aiforia
AI for image analysis

Aiforia Technologies Plc

Board of Directors' Report and Financial Statements

2023

TABLE OF CONTENTS

Board of Directors' Report 2023

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.

During 2023, Aiforia took significant steps toward becoming a market leader in AI-assisted image analysis in pathology. We have gained new customers in the preclinical sector and continued to develop our product portfolio to better serve the needs of pharmaceutical development. The first implementations of our clinical AI solutions were started in key markets, and we launched the steps to achieve regulatory approval for the first product 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 (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 US 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 financial year 2023

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, 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 US Together with a local consulting company, Aiforia is planning and implementing the necessary steps to submit an application to the FDA during 2024.

Presentation of financial information

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

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

Revenue and profitability

Revenue

In January–December 2023, 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, 9.0% (16.0%) 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 result (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 capialization for January–December 2023 amounted to EUR 9,154 (8,092) thousand and other operating expenses before capitaliztion 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 treasury 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.

Share trading

On the last trading day of the financial year, 29 December 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 (2.96). 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.

Shareholders by sector, Dec 31, 2023

Sector	Shareholders		Number of shares	
	no.	%	no.	%
Households	2,440	94.28	8,359,273	32.21
Companies	124	4.79	7,447,515	28.70
Fund companies	1	0.04	1,121,252	4.32
Pension and insurance institutions	3	0.12	87,027	0.34
Non-profit organisations	2	0.08	2,100	0.01
Others	9	0.35	194,491	0.75
Total	**2,579**	**99.65**	**17,211,658**	**66.32**
Of which in joint account	1	0.04	1,959,200	7.55
Nominee-registered	**9**	**0.35**	**8,738,958**	**33.68**
Total	**2,588**	**100.00**	**25,950,616**	**100.00**

Distribution of holdings on Dec. 31, 2023

Shares	Shareholders		Number of shares	
	no.	%	no.	%
1–100	1,022	39.49	64,936	0.25
101–500	1,110	42.89	252,641	0.97
501–1,000	196	7.57	151,083	0.58
1,001–5,000	175	6.76	377,368	1.45
5,001–10,000	22	0.85	161,601	0.62
10,001–50,000	23	0.89	531,158	2.05
50,001–100,000	13	0.50	993,488	3.83
Over 100,000	27	1.04	23,418,341	90.24
Total	**2,588**	**100**	**25,950,616**	**100**

Largest shareholders on Dec. 31, 2023

Shareholder	Shares, no	Shares, %
Sto-Rahoitus Oy	1,514,810	5.84
Johan Lundin	1,264,300	4.87
Mikael Lundin	1,247,807	4.81
Kari Pitkänen	1,181,000	4.55
Sijoitusrahasto Aktia Nordic Micro Cap	1,121,252	4.32
Markku Kaloniemi	987,000	3.80
Musta Aukko Oy	830,650	3.20
Mikko Laakkonen	671,587	2.59
Jukka Tapaninen	607,940	2.34
Kaikarhenni Oy	601,750	2.32
Ten largest, total	**10,028,096**	**38.64**
In joint account*	**1,959,200**	**7.55**
Nominee-registered	**8,738,958**	**33.68**
Others	**5,224,362**	**20.13**
Total	**25,950,616**	**100**

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

Shareholdings of Board members, CEO and Management team on Dec.31, 2023

Shareholder	Shares, no	Shares, %
Board of Directors	2,094,950	8.07
CEO	607,940	2.34
Other Management Team	170,700	0.66
Total	**2,873,590**	**11.07**

Option plans

The Annual General Meeting on March 30, 2023 authorized the board to decide on the granting of option rights and other special rights entitling to shares referred to in Chapter 10 of the Limited Liability 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 all previous share issue authorizations. The authorization is valid until the close of the next Annual General Meeting, however no longer than until June 30, 2024. The table below clarifies the share of ownership and voting that can be obtained based on the issued option rights, as well as the effect of the options on the number of shares. The authorization is valid until the close of the next Annual General Meeting, however no longer than until June 30, 2024.

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 Dec.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 %
Total	**2,843,450**	**9.51 %**

Corporate 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 30 March

2023). The term of office of all board members ends at the end of the 2024 annual general meeting.

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 held on 30 March 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 30 June 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 30 June 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's financial position was good. 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 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/.

Estimate of likely future developments

Aiforia achieved the short-term targets set for the company as planned by the end of 2023. New short- and medium-term business targets were set for the company in January 2024. These included, for example, profitable business by the end of 2027 and turnover of EUR 100 million by the end of 2030. Aiforia has good conditions to continue towards achieving its longer-term targets.

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 section Business targets (updated 19 January 2024) of this report.

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

In January 2024, 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.

Key Figures and Share Performance Indicators

EUR 1,000 Group	2023 (IFRS)	2022 (IFRS)	2021 (FAS)
Revenue	2,398	1,606	974
EBITDA	-9,699	-9,652	-3,451
Operating loss	-12,879	-11,878	-4,691
Result for the financial period	-12,925	-12,156	-7,576
Equity ratio, %	66 %	83 %	87 %
Net debt	-8,126	-20,984	-35,197
Cash and cash equivalents at the end of the financial year	13,974	24,698	38,092
Order book	2,373	1,147	600
Balance sheet total	28,191	36,478	43,868
Number of employees on average	73	65	41
Personnel expenses *	9,154	8,092	2,995
Investment in tangible and intangible assets	6,071	6,536	3,793

*Personnel expenses include capitalization of development expenses

	2023 (IFRS)	2022 (IFRS)	2021 (FAS)**
Earnings per share, undiluted and diluted, EUR	-0.50	-0.47	-0.43
Equity per share, EUR**	0.69	1.13	1.46
Lowest share price, EUR	3.09	2.96	4.80
Highest share price, EUR	5.20	5.84	5.50
Closing price at the end of the financial period, EUR	3.49	3.23	5.22
Average daily trading volume of the shares	9,229	4,895	47,385
Market value of the shares at the end of the financial period, EUR	90,567,650	83,420,616	135,541,001

** 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.

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

Consolidated financial statements

Consolidated income statement

(EUR thousand)	Note	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec.31, 2022
Revenue	4	2,398	1,606
Other operating income	5	93	223
Materials and services	6	-466	-570
Employee benefit expenses	7	-7,794	-6,970
Depreciation, amortization and impairment losses	8	-3,180	-2,226
Other operating expenses	9	-3,929	-3,941
Operating loss		**-12,879**	**-11,878**
Financial income	10	448	96
Financial expenses	10	-494	-406
Net financial items		-46	-311
Result before taxes		**-12,925**	**-12,188**
Income taxes	11	–	33
Result for the financial period		**-12,925**	**-12,156**
Net income attributable to			
Owners of the parent company		-12,925	-12,156
Earnings per share, undiluted and diluted (euro/share)	12	-0,50	-0,47

Consolidated comprehensive income statement

Result for the financial period	**-12,925**	**-12,156**
Other items of the comprehensive income statement		
Items, that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	190	-86
Other comprehensive income for the period, net of tax	190	-86
Comprehensive income for the financial period	**-12,735**	**-12,242**
Net comprehensive income attributable to		
Owners of the parent company	-12,735	-12,242

Consolidated balance sheet

(EUR thousand)	Note	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
ASSETS				
Non-current assets				
Intangible assets	13	11,775	8,655	4,778
Tangible assets	14	534	542	8
Right-of-use assets	15	766	913	–
Other assets	17	111	104	40
Total non-current assets		**13,187**	**10,213**	**4,825**
Current assets				
Trade- and other receivables	16	1,031	1,566	1,006
Cash and cash equivalents	17	13,974	24,698	38,092
Total current assets		**15,004**	**26,264**	**39,097**
Total assets		**28,191**	**36,478**	**43,923**

		Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
EQUITY	18			
Share capital		103	103	103
Reserve for invested unrestricted equity		55,988	55,825	53,693
Conversion differences		76	-114	-28
Retained earnings		-38,260	-26,516	-15,827
Total equity		**17,906**	**29,297**	**37,941**
LIABILITIES				
Non-current liabilities				
Loans from financial institutions	19	4,456	2,185	2,690
Lease liabilities	15	643	829	–
Deferred tax liabilities	11	–	–	33
Other liabilities	20	1,070	–	–
Total non-current liabilities		**6,169**	**3,014**	**2,722**
Current liabilities				
Loans from financial institutions	19	505	505	205
Lease liabilities	15	243	196	–
Contract liabilities	20	1,130	1,147	488
Advances received	20	54	109	73
Trade- and other payables	20	2,184	2,211	2,494
Total current liabilities		**4,115**	**4,167**	**3,259**
Total liabilities		**10,285**	**7,181**	**5,981**
Total equity and liabilities		**28,191**	**36,478**	**43,923**

Consolidated cash flow statement

(EUR thousand)	Note	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec.31, 2022
Cash flow from operating activities			
Net income before taxes		-12,925	-12,188
Adjustments for:			
Depreciation, amortisation and impairment losses	8	3,180	2,226
Share-based payments	7	1,096	1,317
Financial income and expenses	10	177	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 and payments for other business financing costs		-224	-160
Net operating cash flow		**-8,160**	**-8,850**
Cash flow from investing activities			
Acquisition of intangible assets	13-14	-5,843	-5,793
Acquisition of tangible assets	13-14	-143	-594
Cash flow from investing activities		**-5,986**	**-6,387**
Cash flow from financing activities			
Proceeds from share issue	18	163	2,131
Proceeds from loans	19	4,040	–
Repayment of loans	19	-505	-205
Repayment of lease liabilities	15, 19	-212	–
Cash flow from financing activities		**3,486**	**1,926**
Net change in cash and cash equivalents		-10,659	-13,310
Cash and cash equivalents at the beginning of the financial year	17	24,698	38,092
Effects of changes in foreign exchange rates		-65	-83
Cash and cash equivalents at the end of the financial year		**13,974**	**24,698**

Consolidated statement of changes in equity

		Attributable equity to owners of parent company				
(EUR thousand)	**Note**	**Share capital**	**Reserve for invested unrestricted equity**	**Cumulative conversion differences**	**Retained earnings**	**Total equity**
Equity at January 1, 2023		**103**	**55,825**	**-114**	**-26,516**	**29,297**
Net comprehensive income						
Net income					-12,925	-12,925
Other comprehensive income				190		190
Total net comprehensive income for the period		**–**	**–**	**190**	**-12,925**	**-12,735**
Transactions with owners						
Share issue	18		163			163
Share-based payments	7				1,181	1,181
Transactions with owners total		**–**	**163**	**–**	**1,181**	**1,345**
Equity at December 31, 2023		**103**	**55,988**	**76**	**-38,260**	**17,906**

		Attributable equity to owners of parent company				
(EUR thousand)	**Note**	**Share capital**	**Reserve for invested unrestricted equity**	**Cumulative conversion differences**	**Retained earnings**	**Total equity**
Equity at January 1, 2022 FAS		103	55,451		-17,706	37,848
Effects of IFRS transition	25		-1,757	-28	1,879	94
Equity at January 1, 2022 IFRS		**103**	**53,693**	**-28**	**-15,827**	**37,941**
Net comprehensive income						
Net income					-12,156	-12,156
Other comprehensive income				-86		-86
Total net comprehensive income for the period		**–**	**–**	**-86**	**-12,156**	**-12,242**
Transactions with owners						
Share issue	18		2,131			**2,131**
Share-based payments	7				1,466	1,466
Transactions with owners total		–	2,131	–	1,466	**3,598**
Equity at December 31, 2022		**103**	**55,825**	**-114**	**-26,516**	**29,297**

Notes to the Consolidated Financial Statements

1. General accounting policies

Basic information

Aiforia Technologies Plc ("the Company") and its subsidiary (hereinafter "the Group" or "Aiforia") develop AI-based image analysis software for medical research and diagnostics. Aiforia's mission is to enable accurate diagnoses and personalized patient care, thereby improving healthcare outcomes. 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. Aiforia invests heavily in product development. However, the company has reached a stage where the level of product development expenditure is no longer substantially increasing.

The Group operates in Finland and the US. The company employed an average of 74 employees during the financial year.

The Group's parent company, Aiforia Technologies Plc, is a Finnish public limited company incorporated under Finnish law, whose business is ID FI25349102. The company is domiciled in Helsinki and its registered address is Pursimiehenkatu 29-31 D 610, FI-00150 Helsinki. The shares are listed on the Nasdaq First North Growth Market Finland marketplace maintained by Nasdaq Helsinki Ltd. Trading in the shares started in December 2021.

