



2023

FINANCIAL STATEMENTS BULLETIN

January-December 2023

modulight

Several R&D projects progressed to Phase 3

The figures in brackets refer to the corresponding period of the previous year. This financial statements bulletin is unaudited.

Highlights in October–December 2023

- ❑ The R&D pipeline grew with one new project, product development projects progressed, and the number of customer meetings continued to grow. It is significant that for several customers, the projects have progressed to Phase 3 of drug development.
- ❑ Revenue was EUR 1,019 (1,268) thousand. The weak revenue development was due to delays in projects and the transition to the PPT (pay per treatment) business model in line with the strategy.
- ❑ EBITDA was EUR -2,992 (-2,000) thousand. Profitability was burdened by weak revenue development, non-recurring costs related to the investment program, and investments in new product development projects and personnel competence.
- ❑ EBITDA margin was -293.6 (-157.7) % of revenue.
- ❑ Operating result (EBIT) was EUR -5,060 (-2,501) thousand.
- ❑ Operating result (EBIT) margin was EUR -496.5 (-197.2) % of revenue.
- ❑ Earnings per share was EUR -0.12 (-0.05).

Highlights in 2023

- ❑ At the end of the year, the total number of R&D projects was 28 (27 at the end of 2022). For several customers, product development projects have progressed to Phase 3 of drug development. The development of the product development pipeline reinforced the versatility of the company's unique technology.
- ❑ Geographical expansion in the United States progressed. The company also got off to a good start in Europe and Asia in developing its commercial network for wider use of the technology with several distributor partners.
- ❑ In February 2023, Modulight established a Product Support Center in the state of New York on the East Coast of the United States.
- ❑ In May 2023, Modulight's Board of Directors decided on a new stock option program for key persons of the company. The options entitle holders to subscribe for a total of up to 500,000 new shares in the company or shares held by the company between 31 December 2025 and 31 December 2028.

- ❑ In July 2023, Modulight organized the International Photodynamic Association's World Congress in Tampere, Finland, attended by approximately 250 participants from 26 different countries.
- ❑ In September 2023, the potential of Modulight's technology was confirmed by a customer project that progressed to Phase 3 and a study in co-operation with the University of Maryland published in Science Advances, a top scientific journal.
- ❑ Revenue was EUR 4,025 (4,599) thousand. The weak revenue development was due to delays in projects and the transition to the PPT (pay per treatment) business model in line with the strategy.
- ❑ EBITDA was EUR -8,539 (-5,936) thousand. Profitability was burdened by weak revenue development, non-recurring costs related to the investment program, and investments in new product development projects and personnel competence.
- ❑ EBITDA margin was -212.1 (-129.1) % of revenue.
- ❑ Operating result (EBIT) was EUR -12,132 (-7,792) thousand.
- ❑ Operating result (EBIT) margin was -301.4 (-169.4) % of revenue.
- ❑ Earnings per share was EUR -0.28 (-0.20).
- ❑ The company's Board of Directors proposes that no dividend be distributed for the financial year 2023.

Key figures

Group EUR 1,000 unless otherwise noted	10-12/2023	10-12/2022	7-12/2023	7-12/2022	1-12/2023	1-12/2022 ¹⁾
Revenue	1,019	1,268	1,425	2,499	4,025	4,599
EBITDA	-2,992	-2,000	-5,529	-3,342	-8,539	-5,936
EBITDA-%	-293.6%	-157.7%	-388.0%	-133.7%	-212.1%	-129.1%
Operating result (EBIT)	-5,060	-2,501	-8,134	-4,313	-12,132	-7,792
Operating result (EBIT) -%	-496.5%	-197.2%	-570.8%	-172.6%	-301.4%	-169.4%
Earnings for the period	-4,967	-2,235	-8,030	-4,183	-11,861	-8,552
Earnings per share (EPS, EUR)	-0.12	-0.05	-0.19	-0.10	-0.28	-0.20
Acquisition of fixed and intangible assets	-949	-4,860	-2,990	-8,530	-9,735	-13,694
Free cash flow from operating activities	-3,942	-6,861	-8,520	-11,873	-18,274	-19,630
Cash and cash equivalents ²⁾	25,131	43,870	25,131	43,870	25,131	43,870
Net debt ²⁾	-18,586	-35,586	-18,586	-35,586	-18,586	-35,586
Gearing ratio ²⁾	-33.4%	-52.7%	-33.4%	-52.7%	-33.4%	-52.7%
Equity ratio ²⁾	87.1%	86.3%	87.1%	86.3%	87.1%	86.3%
Headcount (FTE) ²⁾	70	62	70	62	70	62

¹⁾ Audited

²⁾ Figure refers to the end of the review period

Outlook for 2024

Modulight has not issued guidance for revenue or profitability in 2024. As the company's customer projects are still distributed across varying early stages of development, and predicting developments in the market remains challenging, it is difficult to forecast performance in 2024. However, the company expects that changes in the operating environment caused by macroeconomic and geopolitical uncertainty will still impact its financial performance in the short term.

