



**aiforia**<sup>®</sup>  
AI for image analysis

# **Aiforia Technologies Plc**

Financial Statements Bulletin

January–December 2023

## Aiforia's Financial Statements Bulletin 2023: Steady progress in building on the foundations for future growth

*Aiforia Group has transferred from the Finnish Accounting Standards (FAS) to International Financial Reporting Standards (IFRS). The date of transition to IFRS was January 1, 2022. The figures for 2022 have been adjusted to comply with the IFRS accounting standards, so they may differ from the figures previously reported by Aiforia.*

*Unless otherwise indicated, figures in brackets refer to the corresponding period in 2022.*

### July–December 2023

- Group revenue increased by 39% to EUR 1 438 (1 032) thousand.
- EBITDA was EUR -4,616 (-5,656) thousand.
- Operating loss (EBIT) was EUR -6,363 (-6,994) thousand.
- Profit for the review period was EUR -6,393 (-7,348) thousand.
- The Group's net debt at the end of the period was EUR -8,126 (-20,984) thousand.
- Cash and cash equivalents at the end of the period amounted to EUR 13,974 (24,698) thousand.
- Unadjusted earnings per share (EPS) were EUR -0.25 (-0.28).
- The Provincial Health Authority of Catania in Italy selected Aiforia Technologies Plc as a partner for AI-assisted diagnostics in the anatomic pathology laboratory of Gravina Hospital. The collaboration involves the use of the Aiforia Clinical AI solutions for the analysis of tissue samples from breast and prostate cancer patients, as well as the use of the Aiforia AI model development platform. The total value of the contract is approximately EUR 250 thousand for three years.
- Aiforia initiated the path to secure regulatory approval for its first product in the United States, and the company is planning to implement the necessary steps to submit an application to the FDA during 2024.

## January–December 2023

- Group revenue increased by 49% to EUR 2.398 (1.606) thousand.
- EBITDA was EUR -9,699 (-9,652) thousand.
- Operating loss (EBIT) was EUR -12,879 (-11,878) thousand.
- Profit for the review period was EUR -12,925 (-12,156) thousand.
- Unadjusted earnings per share (EPS) were EUR -0.50 (-0.47).
- The parent company's loss for the financial year is EUR -9,716 thousand, and the distributable free equity is EUR 12,332 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.

## Key figures

1,000 euros Group	7-12/2023	7-12/2022	Change, %	2023	2022	Change, %
Revenue	1,438	1,032	+39%	2,398	1,606	+49%
EBITDA	-4,616	-5,656	+18%	-9,699	-9,652	-0%
Operating loss	-6,363	-6,994	+9%	-12,879	-11,878	-8%
Result for the financial period	-6,393	-7,348	-13%	-12,925	-12,156	-6%
Equity ratio, %	66%	83%	-20%	66%	83%	-20%
Net debt	-8,126	-20,984	-61%	-8,126	-20,984	-61%
Cash and cash equivalents at the end of the financial period	13,974	24,698	-43%	13,974	24,698	-43%
Order book	2,373	1,147	+107%	2,373	1,147	+107%
Balance sheet total	28,191	36,478	-23%	28,191	36,478	-23%
Number of employees on average	77	71	+8%	73	65	+12%
Personnel expenses*	4,848	4,843	+0%	9,154	8,092	+13%
Investment in tangible and intangible assets	2,917	3,301	-12%	6,071	6,536	-7%
Earnings per share, undiluted and diluted, EUR**	-0.25	-0.28	-13%	-0.50	-0.47	+6%

\*Personnel expenses include capitalization of development expenses.

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

## Jukka Tapaninen, CEO:

During 2023, we took significant steps toward becoming a market leader in AI-assisted image analysis in pathology. The first implementations of our clinical AI solutions were started in key markets, and we launched the measures to achieve regulatory approval for the first product in the US. Our order book grew to EUR 2.4 million. With the financial statements, we report our financial information for the first time following international IFRS accounting standards, which increases the transparency and comparability of financial figures.

In December, we announced our second major clinical project in Italy this year, when, in addition to the Veneto region, the province of Catania in Italy chose Aiforia as a partner for AI-assisted diagnostics in the anatomic pathology laboratory of Gravina Hospital. The collaboration further strengthens our position in the European clinical pathology market and demonstrates that our solutions respond nicely to the needs of pathology laboratories.

The licensing agreement with the US-based Mayo Clinic for an AI model that may improve prediction of colorectal cancer recurrence announced after the end of the financial period can also be considered concrete progress in the implementation of our strategy. This is a nice continuation of a major milestone reached in March 2023, when the Mayo Clinic started analyzing tissue samples from breast cancer patients with Aiforia's software.