Aiforia Technologies Plc's Board of Directors approved these consolidated financial statements to be published at its meeting on March 6, 2024. A copy of the consolidated financial statements is available at (https://investors.aiforia.com/fi/raportit-esitykset) from week 11/2024.

Preparation basis

Aiforia's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted in the European Union and following IAS and IFRS accounting standards, as well as SIC and IFRIC interpretations in force on 31 December 2023. The notes to the consolidated financial statements are also in accordance with Finnish accounting and corporate legislation.

The first financial statements under IFRS were prepared for the financial year that ended on 31 December 2023, including comparative information for the financial year that ended on 31 December 2022. The date of transition to IFRS was 1 January 2022. Aiforia's consolidated financial statements have been prepared following Finnish accounting legislation (FAS) until 31 December 2022. The effects of the transition to IFRS are described in Note 25 IFRS Transition.

The consolidated financial statements have been prepared based on original acquisition cost, with the exception of share-based payments. For more information on the assumptions used in fair value measurement, see Note 7. Employee benefit expenses

The consolidated financial statements are presented in euros, the parent company's functional and reporting currency. Financial statements data are presented in thousands of euros unless otherwise stated. All amounts shown in the financial statements and notes are rounded to the nearest 1,000 unless otherwise stated. As a result, the sums of the individual figures may differ from the total sum presented.

Principles of consolidation

Consolidated financial statements include the financial statements of the parent company and the financial statements of the subsidiary in which it has a controlling interest. The Group has a controlling interest when it is exposed or has rights to variable returns in the company and can affect those returns through its control over the company. A subsidiary is consolidated in the consolidated financial statements from the date the company reaches controlling interest. The consolidation ends when control of the company ceases.

Intragroup transactions, internal receivables and internal liabilities have been eliminated when preparing the consolidated financial statements. The financial statements of the subsidiaries have been amended to conform with the accounting principles used in the Group.

Foreign currency transactions

Functional and reporting currency

Items included in the financial statements of a subsidiary are measured in the currency of the economic environment in which the subsidiary operates (functional currency). The Consolidated Financial Statements are presented in euros, the parent company's functional and reporting currency.

Foreign currency transactions

Transactions in foreign currencies are recognized at the exchange rate of the transaction date. Balance sheet assets and liabilities denominated in foreign currencies are valued at the exchange rates at the end of the reporting period.

Foreign exchange gains and losses are recognized through profit or loss. Realized and unrealized exchange rate differences related to sales are recognized as other operating income or expenses, realized and unrealized exchange rate differences related to purchase costs are recognized as adjustments to those items, and exchange rate differences related to financing are recognized as financial income or expenses.

Foreign subsidiary

When preparing the consolidated financial statements, the assets and liabilities of a foreign subsidiary whose functional currency is other than the euro are converted into euro at the exchange rate at the end of the reporting period and the income and expenses and items of the cash flow statement are converted into euro at the average rate of the financial year. Exchange rate differences arising from the consolidation of a foreign subsidiary into the consolidated financial statements are recognized as translation differences in other comprehensive income items. When abandoning a foreign unit, the accumulated translation differences attributable to that unit are reclassified to profit or loss.

Key assessments and management discretion

The preparation of financial statements under IFRS requires the management of the Group to make certain assessments and assumptions, as well as solutions based on discretion concerning the application of accounting policies that affect the assets and liabilities of the balance sheet and the amounts of income and expenses.

The assessments and assumptions are based on past experience and the management's best assessment of future events and other assumptions that are believed to be justified under the circumstances. Assessment and assumptions are regularly assessed. Although the assessments are based on the management's best view and knowledge of events and measures taken at the time the financial statements are prepared, the results may differ from these assessments.

The management considers that the following solutions based on assessments, assumptions and discretion involve the most uncertainties and material discretion that may have an impact on the financial statements.

Subject of judgement	Note	Nature
Development costs	13	Fulfillment of the capitalization criteria of the development costs

Subject of assumption	Note	Nature
Share-based payments	7	Key assumptions in determining the fair values
Leases	15	Assumptions of lease term and incremental borrowing rate
Development costs	13	Recoverable cash flow estimation

New and amended standards and applications

Aiforia estimates that the amendments that entered into force on January 1, 2024 will not have a significant impact on financial statements.

2. Group structure

Subsidiary	Domicile	Dec. 31, 2023 share of ownership %	Dec. 31, 2022 share of ownership %	Jan. 1, 2022 share of ownership %
Aiforia, Inc.	Cambridge, MA, USA	100	100	100

3. Segment data

An operating segment is a part of the Group that carries out business activities from which separate financial information is available and the performance of which is reviewed by the entity's chief operational decision maker.

The Group's chief operational decision maker is the CEO. Due to Aiforia's business model, nature of operations and governance structure, the reported operating segment is the whole group.

4. Turnover

Accounting principles

Aiforia is a medical software company that provides pathologists and researchers with AI-based image analysis software used in clinical, preclinical and academic laboratories to analyze pathological images. Aiforia's turnover includes revenue from a cloud-based software solution (Software as a Service or SaaS), software licenses installed in the customer's environment and additional services, such as the use of cloud storage and computing capacity. Cloud storage is used to store customers' tissue cell or other images. In cloud-based software solutions, the customer can purchase pre-paid credits to analyze their images, which enable the customer to use the computing capacity of the cloud service, i.e. time units of computing capacity.

Sales income is recognized as turnover when control of a performance obligation, i.e. a good or service, is transferred to a customer. Turnover is recognized either over time or at a single point in time. Turnover is recognized by performance obligation, so performance obligations that are separable are identified from customer contracts. Aiforia's performance obligations typically include cloud-based software solutions (SaaS), licenses, maintenance, storage and computing capacity services (use of credits) and analysis.

When turnover is recognized, the amount to be recognized as turnover, i.e. the transaction price, is adjusted with variable considerations, such as estimated discounts and sanctions related to the service level, and indirect taxes on sales. Variable considerations are included in the transaction price so that it is highly unlikely that a significant reversal of the recognized turnover will be required at a later date.

Aiforia uses the exemption permitted by the standard and does not adjust the consideration received with the time value of money when at most 12 months pass between receiving payment and delivery of the good or service.

Sales income recognized over time

Income from Aiforia's cloud-based solutions (SaaS) as well as license maintenance, application support and cloud storage is recognized evenly during the contract period, because Aiforia produces its obligation in these services evenly throughout the fixed-term contract. In addition, the customer simultaneously receives and consumes the benefits of the obligation as Aiforia produces it.

Sales income recognized at a single point in time

The licenses installed in the customer's software environment and the income from their installation are recognized at a single point in time at the beginning of the contract period when the license has been delivered to the customer as installed.

Tailored software service income, such as the creation of models, are recognized after the work is completed.

Credit income is recognized based on agreed unit rates when the customer uses credits, i.e. pre-paid computing capacity. At the end of the contract, any unused credits will be recognized at once.

Timing of receiving payment and assets and liabilities based on customer contracts

Revenue recognition and invoicing times may differ. Assets based on customer contracts are generated if the turnover is recognized before invoicing. Correspondingly, liabilities based on customer contracts are incurred if the customer pays in advance and the turnover is recognized later than the customer has paid the advance. In Aiforia's customer contracts, the payment term is mainly an advance payment, and received advance payments are presented as liabilities based on customer contracts. Depending on the performance obligation, turnover is recognized either soon after receipt of the advance payment at one point in time or evenly over time. Aiforia had no assets based on customer contracts in the financial years 2023 and 2022. Liabilities based on customer contracts are specified in Note 20.

Sales income recognized during the reporting period that were included in liabilities based on customer contracts at the beginning of the period

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Customer contracts	1,042	460
Total	**1,042**	**460**

Order book

The table below shows the total amount allocated to partially or completely unfulfilled performance obligations based on binding orders.

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Recognised as revenue within 1 year	1,343	1,084	555
Recognised as revenue later	1,029	63	45
Total	**2,373**	**1,147**	**600**

Turnover distribution by country

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Finland	214	262
Other Europe	692	281
North-America	1,429	997
Others	63	65
Total	**2,398**	**1,606**

The geographical distribution of turnover has been presented based on the location of the customers.

The Group had one customer in the financial year 2022 and two customers in the financial year 2023, whose turnover exceeds 10% of the Group's total turnover. In the financial year 2023, the largest customer's share of turnover was EUR 708,000 (EUR 337,000 in the financial year 2022) and the second largest share of turnover was EUR 291,000.

5. Other operating income

Accounting principles

Other operating income includes income other than income related to Aiforia's actual business, such as grants from Business Finland and the EU for project costs.

The Group only recognizes grants when it is reasonably certain that the conditions underlying the grants have been met and that the grant will be received. Awarded grants are recognized in other operating income to the extent that the aided project generates eligible costs according to the grant decision and terms. Grants are recognized in profit or loss for the period in which the related costs are recognized in profit or loss. Grants received in advance are recorded as advances received in the balance sheet until the grant meets the criteria for recognition. The refund liability related to grants is presented in Note 23 Provisions, contingent liabilities and commitments.

Other operating income also includes indirect government grants in the form of public loans below market rates. The grant is recorded for the same period for which Aiforia has recorded the costs that are supported with the grant. The grant component is calculated as the difference between the withdrawn loan amount and the fair value of the loan.

Breakdown of other operating income

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Grants	55	134
Grant portion of public loans	23	–
Exchange rate profits from sales	13	85
Other income	1	4
Total	**93**	**223**

6. Materials and services

Accounting principles

Materials and services consist of services purchased during the financial year, which are mainly purchased cloud services related to sold services and products or other services or payments associated with the sale.

Breakdown of material and service costs

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Purchase expenses	0	0
External services	-466	-569
Total	**-466**	**-570**

7. Employee benefit expenses

Accounting principles

Employee benefit expenses include short-term employee benefits, post-employment benefits and share-based payments.

The portion capitalized into development costs has been deducted from employee benefit expenses.

Short-term employee benefits

Short-term employee benefits include salaries, remuneration, fringe benefits, annual leave and bonuses, as well as other indirect personal costs, and non-monetary benefits such as health care. They are recorded for the period during which the employees perform the work in question. Liabilities are presented in the balance sheet as obligations arising from short-term employee benefits.

Post-employment benefits

Post-employment benefits are paid to recipients after employment is terminated. In the Group, these benefits consist of pensions. The pension arrangements are managed by external pension insurance companies. Pension plans are classified as either defined contribution plans or defined benefit plans. Defined contribution plans refer to a pension plan in which Aiforia pays fixed contributions to a pension insurance company and it no longer has legal or de facto obligations to pay additional contributions if the contributor does not have sufficient resources to pay all pension benefits. All other pension plans are defined benefit plans. The Group only has defined contribution plans. The contributions of the Group's defined contribution plan are recognized as an expense for the period in which the service is provided.

Share-based payments

The company has several option-based incentive and commitment systems authorized by the Annual General Meeting to the Board of Directors, aimed at Aiforia's employees and key personnel. The option rights encourage key personnel to work long-term in order to increase shareholder value and seek to commit key employees to the employer.

Option schemes

All option schemes are conditional on the person remaining in the company's service for a certain period of time. The right to options arises gradually every year, usually over a period of 1-4 years. Usually, the option remains valid for a sufficient period after the last release tranche before maturity. Option rights are measured at fair value at the date of issue and recognized separately for each vesting tranche as accumulated losses and correspondingly as an expense in employee benefits evenly over the vesting period. The fair value of the option right at the date of issue is determined using the Black-Scholes model.

On each reporting date, the company reviews its estimate of the number of options to which the right is expected to arise under the terms of service. Any change is recognized in profit or loss and correspondingly in equity. When the option rights are exercised, the assets from share subscriptions are recognized in the reserve for invested unrestricted equity under the terms of the scheme.

Management's assessment

Share options have been measured at fair value on the day they were issued. Fair value is determined using the Black-Scholes model. The key assumptions used by management in the fair value calculation are presented in the table below: "Key assumptions used in the fair value calculation".

Employee benefits recognized through profit or loss

The table below presents employee benefits and separately presents the share of employee benefits capitalized in development costs.