Seppo Orsila, CEO

Modulight had a promising start of 2023, as we received a US market authorization for our laser device and revenue started to grow. However, as the year progressed, the pace started to slow down, and we were not able to reach our revenue target in 2023. The reasons for this were project delays caused by matters beyond our control, and the implementation of the pay per treatment (PPT) business model in line with our strategy. Overall, we made good progress in our product development projects. Most significant was that some of our customers progressed to Phase 3 of drug development and pilot production.

Thanks to our investment program and new technology, we were able to serve our customers even better and gained a few significant customers. In 2023, revenue was EUR 4.0 million compared to EUR 4.6 million in the previous year. EBITDA was EUR -8.5 million (EUR -5.9 million). The increase in costs was mainly due to one-off costs resulting from the commissioning of new equipment investments. These costs already started to decline towards the end of the year. The impact of the completion of our investment program will be reflected in our numbers in 2024. During the year, measures to strengthen our competence and new R&D initiatives also affected our profitability.

In January 2023, the company received the U.S. Food and Drug Administration's (FDA's) pre-market authorization for its laser device for the treatment of wet age-related macular degeneration (AMD). The authorization was a validation of our technology for AMD treatment, but in particular also an approval to use our cloud-based services in healthcare. After receiving the FDA approval, we started the launch of our device in the United States together with our local partner, and the first patients have already been treated with the device. The approval is also important for the wider use of cloud services, as second- and third-generation drugs will become more widely used. This laser platform is now also in use in clinical trials for new indications, where the PPT business model has also been adopted. In these trials, solutions based on second- and third-generation photoimmunotherapy drugs used together with our products are expected to bring significant improvements in patient outcomes.

Given the FDA approval our objective is to expand our own operations in the United States. Currently we have our own Product Support Center on the East Coast, and on the West Coast, in Silicon Valley, our business is promoted by an experienced and well-connected sales director. We also developed our geographical expansion in Europe and Asia with several distributor partners. In particular, we should mention the promising development in Japan with three different pharmaceutical companies, some of which we have previously worked with also in the United States.

Our impressive investment program, the FDA approval and the introduction of the PPT business model have generated growing interest in Modulight among new customers, and we have been active in industry events and organizing customer meetings. For example, during the year we started cooperation with a large dental care company. Our laser platform is also gaining traction among customers for applications in biomedical laser-based microscopy, retinopathy treatment and quantum computing. We see increased activity among our long-standing Japanese customers and believe that the Asian market will show positive development, which in turn will have a positive effect on the US market.

The implementation of the PPT business model was slower than expected due to audits of information security processes, but towards the end of the year we saw positive development. Therefore, in 2023, we initiated an ISO 27001 certification of our information security processes, which has already accelerated information security audits, and it will prove in advance to customers that our SaaS business is safe to use. Our objective is now to offer the PPT business model to almost all new customers, and some of our existing customers implemented the PPT business model during the year. Revenue generation with the PPT business model is initially slower but steadier than with device sale. We believe that the importance of the PPT business model for our operations will from now on slowly grow, and we expect it to have a financial impact starting in 2024. As the PPT model enables new treatment methods, many of our customers see opportunities to expand the use of this treatment.

Our R&D pipeline grew to 28 projects by the end of 2023. During the last quarter of the year, we saw notable progress with new customers in dentistry, ocular imaging, microscopy and ophthalmology. R&D projects among several customers have slowed down but overall developed well, and several projects are approaching commercialization phase. The potential of the R&D pipeline is further strengthened by the fact that several customer projects have reached Phase 3 with large research populations. Phase 3 requires considerable investments from our customers and is therefore a good indicator of the projects' potential reaching commercialization.

Our R&D work continued to be active during the year. We saw good progress in for instance glioblastoma and bladder cancer treatment research. The potential of our technology to treat a variety of cancers was further confirmed when a longstanding customer decided to continue to use our technology in research for new indications. A scientific study in collaboration with the University of Maryland, published in the Science Advances magazine, demonstrated the benefits of our laser device in treating ovarian cancer patients and in extending the lifespan of drugs, which is important for the business of pharmaceutical companies. Our patent portfolio and exclusive rights to previously reported research results developed positively.

Our growth strategy stands on a solid base. Our own semiconductor factory, state-of-the-art laser technology expertise, the FDA approval in the United States and long-term cooperation with leading companies and researchers in the field are our key strengths, based on which we can build the future. In 2024, we will continue to focus on implementing our growth strategy including the launch of the PPT model as well as expansion and development of our operations in the United States. We believe that the key actions of our growth strategy and our strengths will contribute to our business returning to strong, profitable growth in the strategy period extending to 2025.