Cooperation with the pharmaceutical industry is an integral part of our growth strategy. We have gained new customers in the preclinical sector and continued to develop our product portfolio to better serve the needs of pharmaceutical development.

During the review period, we developed the technical features of our software, which, for example enable a smoother integration with customers' various information systems and speed up the introduction of software. Thanks to these improvements, we can offer a smoother and more efficient user experience for our customers.

Aiforia's growth strategy is based on the continuous development of AI models and product functionalities and promoting sales both in the Americas and in Europe. Our goal in the next few years is to scale the business by acquiring new customers, increasing sales within customers and establishing key strategic partnerships. After the review period in January 2024, we updated our short- and medium-term business objectives. We met or even exceeded our previous business objectives set for 2021–2023 in connection with the IPO. Our new targets, stretching even up to 2030, will guide our investments and business priorities.

Finally, I would like to thank Aiforia's personnel and shareholders for the past year 2023. We continue to promote our growth strategy, with our mission to revolutionize the analysis of pathology images with AI to give every patient access to better care.

## Business targets (updated January 19, 2024)

Aiforia does not publish short-term outlooks or financial targets. However, the company has set short- and medium-term business targets:

Aiforia's short-term business targets 2024–2025 are:

- Expand pre-clinical offering with new AI models and study-centric GLP workflow
- Expand clinical offering with 10 new regulatory-approved AI models
- Form at least three new strategic partnerships
- Achieve 15 key accounts (potential for over 500 EUR thousand in annual recurring revenue)
- Achieve a positive cash flow from operating activities.

Aiforia's updated mid-term business targets by the end of 2030 are:

- Create a product offering that covers 80% of the pathologist's diagnostic workflow
- Achieve profitable business by the end of 2027
- Achieve revenue of over EUR 100 million
- Leverage technology beyond diagnostic support for pathologists
- Achieve 50 key accounts (potential for over 500 EUR thousand in annual recurring revenue).

## 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.

During the review period, both Europe and the UK has made significant public sector investments in utilizing AI in healthcare. 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.

There has been a growing interest in the market to standardize the image formats of digitized samples. The open DICOM format (Digital Imaging and Communications in Medicine), known from

radiology, enables better compatibility of the solutions of technology companies operating in the digital pathology market and unifies data processing practices. Aiforia estimates that the implementation of standards will support the spread of new technologies in the field of pathology.

New reimbursement practices for digital pathology in the US came into force in January 2023, which supports the growth of the US market. According to Aiforia's estimate, this development is expected to encourage clinics to adopt the new technology at a faster pace.

## Significant events in the reporting period

### Key openings in the clinical pathology market in Europe

Aiforia was chosen as the AI solutions provider for the PathLAKE Plus consortium, comprising 25 NHS hospitals in the UK. The contract award was solidified when the first NHS Trust signed an individual contract to adopt Aiforia PD-L1 AI model for lung cancer in clinical diagnostics. The duration of the contract is three years, with a possible three-year extension.

The Veneto Region Health Authority in Italy selected Aiforia as a partner for AI-assisted diagnostics in its clinical pathology laboratories. The collaboration involves the use of Aiforia software in a total of 12 hospital units for the analysis of tissue samples from breast and prostate cancer patients. The three-year contract covers the analysis of up to 200,000 samples using Aiforia software and the use of an AI model development tool. The total value of the contract is over EUR 1.2 million, and the payments will be spread over the contract period 2023–2026. The contract also includes an option for a three-year continuation period.

The Provincial Health Authority of Catania in Italy selected Aiforia Technologies Plc as a partner for AI-assisted diagnostics in the anatomic pathology laboratory of Gravina Hospital. The collaboration involves the use of the Aiforia Clinical AI solutions for the analysis of tissue samples from breast and prostate cancer patients, as well as the use of the Aiforia AI model development platform. The total value of the contract is approximately EUR 250 thousand for three years.

### Collaboration with the Mayo Clinic moved into the clinical phase

During the year 2023, Aiforia further strengthened its partnership with one of the world's most prestigious hospitals, the Mayo Clinic in the US. The installation and validation of Aiforia Clinical software was completed, and the analysis of patient samples with Aiforia's software for breast cancer diagnostics started in March.

On the preclinical side, more than 70 Mayo Clinic pathologists are using Aiforia's Create tool to create AI models for their studies, with the intention of using the models in clinical work later. Mayo Clinic has 31 ongoing research projects using Aiforia's technology. One example of customer-oriented product development is a predictive model based on pathological features of colorectal cancer that is used to estimate the risk of cancer recurrence, which was announced after the reporting period.