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Wages and salaries	-6,603	-5,562
Pension expenses	-710	-538
Social security expenses	-660	-525
Share-based payments	-1,181	-1,466
Capitalization for development costs	1,360	1,122
Total	**-7,794**	**-6,970**

Average number of personnel during the financial year	74	65

Share-based payments

Main terms and conditions of existing fully released option schemes

Plan	2016A	2016B	2018 I	2019 I	2020 I	2020 II	2021 I	2021 IV	2021 V	2022 I	Total
Initial amount, pcs	11,900*	2,000*	8,000*	1,500*	7,052*	3,016*	3,850*	2,300*	603,200	124,500	767,318
Current exercise price, €	0.02	0.02	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	
Maturity date	31 Dec. 2025	31 Dec. 2025	31 Dec. 2025	31 Dec. 2025	31 Dec. 2025	31 Dec. 2025	31 Dec. 2025	31 Dec. 2025	21 Sep. 2026	31 Dec. 2028	
Fair Value	–	–	–	89.30	–	–	422.90	–	–	484,118.25	Fair Value

* 50 shares can be subscribed with 1 option.

Main terms of the current option schemes

Plan	2021 II	2021 III	2022 II	2022 II 2	2022 II 3	2022 II 4	2022 II 5	2022 II 6	2022 II 7	Total
Annual general shareholders' meeting date	25 Apr. 2019	27 May. 2020	20 Sep. 2021	20 Sep. 2021	20 Sep. 2021	20 Sep. 2021	20 Sep. 2021	20 Sep. 2021	20 Sep. 2021	
Initial amount, pcs	2,500	3,016	1,887,850**							1,893,366
Subscription ratio for underlying shares, pcs	50	50	1	1	1	1	1	1	1	
Initial excercise price, €	68.62	68.62	5.01	3.75	3.5	3.31	3.83	4	3.79	
Dividend adjustment	No	No	No	No	No	No	No	No	No	
Current exercise price, €	1.3724*	1.3724*	5.01	3.75	3.5	3.31	3.83	4	3.79	
Initial allocation date	29 Jan. 2021	2 Jun. 2021	21 Apr. 2022	22 Sep. 2022	1 Dec. 2022	26 Jan. 2023	30 Mar. 2023	25 May. 2023	4 Dec. 2023	
1st vesting date	1 Jan. 2022	1 Jun. 2022	31 Dec. 2022	31 Dec. 2022	31 Dec. 2022	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	
Vesting conditions	Employment precondition, the first 1/3 1 Jan. 2022, the second 1/3 1 Jan. 2023 and third 1/3 1 Jan.2024	Employment precondition, the first 1/3 1 Jun. 2022, the second 1/3 1 Jun. 2023 and third 1/3 1 Jun. 2024	Employment precondition, 31.12.2022 for the first 1/4; on 31 Dec. 2023 for 1/4; on 31 Dec. 2024 for 1/4; on 31 Dec. 2025 for 1/4 part of the Options.	Employment precondition, 31 Dec. 2022 for the first 1/4; on 31 Dec. 2023 for 1/4; on 31 Dec. 2024 for 1/4; on 31 Dec. 2025 for 1/4 part of the Options.	Employment precondition, 31 Dec. 2022 for the first 1/4; on 31 Dec. 2023 for 1/4; on 31 Dec. 2024 for 1/4; on 31 Dec. 2025 for 1/4 part of the Options.	Employment precondition, 31 Dec. 2023 for the first 1/3; on 31 Dec. 2024 for 1/3; on 31 Dec. 2025 for 1/3 part of the Options.	Employment precondition, 31 Dec. 2023 for the first 1/3; on 31 Dec. 2024 for 1/3; on 31 Dec. 2025 for 1/3 part of the Options.	Employment precondition, 31 Dec. 2023 for the first 1/3; on 31 Dec. 2024 for 1/3; on 31 Dec. 2025 for 1/3 part of the Options.	Employment precondition, 31 Dec. 2023 for the first 1/3; on 31 Dec. 2024 for 1/3; on 31 Dec. 2025 for 1/3 part of the Options.	
Maturity date	31 Dec. 2025	31 Dec. 2025	31 Dec. 2028	31 Dec. 2028	31 Dec. 2028	31 Dec. 2028	31 Dec. 2028	31 Dec. 2028	31 Dec. 2028	
Maximum contractual life, yrs	4.9	4.6	6.7	6.3	6.1	5.9	5.8	5.6	5.1	
Remaining contractual life, yrs	2	2	5	5	5	5	5	5	5	
Number of persons at the end of reporting year	3	1	15	3	13	1	1	1	6	
Payment method	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	
Fair Value	299.28	4,338.81	1,732,062.55	176,471.99	604,962.72	32,472.99	45,816.00	18,000.00	493,686.21	3,108,110.56

* Difference in initial and current exercise price is due to stock split.

** Of which 267,850 reserved.

Key assumptions used in the fair value calculation

2023	2022 II 4	2022 II 5	2022 II 6	2022 II 7
Share price at grant, €	3.40	4.30	3.74	3.37
Exercise price, €	3.31	3.83	4.00	3.79
Expected volatility	50.95 %	51.11 %	51.30 %	51.44 %
Maturity, years	5.93	5.75	5.61	5.06
Risk-free rate	2.59 %	2.74 %	2.88 %	2.74 %
Expected dividends, €	0.00	0.00	0.00	0.00
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes
Fair Value/option 31 Dec., €	1.74	2.29	1.80	1.41

2022	2022 I	2022 II	2022 II 2	2022 II 3
Share price at grant, €	4.99	4.99	3.83	3.16
Exercise price, €	1.37	5.01	3.75	3.50
Expected volatility	45.77 %	46.83 %	49.89 %	50.71 %
Maturity, years	6.69	6.69	6.28	6.08
Risk-free rate	1.05 %	1.05 %	2.31 %	2.26 %
Expected dividends, €	0.00	0.00	0.00	0.00
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes
Fair Value/option 31 Dec., €	3.89	2.26	1.96	1.42

Changes in the number of outstanding options

(pcs)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Outstanding in the beginning of period	2,062,548	639,848
Granted	420,000	1,454,500
Forfeited	-100,000	-30,750
Exercised	-3,043	-1,050
Outstanding at the end of period	2,379,505	2,062,548

No outstanding options expired in the financial years 2023 and 2022.

Number of options at the end of the period

(pcs)	Dec. 31, 2023	Dec. 31, 2022
Outstanding	2,379,505	2,062,548
Vested and outstanding	1,432,662	1,034,121
Exercised	12,479	9,436

The average subscription price and share price of the options subscribed during the period

(EUR)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Weighted average subscription price	1.37	1.37
Weighted average price of shares	3.74	3.74

The effect of share-based payments on the result of the financial period and the financial position

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Expenses for the financial year		
Share-based payments	-1,181	-1,466
Capitalization for development costs	85	150
Total	**-1,096**	**-1,317**

8. Depreciation and impairment

Accounting principles

The depreciation of tangible and intangible assets is calculated using a straight-line depreciation method that allocates the acquisition cost of the assets less their residual values over their estimated useful life. The expected useful lives are adjusted and revised, if necessary, at the end of each reporting period. Useful lives are presented in Notes 13. Intangible assets and 14. Tangible assets.

Renovation expenditure of rented premises is depreciated during the useful life or the lease term, whichever is shorter.

Right-of-use assets are amortized on a straight-line basis over the lease term.

Impairment is the amount by which the book value of an asset exceeds the recoverable amount of the asset.

Depreciation and impairment by asset category

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Intangible assets		
Amortization of development costs	-2,808	-2,065
Total	**-2,808**	**-2,065**
Tangible assets		
Depreciation of tangible assets	-151	-60
Total	**-151**	**-60**
Right-of-use assets		
Depreciation of right-of-use assets	-221	-101
Total	**-221**	**-101**
Depreciation and amortizations total	**-3,180**	**-2,226**

9. Other operating expenses

Accounting principles

Other operating expenses include non-employment benefits and acquisition costs of sold goods and produced services.

Other operating expenses include, for example, administrative services, information systems, sales, marketing, and R&D expenses, as well as other personnel-related expenses such as training and recruitment expenses. Research costs include, for example, costs related to the acquisition of new information and the search for product and process alternatives, as well as various certifications, e.g. costs related to ISO, FDA, security certificates. The share capitalized to development costs has been deducted from other operating expenses.

Breakdown of other operating expenses

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Administrative expenses	-1,350	-1,260
Other personnel expenses	-184	-275
IT expenses	-87	-553
Sales- and marketing expenses	-1,234	-1,305
Other expenses	-85	-78
Research- and development expenses	-5,556	-5,291
Capitalization to development assets	4,567	4,821
Total	**-3,929**	**-3,941**

Auditor's fees

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Statutory audit	-70	-43
Other assignments related to audit	-3	-16
Other services	-65	-39
Total	**-138**	**-98**

10. Financial income and expenses

Accounting principles

Financial income and expenses consist of exchange rate differences, interest expenses and interest income, and other financial income and expenses.

Realized and unrealized exchange rate differences related to financing are recorded in financial income and expenses. Foreign exchange gains and losses are reported in gross. Interest income and expense are recognized based on the passage of time using the effective interest method.

Breakdown of financial income and expenses

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Financial income		
Exchange rate profits	61	96
Other financial income	387	0
Total financial income	**448**	**96**
Financial expenses		
Exchange rate losses	-299	-232
Interest expenses measured at amortised cost	-188	-171
Other financial expenses	-8	-3
Total financial expenses	**-494**	**-406**

Interest expenses on financial liabilities measured at amortized cost also include interest on lease liabilities.

11. Income taxes

Accounting principles

Income taxes consist of current income taxes and deferred taxes. Income taxes are recognized in the consolidated income statement unless the income tax relates to other comprehensive income items or to items recognized directly in equity. In this case, the tax is recognized in other comprehensive income items or directly in equity.

The current taxable income tax is calculated based on the taxable income determined by the tax legislation of each country and the current tax rate or the tax rate adopted at the balance sheet date in the countries where the company and its subsidiary operate and generate taxable income.

Deferred taxes are calculated on the temporary differences between the book value and the taxable value of the assets and liabilities presented in the consolidated financial statements. Deferred tax assets and liabilities are determined based on the tax rates prescribed or approved in practice by the date the reporting period ended and that are expected to be applied when the receivable is realized or liability is paid.

The deferred tax asset is recognized up to the amount corresponding to the likely taxable income arising in the future against which the temporary differences can be offset in the countries in question. Deferred tax assets and liabilities are offset in accounting only if a legally enforceable right to offset tax assets and liabilities from each other based on the taxable income for the period exists and the deferred tax assets and liabilities are related to income taxes levied by the same tax authority, either from the same taxpayer or different taxpayers who intend to offset tax assets and liabilities from each other based on the taxable income for the period.

Tax based on the taxable income for the financial period

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Change in deferred taxes	–	33
Total	**–**	**33**

Reconciliation between the tax expense in the income statement and income taxes calculated using the tax rate applied in Finland

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Result before taxes	12,925	-12,153
Income taxes calculated at the Finnish tax rate (20%)	2,585	2,431
Unrecognised deferred tax assets on tax losses for the period	1,979	-1,904
Unrecognised deferred taxes	17	-20
Share-based payments	-227	-269
Non-deductible expenses	-110	-56
Deductible expenses and taxable income not included in the income statement	-423	-361
Effect of different tax rates of foreign subsidiaries	143	206
Other items	-7	5
Taxes in the income statement	**0**	**33**

Deferred tax assets and liabilities

	Dec. 31, 2023		Dec. 31, 2022		Jan. 1, 2022	
(EUR thousand)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	–	-25	–	-17	–	-11
Right-of-use assets	–	-157	–	-183	–	–
Lease liabilities	162	–	168	–	–	–
Loans from financial institutions	–	-253	–	–	–	–
Contract liabilities	7	–	32	–	1	-22
Ohter liabilities	266	–	–	–	–	–
Total before netting	**435**	**-435**	**200**	**-200**	**1**	**-33**
Netting of deferred tax assets and liabilities	-435	435	-200	200	-1	1
Total deferred tax assets and liabilities, net	**–**	**–**	**–**	**–**	**–**	**-33**

Due to netting, Aiforia does not present deferred tax assets and liabilities in the consolidated balance sheet for December 31, 2023 or December 31, 2022.

Change in deferred taxes

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Jan. 1	–	-33
Recognized in the income statement	–	33
Dec. 31	**–**	**–**

Unrecognized deferred tax assets

Deferred tax assets are not recognized on the following items, because there is no assurance that the company will generate sufficient taxable income in the future to benefit from the deferred tax assets.