Progress of the product development pipeline

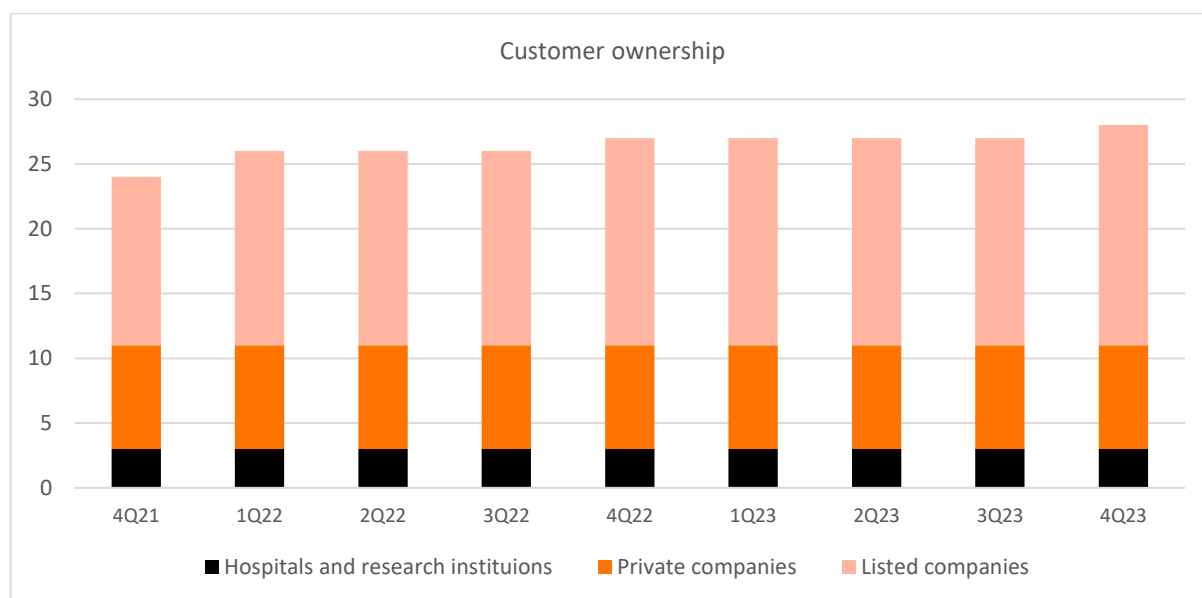
The R&D pipeline, which Modulight considers the most important measure of its progress, grew by one project, and at the end of 2023, the company had a total of 28 (27) projects related to individual indications and applications. All product development projects progressed, but some projects progressed slower than expected. The company estimates that the revenue potential from several projects in the pipeline is significant. The company has identified a promising opportunity to accelerate its cloud strategy in the short term based on U.S. clinician feedback.

Despite some delays, several projects reached Phase 3 with a large population, which was reflected in a significant number of new medical equipment installations in the United States. A concrete indication of the progress of the R&D pipeline was the pre-market approval from the FDA received in January 2023 for a laser device for the treatment of wet age-related macular degeneration (AMD) in the United States. The FDA pre-market approval is also of great importance to the company's cloud strategy. During the year, there was also good progress in clinical research on treatment of glioblastoma and bladder cancer. The potential of Modulight's technology was further confirmed when a longstanding customer chose again the company's technology in research for new indications. The company's new growth strategy also produces projects that are estimated to have significant short-term potential.

	2019				2020				2021				2022				2023			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Total number of projects *	12	12	13	13	13	13	15	16	16	20	22	24	26	26	26	27	27	27	27	28

* To be listed here, a project needs to fulfill strict criteria related to its potential for commercial roll-out and to fit the company strategy and technological focus areas. In addition to the official projects listed in the above table, Modulight continues to work on several other initiatives, and eventually, some of these are expected to mature into projects. Classifying projects into customer groups and including or excluding them from the product development pipeline is not just the result of numerical analysis but ultimately a subjective process.

Additional information about Modulight's customers



Financial development

Revenue

October–December 2023

The Group's revenue in the last quarter of 2023 was EUR 1,019 (1 268). The change in revenue from the comparison period was EUR -249 thousand or -20%. The weak revenue development was due to project delays and the implementation of the pay per treatment (PPT) business model in line with the strategy.

July–December 2023

Revenue for the second half of 2023 amounted to EUR 1,425 (2,499) thousand. The change in revenue from the comparison period was -1,074 thousand euros or -43%. The weak revenue development was due to project delays and the implementation of the pay per treatment (PPT) business model in line with the strategy.

January–December 2023

Revenue in January–December 2023 was EUR 4,025 (4 599) thousand. The year-on-year change in revenue was EUR -574 thousand or -12%. The weak revenue development was due to project delays and the implementation of the pay per treatment (PPT) business model in line with the strategy.