## **A funding decision from Business Finland to accelerate the development of AI-assisted software solutions**

In April, Aiforia received a funding decision from Business Finland to accelerate the development of AI-assisted software solutions for clinical pathology and drug development. This product development project aims to promote the scaling and growth of Aiforia's business by expanding the features of the existing software solutions and creating entirely new ones. The project includes developing deep learning-based artificial intelligence models and software solutions for clinical pathology and pre-clinical research.

The project is estimated to cost EUR 14.6 million over two years, with Business Finland funding a maximum of 50% (EUR 7.3 million) of the cost in the form of a loan.

## **Agreement with a major pharmaceutical company**

In May, Aiforia signed an agreement with one of the world's leading pharmaceutical companies to collaborate on AI-assisted image analysis. Together, the two aim to develop deep-learning models for tissue sample analysis.

## **Aiforia and Orion collaborate to develop AI solutions for image analytics in drug research**

As announced in July, Aiforia and Finnish pharmaceutical company Orion agreed to collaborate on developing AI-based image analysis solutions for preclinical research and product development. Through the collaboration, Aiforia will gain valuable insight from Orion into the needs of its preclinical customer base and will be better able to address these needs with its product portfolio. The partnership with Orion supports Aiforia's strategy to rapidly bring internationally unique AI solutions to the market that can enhance both preclinical research and clinical diagnostics.

## **Aiforia complies with applicable HIPAA regulations, enabling it to provide solutions to a broader range of customers in the US**

In September, Aiforia announced that the company is HIPAA compliant (Health Insurance Portability and Accountability Act of 1996). Aiforia has designed and implemented its security practices to comply with HIPAA, and in addition, an independent audit firm has evaluated and tested the controls identified by Aiforia for compliance with the HIPAA Security Rule. HIPAA compliance allows Aiforia to offer AI-supported image analysis solutions to a broader range of customers in the US.

## **Path initiated to secure first regulatory FDA approval in the US**

In October Aiforia initiated the path to secure regulatory approval for its first product in the United States. The Food and Drug Administration (FDA) is responsible for market surveillance of medical devices in the U.S. Together with a local consulting company, Aiforia is planning and implementing the necessary steps to submit an application to the FDA during 2024.

## Revenue and profitability

### July–December 2023

#### Revenue

In July–December, the Group's revenue was EUR 1,438 (1,032) thousand. The biggest increase in revenue took place in Europe, as Aiforia was able to generate income from some of the earlier signed larger deals.

Revenue consisted of sales of Aiforia's software solutions and services to customers in the clinical sector and preclinical research. Of the revenue, 7% (10%) came from Finland, 53% (68%) from North America, and the remaining 40% (22%) from Europe and other regions across the globe.

Other operating income amounted to EUR 39 (68) thousand. The company recognized EUR 37 (33) thousand as product development and other grants. All grants were related to the EU-funded Decider project, coordinated by the University of Helsinki, which aims to develop AI-assisted solutions for ovarian cancer diagnostics. The share of exchange rate gains from sales was EUR 1 (31) thousand and other income amounted to EUR 1 (4) thousand.

#### Profitability

The cost of materials and services directly related to revenue amounted to EUR 217 (298) thousand, mainly consisting of purchased cloud services associated with Aiforia's services and products.

The Group's EBITDA for the July–December period was EUR -4,616 (-5,656) thousand, while the operating loss (EBIT) was EUR -6,363 (-6,994) thousand. The result for July–December was EUR -6,393 (-7,348) 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 1,747 (1,337) thousand.

Aiforia's number of personnel continued to increase and personnel expenses before capitalization for July–December amounted to EUR 4,848 (4,843) thousand and other operating expenses to EUR 3,918 (4,567) thousand. The company capitalized EUR 958 (398) thousand in personnel expenses and EUR 1,932 (2,554) thousand in other operating expenses in July–December. Personnel costs include EUR 708 (1,055) thousand of non-monetary costs arising from share-based incentive schemes.

Financial income and expenses amounted to EUR -50 (-370).

### January–December 2023

#### Revenue

In January–December, the Group's revenue was EUR 2,398 (1,606) thousand. The biggest increase in revenue took place in Europe, as Aiforia was able to generate income from some of the earlier signed larger deals. Revenue consisted of sales of Aiforia's software solutions and services to



customers in the clinical sector and preclinical research. Of the revenue, 9% (16%) came from Finland, 60% (62%) from North America, and the remaining 31% (22%) from Europe and other regions across the globe.