Tax losses on which no deferred tax asset has been recognized

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Tax losses			
Expires within 5 years	4,206	2,183	1,310
Expires in 5-10 years	25,790	20,237	14,565
No expiry	4,113	3,001	1,461
Total tax losses	**34,108**	**25,421**	**17,337**

Other items on which no deferred tax asset has been recognized

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Intangible assets	3,917	1,804	–
Leases	84	132	–
Total	**4,002**	**1,936**	**–**

12. Earnings per share

Accounting principles

Undiluted earnings per share are calculated by dividing the profit attributable to shareholders of the parent company by the weighted average number of shares outstanding during the financial year. The company's treasury shares are deducted from the total number of outstanding shares when calculating the average number of outstanding shares.

In calculating the diluted earnings per share, the dilutive effect of all potentially dilutive shares is considered in the weighted average number of shares. Options have a dilutive effect only when the market price of the share exceeds the subscription price of the options and the result for the financial year is profitable.

Earnings per share

	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Result for the financial period attributable to owners of the company (EUR thousand)	-12,925	-12,156
Weighted average number of shares outstanding during the financial period (pcs)	25,917,505	25,798,799
Earnings per share, undiluted and diluted (euro/share)	**-0.50**	**-0.47**

The company's potential dilutive instruments are issued options. More information on options can be found in the Annual Report and Note 7 Employee benefit expenses.

As the Group's result is loss-making, share options have no dilutive effect and are, therefore, not included in the calculation of diluted earnings per share. Thus, the undiluted and diluted earnings per share are the same.

13. Intangible assets

Accounting principles

Intangible assets are only recognized in the balance sheet if their acquisition cost can be measured reliably and it is probable that the expected future economic benefits attributable to the asset will benefit the Group. Investment properties are measured at original acquisition cost less accumulated depreciation and impairment losses. Acquisition cost includes the costs incurred directly from acquiring the intangible asset. Depreciation is calculated using the straight-line method over the useful life of the assets. Depreciation starts when the asset is ready for use.

The estimated useful lives of intangible assets are as follows:

- Development costs 5 years

Development costs are recognized as intangible assets in the balance sheet if the following conditions are met:

- The completion of an intangible asset is technically feasible in such a way that the asset is available for use or sale.
- Aiforia has the intention of completing the intangible asset and using it or selling it.
- Aiforia is able to use or sell the intangible asset.
- Aiforia is able to demonstrate how the intangible asset will generate probable future economic benefits.
- Adequate technical, financial and other resources are available to complete the development of the intangible asset and to use or sell the intangible asset.
- The costs of developing the intangible asset can be measured reliably.

The depreciation times and methods of intangible assets are reviewed at least at the end of each financial period. If the expected useful life of the asset differs from previous estimates, the depreciation time is adjusted accordingly.

On each reporting date, Aiforia assesses whether there are any indications that the value of development costs or other assets has been impaired. In addition, an impairment test is performed annually for intangible assets in progress. The value of development costs capitalized in the balance sheet may decrease if the expected economic benefits change. If there are indications of impairment, an impairment test is carried out on development costs. If the expected return on an asset recognized in the balance sheet is less than the sum of development costs recognized in the balance sheet, the value of the capitalized development cost is adjusted with an impairment to correspond with the expected return.

Capitalized development costs include employee benefit expenses, share-based payments and other operating expenses.

Management discretion and assessment

Aiforia recognizes development costs as an intangible asset in the balance sheet when the recognition criteria are met. Meeting the recognition criteria requires management discretion on an asset in the development stage meeting the capitalization criteria.

The management assesses the future economic benefits of the development costs. Aiforia measures the recoverable cash flow using cash flow-based return calculations. Cash flows are subject to assumptions about future sales and its development and costs, etc. There are uncertainties associated with the assessments related to development costs capitalized in the balance sheet and it is possible that, as circumstances change, the expected return from the development projects changes. In addition, management assesses the depreciation time of the asset.

Breakdown of balance sheet values

(EUR thousand)	Development expenses		
	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Acquisition cost			
Balance at January 1	13,284	7,341	3,543
Additions	5,031	5,943	3,798
Balance at December 31	**18,315**	**13,284**	**7,341**
Accumulated amortizations and impairment losses			
Balance at January 1	-4,629	-2,563	-1,486
amortization for the period	-2,808	-2,065	-1,077
Balance at December 31	**-7,436**	**-4,629**	**-2,563**
Unfinished			
Balance at January 1	–	–	–
Additions	896	–	–
Balance at December 31	**896**	**–**	**–**
Carrying amount at January 1	**8,655**	**4,778**	**2,057**
Carrying amount at December 31	**11,775**	**8,655**	**4,778**

Aiforia's intangible assets in the balance sheet are the development work for the Create and clinical software platform. Versions are released for both platforms three times per year. After the release, the development work of the version is eliminated over its useful life.

14. Tangible assets

Accounting principles

Tangible assets are measured at acquisition cost less accumulated depreciation and impairment losses. The acquisition cost includes the costs incurred directly from acquiring the tangible asset.

Tangible assets are recognized as an expense as straight-line depreciation over the following estimated useful lives:

- Machinery and equipment 5 years
- Renovation expenditure of rented premises 4-5 years

The residual values and useful lives of the assets are reviewed and, if necessary, adjusted at the end of each financial year.

On each reporting date, Aiforia assesses whether there are any indications that a tangible asset has been impaired. If there are indications of impairment, the asset is subject to impairment testing. If the book value of an asset is greater than its estimated recoverable amount, the book value of the asset is immediately reduced to correspond to the recoverable amount.

Capital gains and losses arising from the decommissioning and disposal of tangible assets are recognized through profit or loss and presented in other operating income or expenses.

Breakdown of balance sheet values

	Machinery and equipment			Leasehold improvements			Total		
(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Acquisition cost									
Balance at January 1	611	29	23	11	–	–	622	29	23
Additions	146	582	7	–	11	–	146	593	7
Exchange differences	-2	0	0	–	–	–	-2	0	0
Disposals	–	–	-1	–	–	–	–	–	-1
Balance at December 31	**755**	**611**	**29**	**11**	**11**	–	**766**	**622**	**29**
Accumulated amortizations and impairment losses									
Balance at January 1	-80	-21	-18	0	–	–	-80	-21	-18
Amortization for the period	-149	-59	-4	-2	0	–	-151	-60	-4
Exchange differences	1	0	0	–	–	–	1	0	–
Balance at December 31	**-228**	**-80**	**-21**	**-3**	**0**	–	**-231**	**-80**	**-21**
Carrying amount at January 1	**531**	**8**	**6**	**10**	**–**	**–**	**542**	**8**	**6**
Carrying amount at December 31	**526**	**531**	**8**	**8**	**10**	**–**	**534**	**542**	**8**

15. Lease agreements

Accounting principles

When a contract is concluded, Aiforia assesses whether the contract is a lease or whether it includes a lease. The contract is a lease or includes a lease if the contract gives the right to control the use of an identified asset for a specified period in exchange for consideration.

The Group's lease agreements mainly relate to the offices used to run the business. Aiforia recognizes right-of-use assets and lease liabilities related to leases in accordance with the IFRS 16 accounting standard Leases at the start of the lease agreement. Aiforia applies an optional exemption to exclude leases with a lease term of 12 months or less at the start date (short-term lease) or of a negligible value (the value of the underlying asset is approximately EUR 5,000 or less) from the balance sheet. Such agreements are recognized as an expense evenly over the lease period.

A lease liability is measured at the present value of the lease payments payable during the lease period. Lease payments include:

- fixed lease payments less any incentives available in the annual contract
- variable rents that depend on an index or price levels
- amounts expected to be paid by the lessee under residual value guarantees
- the exercise price of the call option if it is reasonably certain that the lessee will exercise the option

After the contract starts, lease liabilities are measured at amortized acquisition cost using the effective interest method. The lease payments are discounted using the interest on the additional credit because the internal interest rate of the lease is not easily quantifiable. The interest on the additional credit is the rate that the lessee would pay on a loan at the start of the lease to acquire a corresponding asset.

Right-of-use assets are measured at acquisition cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability.

The acquisition cost of a right-of-use asset includes the following items:

- the amount of the lease liability at initial measurement
- rents paid up to start date, less any incentives received (e.g. months for which the landlord does not charge rent)
- any direct costs incurred in the initial phase of the contract
- the estimated costs of terminating the lease or restoring the leased space to the original state

Right-of-use assets are amortized on a straight-line basis over the contract's lease term.

The depreciation periods for right-of-use assets are:

Buildings	2-5 years

The lease term is the period during which the contract cannot be terminated, including any periods covered by the option to extend the lease if the exercise of that option is reasonably certain and the periods covered by the option to terminate the lease if it is reasonably certain that Aiforia will not exercise that option.

The book value of the right-of-use asset and the lease liability is remeasured when future lease payments change due to changes in the index or price level, or if Aiforia changes its assessment of whether or not to use the extension or termination option. The right-of-use asset is tested for impairment, if necessary, and any impairment loss is recognized through profit or loss.

In the cash flow statement, the payments of lease liabilities are presented in the financial cash flow. Interest payments related to lease liabilities are shown in paid interests under cash flow from operating activities. The maturity analysis of financial liabilities is presented in Note 22 Financial risk management.

Management's assessment

Aiforia's fixed-term lease agreement which started on July 1, 2023, includes both an extension and termination option. In determining the lease term, the management of the Group has assessed whether the termination or extension option will be exercised. Based on the management's assessment, it is reasonably certain that Aiforia will exercise the termination option, so this has been considered in the lease period and the periods covered by the termination option have not been included in the lease period.

Aiforia sets the interest for the additional credit considering the length of the lease. The interest rate used affects the lease liabilities, the value of the right-of-use assets, as well as the distribution of depreciation and interest expenses. The interest on the additional credit is the rate that the lessee would pay on a loan at the start of the lease to acquire a corresponding asset. Management uses this estimate to determine the interest rate on the additional credit.

Right-of-use assets

(EUR thousand)	Premises	
	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Balance at January 1	913	–
Additions	74	1,014
Amortizations for the financial year	-221	-101
Balance at December 31	**766**	**913**

On January 1, 2022, Aiforia did not have leases recorded in right-of-use assets because all were short-term lease agreements.

Items presented in the income and cash flow statement

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Income statement		
Expense relating to leases of low-value assets	–	-1
Expense relating to short-term leases	-34	-188
Amortization of right-of-use assets: premises	-221	-101
Interest expense of lease liabilities	-59	-31
Total	**-314**	**-321**
Cash flow statement		
Repayment of lease liabilities	-212	–
Interest expense of lease liabilities	-59	-21
Total	**-271**	**-21**

There were no repayments of lease liabilities in the financial year 2022, as there were payment-free months at the beginning of the lease and the lease did not start until July 1, 2022. More information on maturity analysis can be found in the note 22. Classification of financial assets and liabilities.

Lease liabilities

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Non-current	643	829	–
Current	243	196	–
Total	**887**	**1,024**	**–**

The maturity analysis of lease liabilities is presented in Note 22. Financial risk management.

16. Trade and other receivables

Accounting principles

Trade receivables are receivables from customers for services provided in the ordinary course of business. The payment period for trade receivables is typically 14-30 days. Other receivables include current receivables that are not trade receivables. Other receivables include, for example, grant receivables, prepaid expenditure and VAT receivables. Trade receivables are initially measured at transaction price because they do not contain a significant financing component. Subsequently, trade receivables are measured at the expected realizable value with expected credit losses reducing the value of the trade receivable. The book values of trade receivables and other receivables correspond to their fair values.

Breakdown of balance sheet values

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Trade receivables	627	990	139
VAT receivables	110	225	400
EU grant	–	–	255
Prepaid items	294	350	212
Other receivables	0	–	–
Total	**1,031**	**1,566**	**1,006**

17. Other assets, other financial assets and cash equivalents

Accounting principles

Other assets in the balance sheet are security deposits on business premises. Other financial assets in the balance sheet consist of current bank deposits with a maturity of less than 12 months. Cash and cash equivalents in the balance sheet consist of current bank deposits with a maturity of less than three months.

Breakdown of balance sheet values

(EUR thousand)	Dec.31, 2023	Dec. 31, 2022	Jan. 1, 2022
Non-current			
Other fixed assets	111	104	40
Current			
Cash and cash equivalents	13,974	24,698	38,092
Total	**14,085**	**24,802**	**38,131**

Aiforia had no other financial assets on December 31, 2023, December 31, 2022 or January 1, 2022.