Profitability

October–December 2023

EBITDA in the last quarter of 2023 was EUR -2,992 (-2,000) thousand or -294 (-158) % of revenue. Operating result (EBIT) was EUR -5,060 (-2,501) thousand or -497 (-197) % of revenue. Earnings per share (EPS) were EUR -0.12 (-0.05). Profitability was burdened by weak revenue development, non-recurring costs related to the investment program, and investments in new product development projects and personnel competence.

July–December 2023

EBITDA in the second half of 2023 was EUR -5,529 (-3,342) thousand or -388 (-134) % of revenue. Operating result (EBIT) was EUR -8,134 (-4,313) thousand or -571 (-173) % of revenue. Earnings per share (EPS) were EUR -0.19 (-0.10). Profitability was burdened by weak revenue development, non-recurring costs related to the investment program, and investments in new product development projects and personnel competence.

January–December 2023

EBITDA in January–December 2023 was EUR -8,539 (-5,936) or -212 (-129) % of revenue. Operating result (EBIT) was EUR -12,132 (-7,792) thousand or -301 (-169) % of revenue. Earnings for the reporting period were EUR -11,861 (-8,552) thousand and earnings per share (EPS) were EUR -0.28 (-0.20). Profitability was burdened by weak revenue development, non-recurring costs related to the investment program, and investments in new product development projects and personnel competence.

Balance sheet, financing and investments

In 2023, the company continued to invest in intangible and tangible assets. Investments amounted to EUR 9,735 (13,694) thousand. Free cash flow from operating activities was EUR -18,274 (-19,630) thousand. Cash flow from operating activities was EUR -7,281 (-4,105) thousand. Most of the total cash flow was related to investments in line with the company's strategy. Cash flow from operating activities was significantly affected by the implementation of the growth strategy.

On December 31, 2023, the Group's cash and cash equivalents were EUR 25,131 (43,870) thousand. Financial securities included in this sum are considered alternative to bank deposits and are measured at fair value through profit or loss if the fair value is lower than the acquisition value.

On December 31, 2023, net debt was EUR -18,586 (-35,586) thousand, and net gearing was -33 (-53) %. Equity ratio was 87 (86) %. Return on equity in 2023 was -21 (-12) %.

Capitalized development expenses were EUR 3,349 (3,031) thousand or 19 (23) % of total operating expenses.

On December 31, 2023, the total amount of trade receivables was EUR 915 (3,019) thousand. The company considers risks related to trade receivables as reasonable.

Personnel and management

On December 31, 2023, the number of employees (FTE) was 70 (62) and the average number of employees during January–December 2023 was 70 (61). Personnel expenses in 2023 totaled EUR 5,757 (5,009) thousand.

On December 31, 2023, the members of Modulight Corporation's Management Team were Seppo Orsila (CEO), Anca Guina (Finance Director), Ulla Haapanen (Marketing Director), Juha Lemmetti (Director, R&D), Kati Reiman (Director, SOPS & HR), Jari Sillanpää (Director, Business Development), Petteri Uusimaa (Chief Technology Officer) and Ville Vilokkinen (Director of Operations).

At the end of the financial period, the members of Modulight Corporation's Board of Directors were Jyrki Liljeroos (Chairman), Pia Kantola, Timur Kärki, Anne Koutonen and Seppo Orsila.

Annual General Meeting

The Annual General Meeting of Modulight Corporation was held on May 2, 2023. The Annual General meeting adopted the company's financial statements for the financial period from January 1–December 31, 2022, and discharged the members of the Board of Directors and the CEO from liability for the financial period of 2022. Additionally, the Annual General Meeting approved the Board of Directors' proposal that the result for the year 2022 of EUR -8,557 thousand would be transferred to retained earnings and that dividend would not be paid.

The Annual General Meeting resolved that the Board of Directors consists of five members. Jyrki Liljeroos, Seppo Orsila, Pia Kantola and Timur Kärki were re-elected as members of the Board and Anne Leskelä was elected as a new member. Its inaugural meeting after the Annual General Meeting, Jyrki Liljeroos was elected as the Chair of the Board. Jyrki Liljeroos (Chair), Pia Kantola and Timur Kärki were elected as members of the Remuneration Committee of the Board of Directors.

The Annual General Meeting adopted the Remuneration Report for the Governing Bodies.

Authorized Public Accounting firm Moore Idman Oy was elected as the auditor of the company for a term that will end at the end of the next Annual General Meeting. Jari Paloniemi, Authorised Public Accountant, will be the auditor with principal responsibility.

The Annual General Meeting resolved that the company's Articles of Association are amended to enable arranging a General Meeting as a hybrid meeting. In addition, it was resolved that a General Meeting can be arranged without a meeting venue as an alternative for a physical meeting.

