxes | <u>(117,291)</u> | <u>403,816</u> |
| Total other comprehensive (loss)/income | <u>(117,291)</u> | <u>403,816</u> |
| Total comprehensive income/(loss) | <u>\$ 3,247,711</u> | <u>\$ (5,601,498)</u> |