18. Equity

Accounting principles

The parent company has one share series, and each share entitles to one vote at the shareholder's meeting. The shares are not subject to voting restrictions or vote cutting. The company shares do not have any nominal value. All shares provide equal rights to dividends and other profit distribution by the company.

The Group's equity includes the following items:

- Share capital: The share subscription price received in connection with share issues is entered in the share capital to the extent that the share subscription price has not been decided to be recorded in the reserve for invested unrestricted equity.
- Reserve for invested unrestricted equity: The reserve includes other equity-type investments and share subscription prices to the extent that the subscription price is decided to be included in the reserve for invested unrestricted equity

- Translation differences: The reserve includes accumulated translation differences arising from the conversion of the financial statements of foreign units into euro.
- Accumulated losses: Accumulated losses include cumulative losses from previous years.

Direct transaction costs from the issue of new shares are recognized as a deduction of payments received in equity and adjusted for tax effect.

Changes in shares

The table below shows the changes in the number of shares and the corresponding changes in share capital and the reserve for invested unrestricted equity. Notes concerning options are presented in Note 7. Employee benefit expenses.

(EUR thousand)	Number of shares	Share capital	Reserve for invested unrestricted equity
Jan. 1, 2023	25,826,816	**103**	**55,825**
Share issue	123,800	–	163
Dec. 31, 2023	**25,950,616**	**103**	**55,988**

(EUR thousand)	Number of shares	Share capital	Reserve for invested unrestricted equity
Jan. 1, 2022	25,965,709	**103**	**53,693**
Share issue	459,909	–	2,131
Cancellation of shares	-598,802	–	–
Dec. 31, 2022	**25,826,816**	**103**	**55,825**

19. Loans

Accounting principles

Loans are initially recognized at fair value less transaction costs. The loans are measured at amortized cost using the effective interest rate method. Loans are derecognized from the balance sheet when the related obligations have been met, canceled or expired. Loans are classified as short-term unless the Group has an unconditional right to defer the payment of the liability at least 12 months from the end of the reporting period.

Aiforia has product development loans from the State with interest rates below the market rate. The benefit of a loan granted at a rate below the market rate is treated as a government grant. The benefit of a loan granted at a rate below the market rate, i.e. the government grant, is determined as the difference between the amount drawn and the fair value of the loan. More information on determining the fair value can be found in Note 21. Classification of financial assets and liabilities.

Principal terms of the loans

			Asset value		
	Interest% minimum	To be repaid during years	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Loans from financial institutions (development funding)	1	2022–2025	411	616	821
Loans from financial institutions (development funding)	1	2023–2026	521	695	695
Loans from financial institutions (development funding)	1	2024–2027	503	629	629
Loans from financial institutions (Young Innovative Company -funding)	1	2025–2029	750	750	750
Loans from financial institutions (development funding)	1	2026–2029	2,776	–	–
Total			**4,961**	**2,690**	**2,895**

Loans from financial institutions for the financial year December 31, 2023 include five loans from the State Treasury. The interest rate on loans granted by the State Treasury is set three percentage points below the base rate fixed by the Ministry of Finance, provided that the interest rate is always at least 1%. In both the financial years 2023 and 2022, the interest rate was 1%.

During the loan period, the treasury center may, under the recovery provisions, order repayment of part or all of the loan if the conditions of the loan are not respected or, for example, in the event of bankruptcy.

Changes in loans

(EUR thousand)	Dec. 31, 2023		Dec. 31, 2022		Jan. 1, 2022	
	Loans from financial institutions	Lease liabilities	Loans from financial institutions	Lease liabilities	Loans from financial institutions	Lease liabilities
Balance at January 1	**2 690**	**1 024**	**2 895**	**–**	**3 206**	**–**
Changes due to cash flow from financing activities:						
Proceeds from loans	4 040	–	–	–	189	–
Transaction costs attributable to loans	–	–	–	–	–	–
Repayment of loans	-505	–	-205	–	-500	–
Repayment of lease liabilities	–	-212	–	–	–	–
Changes due to cash flow from financing activities total	3 535	-212	-205	–	-311	–
New leases	–	74	–	1 014	–	–
Other changes	-1 264	0	–	10	–	–
Balance at December 31	**4 961**	**887**	**2 690**	**1 024**	**2 895**	**–**

20. Liabilities based on customer contracts, advances received, trade payables and other liabilities

Accounting principles

Liabilities based on customer contracts are incurred if turnover is recognized after invoicing. Trade payables and other liabilities are liabilities relating to unpaid goods and services transferred to the Group before the end of the financial year. Liabilities based on customer contracts, advances received, i.e. grants received in advance, trade payables, and other liabilities are presented as current liabilities if they fall due within less than 12 months of the reporting period. The book value of these items is considered to be their fair values due to their short maturity.

Breakdown of balance sheet values

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Non-current			
Other liabilities	1,070	–	–
Current			
Contract liabilities	1,130	1,147	488
Adavances received	54	109	73
Trade payables and other liabilities			
Trade payables	816	992	1,895
Accruals and deferred income	987	1,105	525
Other liabilities	381	113	74
Trade payables and other liabilities total	**2,184**	**2,211**	**2,494**
Total	**4,437**	**3,467**	**3,054**

Changes in liabilities based on customer contracts are due to growth in the volume of business and payment schedules.

21. Classification of financial assets and liabilities

Accounting principles

Financial assets are classified in the following categories:

- Measured at amortized cost

Financial liabilities are classified in the following categories:

- Measured at amortized cost

Classification is made based on their intended use at initial recognition. The classification is based on the objectives of the business model and the contractual cash flows of financial assets.

Financial assets are derecognized from the balance sheet when the rights to cash flows have ceased or have been transferred to another party, and the material risks and benefits associated with the ownership have been transferred to another party. A financial liability is derecognized when the related obligations have been met, canceled or expired.

Financial assets and liabilities are classified as either current or non-current financial assets and liabilities based on their maturity. Financial assets and liabilities maturing in more than 12 months are classified as non-current.

Measured at amortized cost

Assets held to collect contractual cash flows and whose cash flows are solely payments of principal and interest are measured at amortized cost. Related interest income is determined using the effective interest method and are included in financial income. Financial assets measured at amortized cost consist of trade receivables (see Note 16) and cash and cash equivalents (see Note 17).

Financial liabilities are initially recognized at fair value less transaction costs of the item in question. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities measured at amortized cost consist mainly of loans from financial institutions, lease liabilities and trade payables.

Determination of fair values

Application of some accounting policies and preparing the information presented in the financial statements requires determining the fair values of financial assets and liabilities. The fair value is the price that would be obtained from the sale of an asset or paid for the transfer of a liability between market participants in an ordinary transaction on the measurement date. Financial assets and liabilities measured at fair value are classified based on the amount of inputs used in the valuation methods. The classification uses three hierarchical levels based on the extent to which the inputs used have to be estimated when determining the fair value of the financial assets and liabilities. Fair values are classified at different hierarchy levels as follows:

Level 1: Fair values of financial instruments subject to trading on an active market are based on quoted market prices at the end of the reporting period.

Level 2: For financial instruments not subject to trading on an active market, fair value is determined using a valuation method. These methods use as much observable market data as possible and as little company-specific estimates as possible. If all significant inputs necessary to measure the fair value of the instrument are observable, the instrument is classified as level 2.

Level 3: If one or more significant inputs are not based on observable market data, the instrument is classified as level 3.

The fair values of loans from financial institutions are based on cash flows discounted at the lending rate at the time of the reporting. The fair value of other assets and liabilities is estimated to substantially correspond to their fair values.

Book values, fair values and level of loans from financial institutions in the fair value hierarchy

	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022	

(EUR thousand)	Note	Asset values	Fair values	Asset values	Fair values	Asset values	Fair values	Fair value hierarchy
Non-current								
Loans from financial institutions	19	4,456	4,042	2,185	1,571	2,690	1,877	3
Total		**4,456**	**4,042**	**2,185**	**1,571**	**2,690**	**1,877**	
Current								
Loans from financial institutions	19	505	485	505	489	205	195	3
Total		**505**	**485**	**505**	**489**	**205**	**195**	

Loans from financial institutions consist of product development loans from the State. In line with previously applied Finnish accounting standards (FAS), Aiforia did not recognize or value the benefit from the development loans granted by the State at below market rates as a government grant. In the transition to IFRS reporting standards, Aiforia used the FAS carrying amount of the loan in the opening IFRS balance sheet as required by IFRS 1 — First-time Adoption of International Financial Reporting Standards and did not adjust the benefit of receiving the loan from a public authority at below market rate to a government grant. Concerning the loan withdrawn in the financial year 2023, Aiforia has applied the requirements of IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance and recognized the benefit of a loan below market rate. The grant component is calculated as the difference between the withdrawn loan amount and the fair value of the loan. The fair value has been calculated using an 11% discount rate which the management believes depicts the interest rate level at which a company like Aiforia with its current credit rating could find financing on the market. More information is presented in Note 5. Other operating income.

22. Financial risk management

The Group is exposed to the following financial risks in its business operations: currency risk, interest rate risk, credit risk and liquidity risk.

The objective of Aiforia's financial risk management is to minimize the adverse effects of changes in the financial markets on the Group's result, balance sheet and cash flows. Aiforia's CEO and CFO are responsible for the management of financial risks.

Currency risk

Existing currency risk arises from foreign currency-denominated commercial transactions, monetary items in the balance sheet and net investments in foreign subsidiaries. EUR and USD constitute the largest currency positions in the Group's cash flows. The Group has both revenues and costs in both main currencies, which significantly limits the currency risk. The company monitors the development of foreign exchange positions as operations expand and non-USD currency items grow, which may result in adopting an active hedging policy in the company. During the reporting periods, the company does not have any hedging instruments in place and the Group does not apply hedge accounting.

Foreign exchange risk exposure

(EUR thousand)	USD (1,000 EUR)	GBP (1000 EUR)
Dec. 31, 2023		
Trade receivables	–	–
Trade payables	-12	-5
Intra-group receivables	–	–
Intra-group payables	–	–
Net position	**-12**	**-5**
Dec. 31, 2022		
Trade receivables	10	28
Trade payables	0	–
Intra-group receivables	266	–
Intra-group payables	–	–
Net position	**275**	**28**
Jan. 1, 2022		
Trade receivables	–	–
Trade payables	-6	-1
Intra-group receivables	531	–
Intra-group payables	-51	–
Net position	**475**	**-1**

Sensitivity analysis of changes in exchange rates

(EUR thousand)	Effect on the result before taxes	
	Dec. 31, 2023	Dec. 31, 2022
EUR/USD-exchange rate - EUR strengthens by 10 %	1	-25
EUR/USD-exchange rate - EUR weakens by 10 %	-1	31
EUR/GBP-exchange rate - EUR strengthens by 10 %	0	-3
EUR/GBP-exchange rate - EUR weakens by 10 %	-1	3

Interest rate risk

Interest rate risk refers to the uncertainty in the cash flow, result and balance sheet resulting from a change in interest rates.

Group loans and receivables are measured at amortized cost. Loans are regularly repriced under the contract and, in this respect, they are also exposed to the risk of future changes in market rates.

The company is exposed to potential interest rate risks through its floating rate loans from financial institutions. The interest rate of product development loan agreements granted by the State Treasury and Young Innovation Companies loan agreements has been set three percentage points below the base rate set by the Ministry of Finance, provided that the interest rate is always at least 1%. The basic interest rate set by the Ministry of Finance was 2.5% between 1 Jan. and 30 Jun. 2023, 3.75% between 1 Jul. and 31 Dec. 2023, -0.5% between 1 Jul. and 31 Dec. 2022 and 0% between 1 Jan. and 30 Jun. 2022.

The company continuously monitors the development of currencies and interest rates and reacts to the situation as necessary.

Sensitivity analysis of interest rate changes

(EUR thousand)	Effect on the result before taxes	
	Dec. 31, 2023	Dec. 31, 2022
Increase 1%	30	–
Decrease 1%	–	–

Due to the interest terms of the loans, even if the base rate set by the Ministry of Finance would increase or decrease by 1 percentage point, it would not have affected the interest rates on the company's loans at the time of the financial statements on December 31, 2022.

Credit risk

Credit risk relates to cash and trade receivables.

The Group has significant cash assets deposited with banks with at least investment grade credit risk. The Group considers its credit risk level for cash assets to be low.

These risks are managed by regularly monitoring counterparty risks and credit ratings of customers, banks and potential deposit facilities, and by appropriately diversifying cash resources between banks and potential deposit facilities.