The Annual General Meeting decided to authorize the Board of Directors to decide upon the acquisition of a maximum of 4,261,694 of the company's own shares and/or accepting the same number of the company's own shares as a pledge, in one or several tranches, by using the company's unrestricted equity. The maximum total of shares that will be acquired and/or accepted as a pledge corresponds to approximately 10% of all shares in the company as of the date of the notice to the Annual General Meeting. Shares can be acquired and/or accepted as a pledge e.g., in order to execute a transaction or implement share-based incentive schemes or for other purposes as decided by the Board of Directors or otherwise for the purposes of further assignation, retention or cancellation. The Board of Directors is authorized to decide on all other terms and conditions that will apply to the acquisition and/or acceptance as a pledge of the company's own shares. The authorization is valid until the closing of the next Annual General Meeting, however, no longer than June 30, 2024.

The Annual General Meeting resolved to authorize the Board of Directors to resolve on the issuance of shares as well as the issuance of option rights and other special rights entitling to shares referred to in Chapter 10, section 1 of the Finnish Limited Liability Companies Act, in one or several tranches, either against payment or without payment. The number of shares to be issued, including the shares received on the basis of the option rights and other special rights, may not exceed 4,261,694 shares, which amounts to approximately 10% of all shares in the company as of the date of the notice to the Annual General Meeting. The Board of Directors may decide to either issue new shares or to assign company shares that are held by the company. The authorization remains in force until the end of the next Annual General Meeting, however not for longer than until June 30, 2024. This authorization revokes any existing, unused authorizations to decide on a share issue and the issuance of option rights or other special rights entitling to shares.

Shares and shareholders

Modulight has one class of shares, and all shares have the same voting rights and the right to a dividend and the company's assets. On December 31, 2023, the number of the company's shares was 42,616,936 (42,616,936). At the end of the financial period, the company owned 51,123 (0) equity shares.

The company's share is traded on the First North Growth Market Finland marketplace maintained by Nasdaq Helsinki Ltd. During the reporting period, the highest share price was EUR 4.34 (12.05) and the lowest price EUR 1.02 (1.72). The weighted average price of the share during the financial period was EUR 2.29 (4.62). The closing price on December 29, 2023 was EUR 1.17 (1.89). On December 31, 2023, the Group's market value was EUR 49,862 (80,461) thousand.

On December 31, 2023, Modulight Corporation had 11,977 (11,143) shareholders. The members of the Board of Directors, the President and CEO and the Management Team held 41.2 (42.2) % of the shares, and the 20 largest shareholders held 80.0 (85.9) % of the total number of shares. Modulight Corporation's 20 largest shareholders on 31 December 2023 are presented in the table below.

	Shareholder	Number of shares	% of shares and votes
1	Seppo Orsila	6,205,500	14.56%
2	Petteri Uusimaa	6,205,500	14.56%
3	Pekka Savolainen	3,420,400	8.03%
4	Varma Mutual Pension Insurance Company	3,276,074	7.69%
5	Ville Vilokkinen	3,039,750	7.13%
6	Petri Melanen	2,173,500	5.10%
7	Pekko Sipilä	1,630,125	3.83%
8	Mika Saarinen	1,630,125	3.83%
9	TIN Funds	1,155,625	2.71%
10	Didner & Gerge Funds	918,827	2.16%
11	Mandatum Life Insurance Company	826,467	1.94%
12	Ancuta Guina	670,320	1.57%
13	Juha Lemmetti	553,140	1.30%
14	Jyri Merivirta	500,000	1.17%
15	Jyrki Liljeroos	460,950	1.08%
16	Kalle Palomäki	414,855	0.97%
17	Protean Funds Scandinavia	368,613	0.86%

18	Hubert Jouve	347,645	0.82%
19	Kati Reiman	293,580	0.69%
20	Aktia Asset Management	240,000	0.56%

Option programs

Modulight has offered its personnel stock option programs as part of the incentive and commitment program.

On May 12, 2023, the Board of Directors of Modulight Corporation decided on a new stock option program for key persons of the company, which will be marked with the symbol 2023. Up to 500,000 2023 Options may be issued, and they entitle holders to subscribe for a total of up to 500,000 new shares in the company or shares held by the company. Subscription rights for the shares under the 2023 Options will arise within four years from the end of their subscription period so that 20 percent of the 2023 Options can be used to subscribe for shares on December 31, 2025, 30 percent on December 31, 2026, and 50 percent on December 31, 2027. The subscription period for all shares to be issued under the 2023 Options will end on December 31, 2028 at the latest.

At the end of 2023, the company had two option programs. The total number of unused options on December 31, 2023, was 1,290,394. No options were subscribed in 2023. However, 62,364 stock option rights under the 2021 option plan that came into the possession of the company were cancelled.