Other operating income amounted to EUR 93 (223) thousand. The company recognized EUR 78 (134) thousand as product development and other grants in January–December. All grants were related to the EU-funded Decider project, coordinated by the University of Helsinki, which aims to develop AI-assisted solutions for ovarian cancer diagnostics. The share of exchange rate gains from sales was EUR 13 (85) thousand and other income amounted to EUR 1 (4) thousand.

## Profitability

The cost of materials and services directly related to revenue amounted to EUR 466 (570) thousand, mainly consisting of purchased cloud services associated with Aiforia's services and products.

The Group's EBITDA for January–December 2023 was EUR -9,699 (-9,652) thousand, while the operating loss (EBIT) was EUR -12,879 (-11,878) thousand. The result for the year 2023 was EUR -12,925 (-12,156) 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 3,180 (2 226) thousand.

Personnel expenses before capitalization for January–December 2023 amounted to EUR 9,154 (8,092) thousand and other operating expenses before capitalization to EUR 8,496 (8,762) thousand. The company capitalized EUR 1,360 (1,122) thousand in personnel expenses and EUR 4,567 (4,821) thousand in other operating expenses in January–December 2023. Personnel expenses include EUR 1,181 (1,466) thousand of non-monetary expenses arising from share-based incentive schemes.

Financial income and expenses amounted to EUR -46 (-311) thousand, of which the impact of exchange rate changes was EUR -238 (137) thousand.

## Balance sheet, cash flow, and financing

The Group's balance sheet total at the end of the financial year 2023 was EUR 28,191 (36,478) thousand. The equity ratio was 66% (83%).

At the end of the financial year the Group's net debt was EUR -8,126 (-20,984) thousand. Non-current liabilities amounted to EUR 6,169 (3,014) thousand.

Net cash flow from operating activities in the financial year 2023 totaled EUR -8,160 (-8,850) thousand. The company continued to invest heavily in product development, as planned.

Cash flow from investing activities totaled EUR -5,986 (-6,387) thousand, consisting of investments in intangible and tangible assets.

Cash flow from financing activities in the financial year 2023 amounted to EUR 3,486 (1,926) thousand. Cash and cash equivalents at the end of the year 2023 amounted to EUR 13,974 (24,698) thousand. The company's financial and cash position is stable, but to ensure a sufficient balance sheet position to finance growth long into the future the company is also exploring in the next twelve months different options to strengthen its capital structure, including equity and debt instruments, as well as subsidies and grants.

In January 2023, a total of 55,200 Aiforia shares were subscribed for through employee stock options. The company received a total of EUR 75.8 thousand from the share subscriptions recorded in the unrestricted equity reserve.

In April 2023, a total of 63,600 Aiforia shares were subscribed for through employee stock options. The company received a total of EUR 87.3 thousand from the share subscriptions recorded in the free equity reserve.

In November 2023, a total of 5,000 Aiforia shares were subscribed for through employee stock options. The company received a total of EUR 100 from the share subscriptions recorded in the free equity reserve.

During 2023, long-term interest-bearing debt was repaid by EUR 505 (205) thousand, and new debt of EUR 4,040 (0) thousand was raised.

## Investments, research, and development

Gross investments in the financial year 2023 amounted to EUR 6,071 (6,536) 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 2023 was 73 (65) full-time equivalents. At the end of the financial year, Aiforia employed 79 (78) people. Of them, 56 (57) worked in Finland, 10 (6) in the rest of Europe, and 13 (15) in the United States. The Group has 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 25,950,616 shares at the end of the financial year on December 31, 2023. The shares have no nominal value. At the end of the review period, the company did not hold any of its shares.

The Company's Board of Directors is authorized to decide on the issue of 2,588,000 shares, which corresponds to approximately 10% of the total number of shares issued and outstanding at the time of the Annual General Meeting 2023.

### Stock trading

On the last trading day of the financial year, December 29, 2023 the closing price of Aiforia's share was EUR 3.49 (3.23). The highest quoted price of the share for the review period was EUR 5.20 (5.84), and the lowest EUR 3.09 (3.96). The volume-weighted average price (VWAP) of the share for the review period was EUR 3.92 (3.98), and the average daily revenue was 9,229 (4,895) shares.

Aiforia's market capitalization on December 31, 2023 was EUR 90,567,650 (83,420,615).

### Shareholders

At the end of the reporting period, Aiforia had 2,588 (1,754) shareholders, including nominee-registered shareholders and joint account holders. The 100 largest registered shareholders of Aiforia are presented on the company's website at <https://investors.aiforia.com/>.