The Group's business is based on license sales and closely related service sales. Typical of this type of business is that invoicing and payment take place at the beginning of the contract period. This will substantially reduce credit losses. A significant part of the customer base consists of universities, hospitals and other large companies operating in the health care sector with low credit risk related to their trade receivables. Aiforia has not had any credit losses in the past five years and believes that the likelihood of credit losses will continue to be low.

Age distribution of trade receivables

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Current	433	717	78
1–30 days past due	131	108	47
31–90 days past due	23	0	9
91–180 days past due	–	28	–
180 or more days past due	41	137	5
Total	**627**	**990**	**139**

The receivables in the age distribution for the financial year 2022 with balances of over 90 days are mainly related to delays in the documentation of invoicing correspondence and are only directed at a few customers. For the financial year 2023, balances of over 90 days consist of two invoices, of which one has been paid at the time of publication of this report and the other has a payment plan.

Liquidity risk

Liquidity risk is related to maintaining sufficient and continuous financing required for the Group's working capital, loan repayments, investment expenditure and growth.

Acting management continuously monitors the amount of funding required for the business and analyzes the cash flow projections of the business and the payback times of trade receivables to provide Aiforia with sufficient liquid assets to meet its business needs and repay outstanding loans.

Contractual maturities and cash flows of financial liabilities

Financial debt maturity analysis 2023

(EUR thousand)	Carrying amount	Cash flow	2024	2025	2026	2027	2028	Later
Financing liabilities								
Loans from financial institutions	4,961	-6,740	-527	-597	-386	-2,084	-2,298	-849
Trade payables	816	-816	-816					
Lease liabilities	887	-969	-288	-278	-267	-136	–	–
Total	**6,664**							

Financial debt maturity analysis 2022

(EUR thousand)	Carrying amount	Cash flow	2023	2024	2025	2026	2027	Later
Financing liabilities								
Loans from financial institutions	2,690	-3,148	-532	-527	-597	-386	-208	-900
Trade payables	992	-992	-992					
Lease liabilities	1,024	-1,236	-267	-288	-278	-267	-136	–
Total	**4,706**							

Capital management

In line with Aiforia's capital management, capital includes share capital and all other equity funds directed at holders of the parent company's capital. The objective of Aiforia's capital management is to maximize the value of the shareholder's investment. Aiforia manages the capital structure and makes changes to it following economic cycles and any covenants related to financing. Aiforia can modify the distribution of dividends, capital repayments and issuance of new shares to its shareholders to maintain and modify the capital structure. Aiforia monitors the capital structure through cash assets and equity ratios. Interest-bearing net liabilities are presented in the table below.

No changes have been made to the objectives, policies or processes of capital management during the financial year that ended on December 31, 2023.

Equity ratio, %

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Total assets	28,191	36,478	43,923

Advances received and contract liabilities	-1,183	-1,256	-560
Total equity	17,906	29,297	37,941
Equity ratio	**66 %**	**83 %**	**87 %**

Net debt

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Loans from financial institutions	4,961	2,690	2,895
Lease liabilities	887	1,024	–
Cash and cash equivalents	-13,974	-24,698	-38,092
Net debt	**-8,126**	**-20,984**	**-35,197**

23. Provisions, contingent liabilities and commitments

Accounting principles

A provision is recognized when the Group incurs a legal or actual obligation as a consequence of a prior event, when fulfilling the obligation is likely to require a transfer of resources out of the Group and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate at the end of the reporting period of the unavoidable costs required to fulfill the obligation. That is, the present value of the estimated expenditure concerned, considering the risks and uncertainties associated with the obligation.

Contingent liabilities relate to potential obligations, the existence of which is only confirmed when one or more uncertain events that are not entirely controlled by the company occur or do not occur in the future. Contingent liabilities are not recognized in the balance sheet but are disclosed in the notes.

Provisions and contingent liabilities

The Group had no provisions or contingent liabilities at the end of the financial years 2023 and 2022 nor on January 1, 2022.

Collateral, liabilities and off-balance sheet commitments

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

At the end of the financial year, unaudited grant accounts are subject to a potential refund liability equal to the amount of the grant, which materializes if the grant has been paid in excess of eligible costs or if the required reports have not been submitted by the due date.

24. Related party transactions

Accounting principles

The parent company's related parties include its subsidiary, the CEO, the members of the Board of Directors and the management team, as well as their close family members and companies under their control.

Related party transactions include transactions with related parties that are not eliminated in the consolidated financial statements.

Transactions with related party companies and outstanding balances

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Sales of services	–	37
Total	**–**	**37**

In the financial years 2022 and 2023, Aiforia has not had related party transactions with the CEO, the Board of Directors or the management team. In the financial year 2023 Aiforia has not had related party transactions with other related parties. During the financial year 2022, Aiforia has had two related party transactions with other related parties, as services were sold to an entity controlled by a related party for EUR 37,000.

Aiforia had no outstanding claims or liabilities related to related party transactions on December 31, 2023, December 31, 2022 or January 1, 2022.

Benefits for managers

(EUR thousand)	CEO		Other members of the management team		Board		Total	
	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Wages and salaries	-420	-445	-659	-579	-149	-105	-1,229	-1,129
Pension expenses (defined contribution plans)	-2	-12	-79	-46	–	–	-81	-57
Social security expenses	-370	-384	-441	-601	–	–	-812	-985
Total	**-793**	**-841**	**-1,179**	**-1,225**	**-149**	**-105**	**-2,121**	**-2,171**

Options

(pcs)	Shares	Maximum number of shares to be issued on the basis of option rights, which have not yet been subscribed and are subscribable

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Board	2,078,457	2,244,950	190,000	190,000
CEO	607,940	605,717	1,241,500	1,141,500
Management Team	170,700	1,426,700	1,411,950	1,111,950
Total	**2,857,097**	**4,277,367**	**2,843,450**	**2,443,450**

In the financial year 2023, a total of 350,000 options were granted to related parties and in the financial year 2022 a total of 834,500 options were granted.

25. Transition to IFRS reporting standards

Accounting principles

Aiforia publishes its first consolidated financial statements prepared following International Financial Reporting Standards (IFRS) adopted in the European Union for the financial year that ended on December 31, 2023.

The date of transition to IFRS accounting standards was January 1, 2021. Aiforia has applied the IFRS 1 accounting standard First-time Adoption of International Financial Reporting Standards in the transition. In the transition to IFRS reporting standards, Aiforia used the FAS carrying amount of the loan in the opening IFRS balance sheet as required by the IFRS 1 accounting standard First-time Adoption of International Financial Reporting Standards and did not adjust the benefit of receiving the loan from a public authority at below market rate to a government grant.

Aiforia's consolidated financial statements have previously been prepared following Finnish Accounting Standards (FAS). In preparing its opening IFRS balance sheet, the Group has adjusted financial statements data prepared according to FAS. The accounting principles described above have been applied in the preparation of the consolidated financial statements for 2022 and the opening IFRS balance sheet.

Adjustments related to deferred taxes were recognized from IFRS adjustments. Deferred tax assets are recognized from temporary differences only to the extent that it is probable that future taxable income will be available. Aiforia deducts deferred tax assets and liabilities from each other when they relate to the same tax recipient and Aiforia has the right to set them off.

IFRS adjustments made in connection with the transition are described in the following tables.

Consolidated comprehensive income statement Jan 1.-Dec. 31, 2022

(EUR thousand)	FAS	Recognition of revenue	Share-based payments	Leases	Development cots	Listing costs	Translation differences	Reclassifications	The effects of IFRS	IFRS
Revenue	1 868	-178	–	–	–	–	–	-85	-263	1 606
Other operating income	138	–	–	–	–	–	–	85	85	223
Materials and services	-570	–	–	–	–	–	–	–	–	-570
Employee benefit expenses	-5 674	–	-1 466	–	204	–	–	-33	-1 296	-6 970
Depreciation, amortization and impairment losses	-2 095	–	–	-101	-30	–	–	–	-131	-2 226
Other operating expenses	-3 871	–	–	21	–	–	–	-91	-70	-3 941
Operating loss	**-10 203**	**-178**	**-1 466**	**-81**	**174**	**–**	**–**	**-124**	**-1 675**	**-11 878**
Financial income	99	–	–	–	–	–	–	-3	-3	96
Financial expenses	-503	–	–	-31	–	–	–	127	97	-406
Total financial income and expenses	-404	–	–	-31	–	–	–	124	93	-311
Result before taxes	**-10 607**	**-178**	**-1 466**	**-112**	**174**	**–**	**–**	**–**	**-1 582**	**-12 188**
Income taxes	–	22	–	–	11	–	–	–	33	33
Result for the financial period	**-10 607**	**-156**	**-1 466**	**-112**	**185**	**–**	**–**	**–**	**-1 549**	**-12 156**
Result for the financial period attributable to										
Owners of the parent company	-10 607	-156	-1 466	-112	185	–	–	–	-1 549	-12 156

Consolidated comprehensive income statement Jan. 1, 2022 - Dec. 31, 2022

	FAS	Recognition of revenue	Share-based payments	Leases	Development cots	Listing costs	Translation differences	Reclassifications	The effects of IFRS	IFRS
Result for the financial period	**-10 607**	**-156**	**-1 466**	**-112**	**185**	**–**	**–**	**–**	**-1 549**	**-12 156**
Other comprehensive income										
Items that may be reclassified subsequently to profit or loss										
Translation differences	–	–	–	–	–	–	-86	–	-86	-86
Total other comprehensive income for the financial period	–	–	–	–	–	–	-86	–	-86	-86
Comprehensive income for the financial period	**-10 607**	**-156**	**-1 466**	**-112**	**185**	**–**	**-86**	**–**	**-1 635**	**-12 242**
Comprehensive income for the financial period attributable to										
Owners of the parent company	-10 607	-156	-1 466	-112	185	–	-86	–	-1 635	-12 242

Consolidated balance sheet Jan. 1, 2022

(EUR thousand)	FAS	Recognition of revenue	Share-based payments	Leases	Development cots	Listing costs	Translation differences	Reclassifications	The effects of IFRS	IFRS
ASSETS										
Non-current assets										
Intangible assets	4,723	–	–	–	55	–	–	–	55	4,778
Tangible assets	50	–	–	–	–	–	–	-43	-43	8
Right-of-use assets	–	–	–	–	–	–	–	–	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	40	40	40
Total non-current assets	**4,773**	**–**	**–**	**–**	**55**	**–**	**–**	**-3**	52	**4,825**
Current assets										
Trade- and other receivables	1,003	–	–	–	–	–	–	3	3	1,006
Other financial assets	–	–	–	–	–	–	–	–	–	
Cash and cash equivalents	38,092	–	–	–	–	–	–	–	–	38,092
Total current assets	**39,095**	**–**	**–**	**–**	**–**	**–**	**–**	**3**	3	**39,097**
Total assets	**43,868**	**–**	**–**	**–**	**55**	**–**	**–**	**0**	**55**	**43,923**
EQUITY										
Share capital	103	–	–	–	–	–	–	–	–	103
Reserve for invested unrestricted equity	55,451	–	–	–	–	-1,757	–	–	-1,757	53,693
Translation differences	–	–	–	–	–	–	-28	–	-28	-28
Accumulated losses	-17,706	50	–	–	44	1,757	28	–	1,879	-15,827
Total equity	**37,848**	**50**	**–**	**–**	**44**	**–**	**–**	**–**	**94**	**37,941**
LIABILITIES										
Non-current liabilities										
Loans from financial institutions	2,690	–	–	–	–	–	–	–	–	2,690
Lease liabilities	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	–	22	–	–	11	–	–	–	33	33
Total non-current liabilities	**2,690**	**22**	**–**	**–**	**11**	**–**	**–**	**–**	**33**	**2,722**
Current liabilities										
Loans from financial institutions	205	–	–	–	–	–	–	–	–	205
Lease liabilities	–	–	–	–	–	–	–	–	–	–
Contract liabilities	–	-72	–	–	–	–	–	559	488	488
Advances received	513	–	–	–	–	–	–	-440	-440	73
Trade payables and other liabilities	2,613	–	–	–	–	–	–	-119	-119	2,494
Total current liabilities	**3,331**	**-72**	**–**	**–**	**–**	**–**	**–**	**–**	**-72**	**3,259**
Total liabilities	**6,020**	**-50**	**–**	**–**	**11**	**–**	**–**	**–**	**-39**	**5,981**
Total equity and liabilities	**43,868**	**–**	**–**	**–**	**55**	**–**	**–**	**–**	**55**	**43,923**