Outstanding option programs are presented in the table below.

Option Program	Total Number of Options	Unused Options	Subscription Price EUR	Subscription Period
2021	852,758	790 394	6.49	Dec 31, 2023-Dec 31, 2025
2023	500,000	500,000	2.43	Dec 31, 2025-Dec 31, 2028

Assessment of short-term risks and uncertainties

Modulight's short-term risks and uncertainties primarily concern the company's business and industry. These risks relate, for example, to technological developments and the competitive situation, the supply chain, the availability of materials, the development of the healthcare sector and the

availability of skilled labor. In addition, there are risks associated with the company's intellectual property rights, as well as with obtaining market authorizations for products. The general global political situation may affect both customers and the company and its business significantly and more than previously estimated.

The company operates in the medical and biomedical field and focuses especially on the US market. Various product and patient liability issues can be a significant risk for the company.

Increasing cybercrime can also be a significant and growing risk, especially since the company is now more widely recognized. The company may suffer malfunctions or outages in its information technology, network or communications systems and/or be subject to cyber security breaches.

The company is also exposed to credit and counterparty and risks, if its contractual parties are unable to fulfil their contractual obligations. Counterparty risk is mainly related to trade receivables and receivables related to financing instruments.

The success of Modulight's business and growth strategies also depends on the company's ability to recruit and retain skilled personnel. The availability or loss of key personnel could have a material adverse effect on Modulight's business.

Market overview and operating environment

The medical markets relevant to Modulight Corporation are particularly related to cancer treatment (oncology), ophthalmology, genetics and diagnostics. In addition to the medical market, Modulight has identified business opportunities for its technology in the markets of other high value-add applications, such as quantum computing, flow cytometry, diagnostics and digital printing.

The global oncology pharmaceutical market was USD 185 billion in 2021 and is expected to grow to USD 307 billion by 2027. Although Modulight is targeting only a portion of the global oncology market and concentrating on the U.S. market in particular, the significant growth in the overall market also means an increase in the demand for laser-based oncology treatments and new opportunities globally. Growth in the oncology market is driven especially by a globally aging population. Age is known to be one major factor in the increase in the incidence of cancers. In 2023, as part of the transition to the PPT business model, Modulight studied the cost of cancer treatment in the United States for indications relevant or otherwise interesting to the company. The studied indications do not represent the company's entire product development pipeline. The study currently covers 10 different indications in the field of oncology. The median (weighted) cost of standard of care per

patient for these indications is USD 320,000 and ranges between USD 100,000 and USD 420,000 for different indications. The company expects that using its treatment with the PPT business model and technology will not only improve the outcome of treatment and its accessibility, but also reduce the total cost of treatment. The number of patients and treatment costs for specific cancers in the United States are presented below.

Indication	Annual incidence in United States (patients)	Median cost of treatment path (USD)
Retinal cancer of the eye	2,000	100,000
Head and neck cancer	66,000	200,000
Pancreatic cancer	64,000	275,000

The ophthalmic treatment market has also continued to grow. The global market totaled USD 33 billion in 2022, and it is expected to grow to USD 54 billion by 2030. The growth of the market is supported primarily by the continuous increase in ophthalmic diseases due to the aging population and the growing R&D investments in the development of eye disease treatments.

In the fields of genetics and diagnostics, the combined market for next-generation sequencing, endoscopes and flow cytometry is estimated to grow from USD 26 billion in 2022 to USD 52 billion by the end of the decade. One of the main growth factors in the genetics and diagnostics market is the need for personalized drug therapies in the treatment of cancers. Other important drivers of growth include the need for scalable cloud-based care solutions.

The quantum computing market is just emerging. Forecasts of its growth vary significantly, but all point to significant growth in the industry in the next few years. Modulight monitors the market mainly through its customers and, in line with its strategy, aims to offer its products also for quantum computing to maximize synergy benefits.

Strategy and targets

Modulight's growth targets in the strategy period 2023–2025 are based on the following key strategic factors:

1. geographical expansion
2. extension of the offering to new indications and applications
3. new business models
4. commercial and operational excellence
5. state-of-the-art laser technology expertise

Modulight's main business targets are:

- at least three commercial roll outs of projects in the current R&D pipeline
- local operations in the U.S. and focusing on selected partnerships in Europe and Asia
- developing a pay per treatment model and other SaaS-based business models
- improving treatment efficacy and accessibility with cloud-based services
- carbon-neutral operations in 2025

Modulight implements its strategy especially through the following programs:

- sales, marketing and operations development
- cloud technology and cloud-based services development
- productizing platform devices for various indications and applications
- technology development based on the completed investment program
- development of ESG, governance and reporting

Modulight's financial target is strong annual growth and a return to strong profitability during the strategy period 2023-2025. The company's dividend policy remains unchanged.