## Option rights

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

	Dec. 31, 2023
Maximum number of shares to be issued on the basis of stock option rights, which are still unsubscribed and can be subscribed	3,937,950
Number of shares on December 31, 2023	25,950,616
Number of shares if all options are converted into new shares	29,888,566
Proportion of holdings and votes if all options are converted into new shares	13.18%

## Options of Board members, CEO, and Management Team on December 31, 2023

Shareholder	Maximum number of shares to be issued on the basis of stock option rights, 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	1,241,500	4.15%
Other Management team	1,411,950	4.72%
<b>Total</b>	<b>2,843,450</b>	<b>9.51%</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), Tuomas Ropponen (CTO), Thomas Westerling-Bui (President, Americas) and Panu Kauppila (Chief Product Officer, from December 1, 2023).

### Board of Directors

The members of Aiforia's Board of Directors during the financial period 2023 were Pekka Mattila (Chairman), Johan Lundin, Maria Fe Paz de Paz, Jerry Jian Hong and Seven Lynum (from March 30, 2023). The term of office of all board members ends at the end of the 2024 annual general meeting.

## Annual General Meeting

The Annual General Meeting held on March 31, 2023 approved the financial statements for the financial year 2022 and discharged the members of the Board of Directors as well as the CEO from liability for the financial year 2022.

The Annual General Meeting resolved that no dividend will be paid for the financial year 2022 and that the loss for the financial year be retained in the retained earnings account.

The Annual General Meeting resolved that the number of members of the Board of Directors shall be five. The following persons were re-elected as members of the Board of Directors: Pekka Mattila, Maria Fe Paz de Paz, Jerry Jian Hong and Johan Lundin. Steven Lynum was elected as a new member of the Board of Directors. The term of office for all members of the Board of Directors will expire at the end of the Annual General Meeting 2024.

In its constitutive meeting held after the Annual General Meeting, the Board of Directors elected Pekka Mattila from among its members to serve as the Chairman. In addition, the Board of Directors elected from among its members the following members to the Audit Committee: Pekka Mattila (Chair), Maria Fe Paz de Paz and Jerry Jian Hong; and to the Remuneration Committee: Pekka Mattila (Chair), Johan Lundin and Steven Lynum.

The Annual General Meeting resolved that the remuneration of the Board of Directors shall be as follows: The remuneration payable to the members of the Board of Directors shall be EUR 20,000 annually for each member of the Board except for the Chairman of the Board who shall be paid EUR 40,000 annually. In addition, if the Board of Directors chooses to elect a Vice Chairman of the Board from among its members, he or she shall be paid EUR 25,000 annually. The Chairman of the Audit Committee shall be paid a fixed annual remuneration of EUR 4,000 and each member of the Audit Committee a fixed annual remuneration of EUR 2,000.

The Annual General Meeting reappointed the firm of authorized public accountants PricewaterhouseCoopers Oy, which has appointed APA Martin Grandell as the principal responsible auditor, as the auditor of the company for a term ending at the end of the next Annual General Meeting.

The Annual General Meeting resolved the addition of a new article to the Company's Articles of Association enabling the Company to hold a General Meeting completely without a meeting venue, i.e., as a so-called remote meeting.

The Annual General Meeting also decided to add a new article to the Company's Articles of Association to prevent a single shareholder or a few shareholders from having a controlling interest.

## Authorization of the Board of Directors

The Annual General Meeting authorized the Board of Directors to decide on the issuance of shares. Under the authorization, a maximum of 2,588,000 shares, which corresponds to approximately 10% of all of the shares currently issued and outstanding, may be issued. The shares issued under the authorization shall be new shares or shares held by the company. The authorization invalidates all previous share issue authorizations. The authorization is valid until the close of the next Annual General Meeting, however no longer than until June 31, 2024.

The Annual General Meeting authorized the Board of Directors to decide on the issuance of option rights and other special rights entitling to shares, pursuant to Chapter 10 of the Companies Act. Under the authorization, option rights and other special rights entitling to a maximum of 500,000 shares can be issued. The authorization invalidates any earlier authorizations entitling the Board of Directors to decide on issues of special rights entitling to shares. However, the authorization does not invalidate any earlier authorizations entitling the Board of Directors to decide on share issues. The authorization is valid until the close of the next Annual General Meeting, however no longer than until June 31, 2024.

## Risks and risk management

Aiforia is exposed to risks arising from the operating environment, business operations, 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. There have been no significant changes in risks during the reporting period.

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

Ongoing conflicts bring instability to global geopolitics and energy and financial markets. According to Aiforia's estimate, 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**

The company's prospects and profitability remain dependent on how quickly the market for clinical diagnostics opens up. 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 company estimates that the risk of power outages and attacks on information systems remains elevated due to, among other things, the geopolitical situation. 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 service, 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

The 2022 changes to the regulation of in vitro diagnostic (IVD) medical devices in Europe will affect the registration timeline for Aiforia's new in vitro diagnostic products, as the role of Notified Bodies changed and stricter requirements for clinical trial and conformity assessment and quality control came into force.