Consolidated balance sheet Dec. 31, 2022

(EUR thousand)	FAS	Recognition of revenue	Share-based payments	Leases	Development cots	Listing costs	Translation differences	Reclassifications	The effects of IFRS	IFRS
ASSETS										
Non-current assets										
Intangible assets	8,437	–	–	–	229	–	–	-10	218	8,655
Tangible assets	531	–	–	–	–	–	–	10	10	542
Right-of-use assets	–	–	–	913	–	–	–	–	913	913
Deferred tax assets	–	0	–	–	–	–	–	–	0	0
Other assets	88	–	–	–	–	–	–	16	16	104
Total non-current assets	**9,056**	**0**	**–**	**913**	**229**	**–**	**–**	**16**	1,157	**10,213**
Current assets										
Trade- and other receivables	1,582	–	–	–	–	–	–	-16	-16	1,566
Other financial assets	–	–	–	–	–	–	–	–	–	–
Cash and cash equivalents	24,698	–	–	–	–	–	–	–	–	24,698
Total current assets	**26,280**	**–**	**–**	**–**	**–**	**–**	**–**	**-16**	-16	**26,264**
Total assets	**35,336**	**0**	**–**	**913**	**229**	**–**	**–**	**–**	**1,141**	**36,478**
EQUITY										
Share capital	103	–	–	–	–	–	–	–	–	103
Reserve for invested unrestricted equity	57,582	–	–	–	–	-1,757	–	–	-1,757	55,825
Translation differences	–	–	–	–	–	–	-114	–	-114	-114
Total equity	**29,286**	**-106**	**–**	**-112**	**229**	**–**	**–**	**–**	**11**	**29,297**
LIABILITIES										
Non-current liabilities										
Loans from financial institutions	2,185	–	–	–	–	–	–	–	–	2,185
Lease liabilities	–	–	–	829	–	–	–	–	829	829
Deferred tax liabilities	–	0	–	–	–	–	–	–	0	0
Total non-current liabilities	**2,185**	**0**	**–**	**829**	**–**	**–**	**–**	**–**	**829**	**3,014**
Current liabilities										
Loans from financial institutions	505	–	–	–	–	–	–	–	–	505
Lease liabilities	–	–	–	196	–	–	–	–	196	196
Contract liabilities	–	106	–	–	–	–	–	1,041	1,147	1,147
Advances received	1,041	–	–	–	–	–	–	-932	-932	109
Trade payables and other liabilities	2,319	–	–	–	–	–	–	-109	-109	2,211
Total current liabilities	**3,865**	**106**	**–**	**196**	**–**	**–**	**–**	**0**	**302**	**4,167**
Total liabilities	**6,050**	**106**	**–**	**1,024**	**–**	**–**	**–**	**0**	**1,130**	**7,181**
Total equity and liabilities	**35,336**	**–**	**–**	**913**	**229**	**–**	**–**	**0**	**1,141**	**36,478**

Descriptions of IFRS adjustments to the Group's income statement for the financial year 2022 and balance sheets 1 Jan. 2022 and 31 Dec. 2022

Recognition of revenue (IFRS 15 Revenue from Contracts with Customers)

In FAS financial statements, license sales were evenly recognized as revenue over the contract period. In the IFRS transition, Aiforia's turnover was adjusted for licensing contracts that are installed in the customer's software environment. For these contracts, the sales income from licenses was adjusted and recognized in full at the beginning of the license contract period.

In FAS financial statements, the credits that enable the customer to use the computing capacity of the cloud service, i.e. time units of computing capacity, were recorded evenly during the contract period In IFRS financial statements, credit income was recognized based on use. Tailored service revenues were recognized in FAS financial statements based on invoices sent to the customer. In IFRS financial statements tailored service income was recognized when the work was completed.

Liabilities based on customer contracts were adjusted to a total of EUR 106,000 on 31 December 2022 and EUR 72,000 on 1 January 2022 and turnover for the financial year 2022 of EUR 178,000.

Share-based payments (IFRS 2 Share-based Payments)

In FAS financial statements, option schemes are not recognized in the income statement. Under IFRS accounting standards, options are measured at the fair value at the date of granting and recognized as an expense during the earnings period. Offsetting entries were recognized in equity, so the entries do not affect the total amount of equity. Employee benefit expenses increased by EUR 1,466,000 in the financial year 2022. A portion of expenditure from option schemes related to capitalized development projects, EUR 150,000, was capitalized into development expenditure during the financial year 2022. (See Development costs IAS 38 Intangible assets)

Lease agreements, Aiforia as lessee (IFRS 16 Leases)

Aiforia's leases are mainly related to business premises. In FAS financial statements, Aiforia recognized rent payments as an expense for the financial year to which they relate.

According to IFRS, a right-of-use asset and lease liability is recorded on leases. In the IFRS transition, Aiforia has elected to use the exemption for leases that ended within 12 months of the date of transition to IFRS accounting standards and treated those leases as if they were short-term leases. Aiforia also used the exemption for leases where the underlying asset has a low value and recognized the related rents as an expense evenly over the lease period.

Aiforia did not have leases recorded in right-of-use assets on 1 January 2022. For the financial year 2022, Aiforia recognized an adjustment of EUR 1,014,000 for the increase in lease agreements as both right-of-use assets and financial liabilities (current and non-current shares). At the end of the financial year 2022, right-of-use assets totaled EUR 913,000 and lease liabilities amounted to EUR 1,024,000.

Lease payments previously presented in other operating expenses are divided into amortization of lease liabilities and interest expense arising from lease liabilities. In addition, depreciation of right-of-use assets is recognized in profit or loss. In the financial year 2022, the deduction in other operating expenses was EUR 21,000, depreciation of right-of-use assets EUR 101,000 and interest expenses arising from leases EUR 31,000. In the financial year 2022, the deduction of other operating expenses was lower than the interest, as there were payment-free months at the beginning of the lease.

Development costs (IAS 38 Intangible Assets)

In FAS financial statements, the Group capitalized development costs such as external services and wages and salaries including social security costs. In FAS financial statements, the Group recognized employee benefits arising from development projects as an expense concerning holiday bonuses and bonuses. In the IFRS transition, these were adjusted as growth in development costs and a decrease in employee benefits. Share-based payments that were not recorded in the FAS financial statements were capitalized into development costs. The increase in development costs was EUR 204,000 on 31 December 2022 and EUR 55,000 on 1 January 2022.

In addition, holiday bonuses, bonuses and share-based payments that were capitalized in development costs were depreciated through profit or loss. The resulting adjustment to depreciation amounted to EUR 30,000 in the financial year 2022. The cumulative adjustment less depreciation recorded in development costs of intangible assets was EUR 229,000 on 31 December 2022 and EUR 55,000 on 1 January 2022.

Listing costs (IFRS 9 Financial Instruments, IAS 32 Financial Instruments: Presentation)

In FAS financial statements, Aiforia recognized the listing costs related to the issuance of new shares as financial expenses. In the opening balance sheet of the IFRS transition on 1 January 2022, Aiforia transferred the listing expenses of new shares from accrued losses to a deduction in the reserve for invested unrestricted equity, EUR 1,75,7000.

Translation differences (IAS 21 The Effects of Changes in Foreign Exchange Rates)

In FAS financial statements, the Group recognized exchange rate differences arising from the consolidation of a foreign subsidiary in the consolidated financial statements in retained earnings. In the IFRS transition, translation differences were separated into an own item in the Group's equity, increasing accumulated losses. Cumulative translation differences were EUR -114,000 on 31 December 2022 and EUR -28,000 on 1 January 2022.

Reclassifications:

Changes in reclassifications do not affect the figures but are changes in presentation to align with IFRS financial statements. Reclassified items:

- Aiforia has capitalized renovation costs related to its rented premises. Capitalized expenditure is treated as intangible assets in the FAS financial statements. In the IFRS transition, the cost of improving rented premises was transferred to tangible assets. The adjustment amounted to EUR 10,000 on 31 December 2022.

- The lease collateral shown in the FAS financial statements in other current receivables was transferred to other non-current assets. The resulting cumulative adjustment amounted to EUR 16,000 on 31 December 2022 and EUR 40,000 on 1 January 2022.

- In the FAS financial statements, prepaid purchase invoices were recorded as advances on tangible assets and procurement in progress. In the IFRS transition, the item was transferred to other receivables. The resulting adjustment amounted to EUR 43,000 on 1 January 2022.

- In the FAS financial statements, Aiforia recorded the grants received in advance as accruals. In the IFRS transition, these were transferred to advances received. The resulting cumulative adjustment amounted to EUR 109,000 on 31 December 2022 and EUR 73,000 on 1 January 2022.

- In the FAS financial statements, turnover that is recognized after invoicing was recorded in advances received and accruals. These were transferred in the IFRS transition to liabilities based on customer contracts. The resulting cumulative transfer was EUR 1,041,000 on 31 December 2022 and EUR 559,000 on 1 January 2022.
- In the FAS financial statements, the EUR 85,000 exchange rate differences from sales recorded in 2022 turnover have been transferred to other operating income in the IFRS transition.
- The voluntary personnel costs of EUR 33,000 for the financial year 2022 presented in FAS financial statements in other operating expenses have been transferred to employee benefit expenses in the IFRS transition.
- The listing costs of EUR 124,000 for the financial year 2022 presented in FAS financial statements in financial expenses have been transferred to other operating costs in the IFRS transition.

26. Events after the end of the financial year

Update to short- and medium-term business objectives

On 19 January 2024, the Board of Directors of Aiforia approved the company's specified growth strategy and updated business targets.

Licensing agreement with Mayo Clinic for an AI model that assesses the risk of colorectal cancer recurrence

In January 2024, Aiforia signed an exclusive global licensing agreement with the US-based Mayo Clinic to commercialize an AI model that assesses the risk of colorectal cancer recurrence. The AI model developed in collaboration with the Mayo Clinic identifies the tissue characteristics of colorectal cancer and provides a prognosis of the decursus morbid. The signed licensing agreement authorizes Aiforia to market and sell the AI model developed to assess the risk of colorectal cancer recurrence globally.

Parent Company's Financial Statements

Parent company's income statement

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Revenue	**1,266**	**1,380**
Other operating income	55	137
Materials and services		
Materials and consumables		
Purchases during the financial year	0	0
External services	-466	-569
Total materials and services	-466	-570
Personnel expenses		
Wages and salaries	-3,725	-3,447
Social security expenses		
Pension expenses	-492	-409
Other social security expenses	-238	-244
Total personnel expenses	-4,456	-4,100
Amortization and impairment losses		
Amortization according to plan	-2,867	-2,081
Impairment losses on non-current assets		
Total amortization and impairment losses	-2,867	-2,081
Other operating expenses	-3,790	-3,049
Operating loss	**-10,389**	**-8,282**
Financial income and expenses		
Other interest income and other financial income	812	228
Interest and other financial expenses	-139	-301
Total financial income and expenses	673	-73
Loss before appropriations and taxes	**-9,716**	**-8,355**
Loss for the financial year	**-9,716**	**-8,355**

Parent company's balance sheet

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022
ASSETS		
Non-current assets		
Intangible assets		
Development expenses	11,459	8,427
Other intangible assets	8	10
Total intangible assets	11,467	8,437

Tangible assets		
Machinery and equipment	478	470
Investments	0	0
Total tangible assets	478	470
Total non-current assets	**11,946**	**8,907**
Current assets		
Long-term receivables		
Other receivables	88	88
Current receivables		
Trade receivables	367	175
Other receivables	110	225
Receivables from group companies	6,535	4,818
Prepaid expenses and accrued income	202	181
Total current receivables	7,214	5,400
Cash and cash equivalents	13,411	24,241
Total current assets	**20,713**	**29,729**
Total assets	**32,659**	**38,636**

	Dec. 31, 2023	Dec. 31, 2022
EQUITY AND LIABILITIES		
EQUITY		
Share capital	103	103
Reserve for invested unrestricted equity	57,745	57,582
Retained earnings (losses)	-24,238	-15,884
Loss for the financial year	-9,716	-8,355
Total equity	**23,893**	**33,446**
Liabilities		
Non-current liabilities		
Loans from financial institutions	5,720	2,185
Total non-current liabilities	**5,720**	**2,185**
Current liabilities		
Loans from financial institutions	505	505
Advances received	631	409
Trade payables	813	936
Liabilities to group companies	–	0
Other current liabilities	121	113
Accruals and deferred income	976	1,043
Total current liabilities	**3,045**	**3,005**
Total liabilities	**8,765**	**5,190**
Total equity and liabilities	**32,659**	**38,636**