- Growth: strong annual revenue growth
- Profitability: return to strong profitability in terms of operating margin (EBITDA-%)
- Dividend policy: all returns invested in organic and inorganic growth, and the company distributes little or no dividends

Board of Directors' proposal for the treatment of distributable funds

On December 31, 2023, the distributable equity of the Group's parent company Modulight Corporation was EUR 46,960 (59,920) thousand. The company's Board of Directors proposes to the Annual General Meeting that no dividend be distributed for the financial year 2023.

Annual General Meeting

The Annual General Meeting of Modulight Corporation is scheduled to be held on May 2, 2024.

Modulight's Board of Directors will convene the Annual General Meeting separately at a later date.

Financial reporting in 2024

In 2024, Modulight will publish the following financial reports:

- ❑ Business review January-March 2024: April 26, 2024
- ❑ Half-year financial report January-June 2024: August 16, 2024
- ❑ Business review January-September 2024: October 18, 2024

Tables January 1–December 31, 2023

Accounting principles for the consolidated financial statements

The financial figures have been prepared in accordance with the Finnish Accounting Standards (FAS).

The figures in this financial statements bulletin are unaudited, unless otherwise mentioned. Full-year 2022 figures are audited.

Consolidated income statement

EUR 1,000	10-12/2023	10-12/2022	7-12/2023	7-12/2022	1-12/2023	1-12/2022
REVENUE	1,019	1,268	1,425	2,499	4,025	4,599
Change in inventory	-209	665	153	796	304	777
Manufacturing for own use	395	1,129	1,199	1,816	3,349	3,031
Other operating income	338	248	556	501	1,171	1,047
Raw materials and services						
Raw materials and consumables						
Purchases during reporting period	-871	-655	-1,423	-1,071	-2,693	-2,488
Change in inventory	144	-556	-130	-520	-2	346
External services	-141	-292	-100	-426	-571	-643
Total raw materials and services	-868	-1,503	-1,652	-2,018	-3,266	-2,784
Personnel expenses						
Wages and salaries	-1,321	-1,178	-2,351	-2,111	-4,792	-4,165
Social security services						
Pension expenses	-240	-213	-424	-386	-851	-747
Other social security services	-38	-69	-75	-103	-115	-97
Total personnel expenses	-1,599	-1,461	-2,850	-2,599	-5,757	-5,009
Depreciation and amortization						
Depreciation and amortization according to plan	-2,068	-500	-2,605	-971	-3,593	-1,857
Other operating expenses	-2,068	-2,347	-4,360	-4,339	-8,365	-7,596
OPERATING PROFIT(-LOSS)	-5,060	-2,501	-8,134	-4,313	-12,132	-7,792
Financial income and expenses						
Other interest and financial income	185	7	220	10	246	25
Interest and financial expenses	-91	258	-115	119	26	-784
Total financial income and expenses	94	265	105	130	272	-759
PROFIT (-LOSS) BEFORE APPROPRIATIONS AND TAXES	-4,966	-2,235	-8,029	-4,183	-11,860	-8,552
Income taxes	-1	0	-1	0	-1	0
PROFIT (-LOSS) FOR THE FINANCIAL PERIOD	-4,967	-2,235	-8,030	-4,183	-11,861	-8,552

Consolidated balance sheet

EUR 1,000	Dec 31, 2023	Dec 31, 2022
ASSETS		
Non-current assets		
Intangible assets		
Development expenditure	8,916	7,745
Total intangible assets	8,916	7,745
Fixed assets		
Buildings and structures	3,326	3,146
Machinery and equipment	21,266	10,514
Other fixed assets	285	6,245
Total fixed assets	24,877	19,906
Total non-current assets	33,793	27,651
Current assets		
Inventory		
Raw materials and consumables	1,560	1,562
Finished products	993	689
Total inventory	2,553	2,252
Receivables		
Short-term receivables		
Sales receivables	915	3,019
Other receivables	1,209	885
Prepayments and accrued income	360	632
Total short-term receivables	2,485	4,537
Financial securities	24,721	42,320
Cash and cash equivalents	409	1,549
Total current assets	30,169	50,658
TOTAL ASSETS	63,962	78,309

EUR 1,000	Dec 31, 2023	Dec 31, 2022
EQUITY AND LIABILITIES		
Equity		
Share capital	80	80
Reserve for invested unrestricted equity	75,317	75,334
Retained earnings	-7,809	709
Earnings for the reporting period	-11,861	-8,552
Total equity	55,727	67,571
Liabilities		
Non-current liabilities		
Loans from financial institutions	4,543	6,606
Total non-current liabilities	4,543	6,606
Current liabilities		
Loans from financial institutions	2,002	1,678
Advances received	55	172
Accounts payable	569	1,318
Other liabilities	136	128
Accrued expenses	930	836
Total current liabilities	3,692	4,132
Total liabilities	8,235	10,738
TOTAL EQUITY AND LIABILITIES	63,962	78,309