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 also seeks to protect innovations important to its operations, for example, through patents and patent applications.

## Risks related to Aiforia's financial position

At the end of the review period, Aiforia was 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.

The company's financial and cash position is stable but to ensure a sufficient balance sheet position to finance growth long into the future the company is also exploring different options to strengthen its capital structure, including equity and debt instruments, as well as subsidies and grants.

Exchange rate fluctuations, particularly the US dollar exchange rate, play a role, as an increasing proportion of Aiforia's revenue 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/>.

## 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 -9,716 thousand and the distributable free equity is EUR 12,332 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 reporting period

### Update on short and mid-term business targets

On 19 January 2024 Aiforia's Board of Directors approved the company's revised growth strategy and updated business targets. The revised strategic focus areas and the updated short- and medium-term business targets can be found on page 5 of this financial statement bulletin.

### Licensing agreement with Mayo Clinic for an AI model that may improve prediction of colorectal cancer recurrence

Aiforia entered into an exclusive licensing agreement with the Mayo Clinic in the United States to globally commercialize an AI model that may improve prediction of colorectal cancer recurrence. The AI model, which was developed in collaboration with the Mayo Clinic, identifies features of colorectal cancer and provides a recurrence prediction estimate. The licensing agreement with the Mayo Clinic enables us to market and sell this AI model for colorectal cancer recurrence risk evaluation globally.

## Financial reporting in 2024

The calendar for Aiforia Technologies Plc's financial reporting concerning the financial year 2024 is as follows:

- March 13, 2024: The Financial Statements and the Board of Directors' Report for financial year 2023
- August 29, 2024: Half-Year Financial Report for 1 January–30 June 2024

Aiforia Technologies's Annual General Meeting is planned to be held on April 4, 2024.

Financial reports are available after publication on Aiforia's website at <https://investors.aiforia.com/en/>.

## Webcast

Aiforia arranges a live webcast for investors, analysts, and media on March 7, 2024 at 10.00 a.m. Finnish time. The event will be held in English. The financial results will be presented by Jukka Tapaninen, CEO and Veli-Matti Parkkonen, CFO.

The webcast can be followed at <https://aiforia.videosync.fi/q4-2023>.

A recording of the event and the presentation materials will be available at <https://investors.aiforia.com/> later in the day.

*Aiforia Technologies Plc  
Board of Directors*



## Financial statement information

### Consolidated income statement

(EUR thousand)	7-12/2023	7-12/2022	1-12/2023	1-12/2022
Revenue	1,438	1,032	2,398	1,606
Other operating income	39	68	93	223
Materials and services	-217	-298	-466	-570
Employee benefit expenses	-3,889	-4,445	-7,794	-6,970
Depreciation, amortization and impairment losses	-1,747	-1,337	-3,180	-2,226
Other operating expenses	-1,986	-2,014	-3,929	-3,941
<b>Operating loss</b>	<b>-6,363</b>	<b>-6,994</b>	<b>-12,879</b>	<b>-11,878</b>
Financial income	231	-63	448	96
Financial expenses	-282	-307	-494	-406
Net financial items	-50	-370	-46	-311
<b>Net income before taxes</b>	<b>-6,413</b>	<b>-7,364</b>	<b>-12,925</b>	<b>-12,188</b>
Income taxes	20	16	-	33
<b>Net income</b>	<b>-6,393</b>	<b>-7,348</b>	<b>-12,925</b>	<b>-12,156</b>
Net income attributable to Owners of the parent company	-6,393	-7,348	-12,925	-12,156
Earnings per share, undiluted and diluted (euro/share)	-0,25	-0,28	-0,50	-0,47

### Consolidated comprehensive income statement

<b>Net income</b>	-6,393	-7,348	-12,925	-12,156
<b>Other comprehensive income</b>				
Items, that may be reclassified subsequently to profit or loss				
Foreign currency translation differences	107	110	190	-86
<b>Other comprehensive income for the period, net of tax</b>	107	110	190	-86
<b>Net comprehensive income for the period</b>	<b>-6,286</b>	<b>-7,238</b>	<b>-12,735</b>	<b>-12,242</b>
Net comprehensive income attributable to Owners of the parent company	-6,286	-7,238	-12,735	-12,242