Parent company's cash flow statement

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Cash flow from operating activities		
Loss before appropriations and taxes	-9,716	-8,355
Adjustments for:		
Amortization and impairment losses	2,867	2,081
Other non-cash items	-55	43
Financial income and expenses	-673	73
Unrealized exchange rate profits and losses	52	94
Other adjustments	–	-124
Operating profit before working capital changes	-7,524	-6,188
Changes in working capital:		
Increase(-) or decrease(+) of current interest-free receivables	443	-628
Increase(-) or decrease(+) of current interest-free liabilities	141	-426
Cash flow from operating activities before financial items and taxes	-6,940	-7,242
Interest paid and payments from other operating financial expenses	-79	-173
Interest received from business operations	652	142
Cash flow from operating activities (A)	**-6,368**	**-7,273**
Cash flow from investing activities		
Investments in tangible and intangible assets	-5,906	-6,265
Loans granted	-2,208	-2,000
Cash flow from investing activities (B)	**-8,114**	**-8,265**
Cash flow from financing activities		
Proceeds from share issue	163	2,131
Loans from financial institutions increase (+)/decrease (-)	3,535	-205
Cash flow from financing activities (C)	**3,698**	**1,926**
Net increase (+)/(-) decrease in cash and cash equivalents (A+B+C)	-10,783	-13,612
Effects of changes in foreign exchange rates	-47	-92
Cash and cash equivalents at the beginning of the financial year	24,241	37,945
Cash and cash equivalents at the end of the financial year	**13,411**	**24,241**

Notes to the Parent Company's Financial Statements

Valuation and accrual principles

Valuation and accrual principles and methods

The financial statements have been prepared following the valuation and accrual assumption principles and methods laid down in Chapter 2, Section 2a of the Accounting Ordinance, with the exceptions listed below:

Development expenditure

The company recognizes research costs, such as acquisition of new information and the search for product and process alternatives, as expenses on an accrual basis, i.e. at the time the costs are incurred. The company capitalizes development costs in the balance sheet as intangible assets if they are expected to generate income over several financial years. When the company classifies an intangible asset as development costs, the completion of the asset is technically feasible in such a way that the asset is available for use or sale, the company has the ability, intention and resources to complete and use or sell the asset. The company estimates that the asset has a probable future economic benefit that can be demonstrated and that the company can reliably determine the costs arising from the intangible asset during its development phase.

When distributable resources are presented, the residue of development costs capitalized in the balance sheet is deducted from unrestricted equity.

There are uncertainties associated with the assessments related to development costs capitalized in the balance sheet and it is possible that, as circumstances change, the expected return from the development projects changes. The value of development costs capitalized in the balance sheet may decrease if the expected economic benefits change. If the expected return on an asset recognized in the balance sheet is less than the sum of development costs recognized in the balance sheet, the value of the capitalized development cost is adjusted with an impairment to correspond with the expected return.

Comparability

An ex-post correction has been made to the comparison period. A total of EUR 124,000 of the financial expenses item has been reclassified and transferred to other operating expenses. After the adjustment, the figures for the ended financial year and the comparison period are comparable in these respects.

Notes to the income statement

Turnover recognition principles

Aiforia's turnover includes income from cloud-based software solutions (Software as a Service or SaaS), as well as additional services such as using cloud storage and computing capacity. Cloud storage is used to store customers' tissue cell or other images. In cloud-based software solutions, the customer can purchase pre-paid credits to analyze their images, which enable the customer to use the computing capacity of the cloud service, i.e. time units of computing capacity.

From the beginning of the 2023 financial year, tailored service income, such as creating models or software integration work, are recognized when the work is completed. In financial years prior to 2023, tailored service income was recognized based on invoices sent to the customer.

From the beginning of the financial year 2023, credit income is recognized based on agreed unit rates when the customer uses credits, i.e. pre-paid computing capacity. At the end of the contract, any unused credits will be recognized at once. In financial years prior to 2023, credit income was recognized evenly during the contract period.

Turnover distribution by country

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Finland	214	258
Rest of Europe	696	281
North-America	292	750
Others	63	90
Total	**1,266**	**1,380**

Recognition principles of grants received

Grants are only recorded when it is reasonably certain that the conditions underlying the grants have been met and that the grant will be received. Awarded grants are recognized in other operating income to the extent that the aided project generates eligible costs according to the grant decision and terms. Grants are recognized in profit or loss for the period in which the related costs are recognized in profit or loss. Grants received in advance are presented as advances received in the balance sheet until the grant meets the criteria for recognition. The refund liability related to grants is presented in the notes in connection with the liabilities.

Capitalization of development costs

Development costs have been capitalized from personnel costs and other operating expenses as follows:

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Personnel expenses		
Wages and salaries	-4,733	-4,206
Pension expenses	-677	-524
Other social security expenses	-255	-288
Capitalization of development expenses	**1,209**	**918**
Total personnel expenses	-4,456	-4,100
Other operating expenses	-8,487	-7,869
Capitalization of development expenses	**4,567**	**4,821**
Total other operating expenses	-3,920	-3,049
Total capitalization of development expenses	**5,775**	**5,739**

Notes on assets in the balance sheet

Basis for and changes in depreciation according to plan

Tangible assets are recognized in the balance sheet at direct acquisition cost less depreciation according to plan.

The depreciation periods are:

Development costs	Straight-line depreciation	5 years
Machinery and equipment	Straight-line depreciation	3-5 years
Renovation expenditure of rented facilities	Straight-line depreciation	4-5 years

Changes in non-current assets

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Development expenses		
Acquisition cost at 1 January	14,727	8,988
Additions	5,775	5,739
Acquisition cost at 31 December	**20,502**	**14,727**
Accumulated amortization and impairment losses on 1 January	-6,300	-4,264
Amortization and impairment losses	-2,743	-2,035
Accumulated amortization and impairment losses on 31 December	**-9,043**	**-6,300**
Acquisition cost at 31 December	20,502	14,727
Accumulated amortization and impairment losses on 31 December	-9,043	-6,300
Book value on 31 December	**11,459**	**8,427**
Other intangible assets		
Acquisition cost at 1 January	11	–
Additions	–	11
Acquisition cost at 31 December	**11**	**11**
Accumulated amortization and impairment losses on 1 January	0	–
amortization and impairment losses	-2	0
Accumulated amortization and impairment losses on 31 December	**-3**	**0**
Acquisition cost at 31 December	11	11
Accumulated amortization and impairment losses on 31 December	-3	0
Book value on 31 December	**8**	**10**
Machinery and equipment		
Acquisition cost at 1 January	528	14
Additions	131	515
Acquisition cost at 31 December	**659**	**528**
Accumulated amortization and impairment losses on 1 January	-59	-14
Amortization and impairment losses	-122	-45
Accumulated amortization and impairment losses on 31 December	**-180**	**-59**
Acquisition cost at 31 December	659	528
Accumulated amortization and impairment losses on 31 December	-180	-59
Book value on 31 December	**478**	**470**

Advance payments		
Acquisition cost at 1 January	–	43
Disposals and transfers to other items		-43
Acquisition cost at 31 December	**–**	**–**
Investments		
Acquisition cost at 1 January	0	0
Book value on 31 December	**0**	**0**

Amortizations of non-current assets

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Development expenses	-2,743	-2,035
Other intangible assets	-2	0
Machinery and equipment	-122	-45
Total amortization	**-2,867**	**-2,081**

Holdings in other companies

Aiforia Inc., domiciled in Cambridge, MA, United States, holding 100%.

Receivables from group companies

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022
Prepaid expenses and accrued income	349	491
Loan receivables	6,186	4,328
Total	**6,535**	**4,818**

Accrued income

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022
Salary and staff expenses (accrual)	1	–
Prepaid items	201	181
Other accrued income	–	0
Total	**202**	**181**

Notes on liabilities in the balance sheet

Equity breakdown

(EUR thousand)	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity at 1 January 2023	**103**	**57,582**	**-24,238**	**33,446**
Loss for the financial year			-9,716	-9,716
Share issue		163		163
Equity at 31 December 2023	**103**	**57,745**	**-33,955**	**23,893**

(EUR thousand)	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity at 1 January 2022	**103**	**55,451**	**-15,884**	**39,669**
Loss for the financial year			-8,355	-8,355
Share issue		2,131		2,131
Equity at 31 December 2022	**103**	**57,582**	**-24,238**	**33,446**

Calculation on the parent company's distributable shareholder's equity

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022
Retained earnings	-24,238	-15,884
Loss for the financial year	-9,716	-8,355
Reserve for invested unrestricted equity	57,745	57,582
Capitalized development expenditure	-11,459	-8,427
Total	**12,332**	**24,917**

Non-current liabilities maturing after five years

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022
Loans from financial institutions	840	525

Accrued expenses and deferred income

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022
Staff expenses (accrual)	900	925
EU grant	54	–
Interest	22	9
Other accruals and deferred income	–	109
Total	**976**	**1,043**

Notes on income taxes

Deferred tax assets that have not been recognized in the balance sheet

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022
Losses,	32,136	24,231
of which deferred tax assets	6,427	4,846

Collateral, liabilities and off-balance sheet arrangements

(EUR thousand)	Dec. 31, 2023	Dec. 31, 2022
Lease commitments		
To be paid in the next fiscal year	314	294
To be paid later	780	1,030
Other commitments		
Decider-grant, unaudited	204	149

Grant accounts that remain unaudited at the end of the financial period are subject to a potential refund liability equal to the amount of the grant.

Auditor's fees

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Statutory audit	-70	-43
Other actions referred to in section 1, subsection 1, paragraph 2 of Auditing Act	-3	-16
Other services	-65	-39
Total	-138	-98

Related party transactions

The parent company's related parties include its subsidiary, the CEO, the members of the Board of Directors and the management team, as well as their close family members and companies under their control.

In the financial year 2023, Aiforia had no related party transactions with other related parties. In the financial year 2022, Aiforia had two related party transactions with other related parties, as services were sold to an entity controlled by a related party for EUR 37,000.

Related party transactions for the subsidiary were as follows:

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Purchases	-726	–
Sales	188	764
Total	**-538**	**764**

The management has been granted options. For more information on these, see Management salaries and remuneration.

Notes on personnel and members of governing bodies

Number of personnel

	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Average number of personnel during the financial year	59	56

Management salaries and fees

(EUR thousand)	Jan. 1, 2023 - Dec. 31, 2023	Jan. 1, 2022 - Dec. 31, 2022
Board		
Wages and salaries	-149	-105
Total	**-149**	**-105**
CEO		
Wages and salaries	-420	-457
Pension expenses	-2	–
Total	**-422**	**-457**
Other members of Management Team		
Wages and salaries	-444	-563
Pension expenses	-79	-46
Social security expenses	-28	-16
Total	**-533**	**-625**

Options

(pcs)	Shares		Maximum number of shares to be issued on the basis of option rights, which have not yet been subscribed and are subscribable	
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Board	2,078,457	2,244,950	190,000	190,000
CEO	607,940	605,717	1,241,500	1,141,500
Management Team	170,700	1,426,700	1,411,950	1,111,950
Total	**2,857,097**	**4,277,367**	**2,843,450**	**2,443,450**

In the financial year 2023, a total of 350,000 options were granted to related parties and in the financial year 2022 a total of 834,500 options were granted. The option schemes and their contents are presented in more detail in Note 7. Employee benefit expenses.

Signatures to the financial statements and annual report

Helsinki, March 9, 2024

Pekka Mattila	Johan Lundin
Chairman of the Board	Member of the Board
Maria Fe Paz de Paz	Jerry Jian Hong
Member of the Board	Member of the Board
Steven Lynum	Jukka Tapaninen
Member of the Board	CEO

Auditor's note

The auditor's report on the financial statements has been issued today.

Helsinki, March 12, 2024

PricewaterhouseCoopers Oy

Auditor

Martin Grandell

APA

Auditors' Report (Translation of the Finnish Original)

To Aiforia Technologies Plc's Annual General Meeting

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Aiforia Technologies Oyj (business identity code 2534910-2) for the year ended 31 December, 2023. The financial statements comprise:

- the consolidated balance sheet, [income statement,] statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which include material accounting policy information and other explanatory information
- the parent company's balance sheet, income statement, cash flow statement and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell

Authorised Public Accountant (KHT)