Consolidated cash flow statement

EUR 1,000	10-12/2023	10-12/2022	7-12/2023	7-12/2022	1-12/2023	1-12/2022
Cash flow from operating activities						
Operating profit	-5,060	-2,501	-8,134	-4,313	-12,132	-7,792
Depreciation and amortization	2,068	500	2,605	971	3,593	1,857
Net financial expenses	94	265	105	130	272	-759
Change in working capital, increase (-), decrease (+)	1,068	2,752	1,855	2,416	986	2,590
Taxes paid	-1		-1		-1	
Cash flow from operating activities (A)	-1,832	1,017	-3,570	-797	-7,281	-4,105
Cash flow from investing activities						
Investments in tangible and intangible assets	-6,237	-4,370	-8,340	-6,385	-15,695	-9,184
Advance payments	5,288	-491	5,350	-2,145	5,960	-4,510
Cash flow from investing activities (B)	-949	-4,860	-2,990	-8,530	-9,735	-13,694
Cash flow from financing activities						
Change in interest-bearing debts	-450	-270	-994	-601	-1,739	-1,279
Acquisition of own shares (-) / transfer (+)			-16		-16	
Cash flow from financing activities (C)	-450	-270	-1,010	-601	-1,755	-1,279
Net cash flow (A+B+C)	-3,231	-4,114	-7,570	-9,928	-18,772	-19,078
Cash at the beginning of the period	28,323	48,005	32,661	53,802	43,870	62,978
Exchange rate differences	39	-22	40	-4	33	-30
Cash at the end of the period	25,131	43,870	25,131	43,870	25,131	43,870

Changes in equity items and distributable funds

EUR 1,000	1-12/2023	1-12/2022
Restricted equity		
Share capital January 1	80	80
Share capital increases		
Share capital December 31	80	80
Total restricted equity December 31	80	80
Unrestricted equity		
Reserve for invested unrestricted equity January 1	75,334	75,334
Increases in the reserve for invested unrestricted equity	-16	
Reserve for invested unrestricted equity December 31	75,317	75,334
Profit (-loss) for previous financial years January 1	-7,843	739
Translation difference	34	-30
Dividends distributed in the reporting period		
Profit (-loss) for previous financial years December 31	-7,809	709
Profit for the reporting period	-11,861	-8,552
Unrestricted equity December 31	55,647	67,491
Total equity December 31	55,727	67,571

Calculation formulas for key figures

Key figures	Definition	Reason for the use
Growth of revenue-%	$\frac{\text{Revenue for the period} - \text{The revenue of the previous reference period}}{\text{Previous revenue for the period}}$	Revenue growth is an indicator to measure the growth of the Company
EBITDA	Operating result before depreciation, and amortization	EBITDA is an indicator to measure the operational performance of the Company
EBTIDA-%	$\text{EBITDA} / \text{Revenue}$	Operating margin is an indicator to measure the operational performance of the Company
Operating result	Operating result as presented in the income statement	Operating result is an essential indicator for the understanding of the Company's financial performance
Operating result-%	$\text{Operating result} / \text{Revenue}$	Operating result is an essential indicator for the understanding of the Company's financial performance
Earnings per share	Earning from the period / weighted average number of outstanding shares during the period	Indicator describes the distribution of operating result to individual shares
Acquisition & scrapping on fixed and intangible assets	Acquisition & scrapping of fixed and intangible assets as presented in the statement of cash flow	Indicator produces more information on the cash flow needs for operational investments
Free cash flow operating activities	$\text{EBITDA} - \text{Acquisitions \& scrapping of fixed and intangible assets as presented in the statement of cash flow}$	Indicator produces information of the cash flow which the Company is able to generate after operational investments
Net debt	Interest-bearing debt - Cash and cash equivalents (at the end of the period)	Net debt is an indicator to measure the total external debt financial of the Company
Gearing ratio	$\frac{\text{Interest-bearing debt} + \text{Cash and cash equivalents (at the end of the period)}}{\text{Equity}}$	Indicator for the management to track the Company's level of equity
Equity ratio	$\text{Equity} / \text{Total Equity}$	Indicator for the proportion of the Company's assets that have been financed with equity

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Modulight in brief

Modulight Corporation is a biomedical laser company that designs and manufactures products for oncology, ophthalmology and genetics. The company also provides solutions for selected high value-add applications including quantum computing and digital press. The company's products include medical devices, subsystems, software, cloud services and specialized semiconductors. Modulight's products are used worldwide by many Fortune 500 companies, pharmaceutical companies, and well-known cancer centers and universities. Modulight was founded in 2000 and is headquartered in Tampere, Finland. www.modulight.com

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