## Consolidated balance sheet

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	11,775	8,655	4,778
Tangible assets	534	542	8
Right-of-use assets	766	913	–
Other assets	111	104	40
<b>Total non-current assets</b>	<b>13,187</b>	<b>10,213</b>	<b>4,825</b>
<b>Current assets</b>			
Trade- and other receivables	1,031	1,566	1,006
Cash and cash equivalents	13,974	24,698	38,092
<b>Total current assets</b>	<b>15,004</b>	<b>26,264</b>	<b>39,097</b>
<b>Total assets</b>	<b>28,191</b>	<b>36,478</b>	<b>43,923</b>
	<b>Dec. 31, 2023</b>	<b>Dec. 31, 2022</b>	<b>Jan. 1, 2022</b>
<b>EQUITY</b>			
Share capital	103	103	103
Reserve for invested unrestricted equity	55,988	55,825	53,693
Translation differences	76	-114	-28
Retained earnings	-38,260	-26,516	-15,827
<b>Total equity</b>	<b>17,906</b>	<b>29,297</b>	<b>37,941</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from financial institutions	4,456	2,185	2,690
Lease liabilities	643	829	–
Deferred tax liabilities	–	–	33
Other liabilities	1,070	–	–
<b>Total non-current liabilities</b>	<b>6,169</b>	<b>3,014</b>	<b>2,722</b>
<b>Current liabilities</b>			
Loans from financial institutions	505	505	205
Lease liabilities	243	196	–
Contract liabilities	1,130	1,147	488
Advances received	54	109	73
Trade- and other payables	2,184	2,211	2,494
<b>Total current liabilities</b>	<b>4,115</b>	<b>4,167</b>	<b>3,259</b>
<b>Total liabilities</b>	<b>10,285</b>	<b>7,181</b>	<b>5,981</b>
<b>Total equity and liabilities</b>	<b>28,191</b>	<b>36,478</b>	<b>43,923</b>

## Consolidated cash flow statement

(EUR thousand)	1-12/2023	1-12/2022
<b>Cash flow from operating activities</b>		
Net income before taxes	-12,925	-12,188
Adjustments for:		
Depreciation, amortization and impairment losses	3,180	2,226
Share-based payments	1,096	1,317
Financial income and expenses	46	311
Unrealized exchange rate profits and -losses	-191	-48
Other adjustments	-23	-
Changes in working capital:		
Change in trade receivables and other receivables	504	-622
Change in accounts payable and other liabilities	-140	315
Interests received	387	-
Interests paid	-94	-160
<b>Net operating cash flow</b>	<b>-8,160</b>	<b>-8,850</b>
<b>Cash flow from investing activities</b>		
Acquisition of in-tangible assets	-5,843	-5,793
Acquisition of tangible assets	-143	-594
<b>Cash flow from investing activities</b>	<b>-5,986</b>	<b>-6,387</b>
<b>Cash flow from financing activities</b>		
Proceeds from share issue	163	2,131
Proceeds from loans	4,040	-
Repayment of loans	-505	-205
Repayment of lease liabilities	-212	-
<b>Cash flow from financing activities</b>	<b>3,486</b>	<b>1,926</b>
Net increase (+)/(-) decrease in cash and cash equivalents (A+B+C)	-10,659	-13,310
Cash and cash equivalents at the beginning of the financial year	24,698	38,092
Effects of changes in foreign exchange rates	-65	-83
<b>Cash and cash equivalents at the end of the financial year</b>	<b>13,974</b>	<b>24,698</b>

## Consolidated statement of changes in equity

(EUR thousand)	Share capital	Reserve for invested unrestricted equity	Cumulative conversion differences	Retained earnings	Total equity
<b>Equity at January 1, 2023</b>	<b>103</b>	<b>55,825</b>	<b>-114</b>	<b>-26,516</b>	<b>29,297</b>
<b>Net comprehensive income</b>					
Net income				-12,925	-12,925
Other comprehensive income			190		190
<b>Total net comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>190</b>	<b>-12,925</b>	<b>-12,735</b>
<b>Transactions with owners</b>					
Share issue		163			163
Dividends					-
Share-based payments				1,181	1,181
<b>Transactions with owners total</b>	<b>-</b>	<b>163</b>	<b>-</b>	<b>1,181</b>	<b>1,345</b>
<b>Equity at December 31, 2023</b>	<b>103</b>	<b>55,988</b>	<b>76</b>	<b>-38,260</b>	<b>17,906</b>

(EUR thousand)	Share capital	Reserve for invested unrestricted equity	Cumulative conversion differences	Retained earnings	Total equity
<b>Equity at January 1, 2022 FAS</b>	<b>103</b>	<b>55,451</b>		<b>-17,706</b>	<b>37,848</b>
Effects of IFRS transition		-1,757	-28	1,879	94
<b>Equity at January 1, 2022 IFRS</b>	<b>103</b>	<b>53,693</b>	<b>-28</b>	<b>-15,827</b>	<b>37,941</b>
<b>Net comprehensive income</b>					
Net income				-12,156	-12,156
Other comprehensive income			-86		-86
<b>Total net comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-86</b>	<b>-12,156</b>	<b>-12,242</b>
<b>Transactions with owners</b>					
Share issue		2,131			2,131
Dividends					-
Share-based payments				1,466	1,466
<b>Transactions with owners total</b>	<b>-</b>	<b>2,131</b>	<b>-</b>	<b>1,466</b>	<b>3,598</b>
<b>Equity at December 31, 2022</b>	<b>103</b>	<b>55,825</b>	<b>-114</b>	<b>-26,516</b>	<b>29,297</b>

## Principles for the preparation

This financial statement bulletin has been prepared in accordance with IAS 34, Interim Financial Reporting.

Aiforia's consolidated financial statements are prepared in accordance with the International Financial Statement Standards (IFRS financial statement standards) approved for use in the European Union, and when preparing it, the IAS and IFRS standards valid on December 31, 2023 and the SIC and IFRIC interpretations are followed.

The first financial statements in accordance with IFRS accounting standards will be prepared for the financial period ending on December 31, 2023, including comparative data for the financial year ending on December 31, 2022. The transition date to IFRS accounting standards was January 1, 2022. Aiforia's consolidated financial statements have been prepared until December 31, 2022 in accordance with Finnish accounting legislation (FAS).

The figures presented in the bulletin are unaudited. The amounts presented in the release have been rounded to the nearest thousand, unless otherwise stated. For this reason, the total sum of the individual numbers may differ from the sum figure presented.

## Revenue distribution by country

(EUR thousand)	7-12/2023	7-12/2022	1-12/2023	1-12/2022
Finland	99	103	214	262
Other Europe	552	192	692	281
North-America	759	697	1,429	997
Others	28	41	63	65
<b>Total</b>	<b>1,438</b>	<b>1,032</b>	<b>2,398</b>	<b>1,606</b>

## Changes in intangible and tangible assets

(EUR thousand)	Intangible assets			Tangible assets								
	Development expenses			Machinery and equipment			Leasehold improvements			Tangible assets total		
	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022
<b>Acquisition cost</b>												
Balance at January 1	13,284	7,341	3,543	611	29	23	11	-	-	622	29	23
Additions	5,031	5,943	3,798	146	582	7	-	11	-	146	593	7
Exchange differences	-	-	-	-2	0	0	-	-	-	-2	0	0
Disposals	-	-	-	-	-	-1	-	-	-	-	-	-1
Balance at December 31	18,315	13,284	7,341	755	611	29	11	11	-	766	622	29
<b>Accumulated depreciation, amortization and impairment losses</b>												
Balance at January 1	-4,629	-2,563	-1,486	-80	-21	-18	0	-	-	-80	-21	-18
Depreciation and amortization for the period	-2,808	-2,065	-1,077	-149	-59	-4	-2	0	-	-151	-60	-4
Exchange differences	-	-	-	1	0	0	-	-	-	1	0	-
Balance at December 31	-7,436	-4,629	-2,563	-228	-80	-21	-3	0	-	-231	-80	-21
<b>Unfinished</b>												
Balance at 1 January	-	-	-	-	-	-	-	-	-	-	-	-
Additions	896	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December	896	-	-	-	-	-	-	-	-	-	-	-
<b>Carrying amount at January 1</b>	<b>8,655</b>	<b>4,778</b>	<b>2,057</b>	<b>531</b>	<b>8</b>	<b>6</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>542</b>	<b>8</b>	<b>6</b>
<b>Carrying amount at December 31</b>	<b>11,775</b>	<b>8,655</b>	<b>4,778</b>	<b>526</b>	<b>531</b>	<b>8</b>	<b>8</b>	<b>10</b>	<b>-</b>	<b>534</b>	<b>542</b>	<b>8</b>

## Guarantees, commitments and off-balance sheet arrangements

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
<b>Lease liabilities</b>			
Lease liability related to short-term and low-value rental agreements	2	9	106
<b>Total</b>	<b>2</b>	<b>9</b>	<b>106</b>
<b>Other commitments</b>			
EU H2020 grant, unaudited	-	-	1,743
Decider grant, unaudited	204	149	67
<b>Total</b>	<b>204</b>	<b>149</b>	<b>1,811</b>

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

## Calculation of key figures

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