

Q2: 30% growth and funding secured for new commercial growth projects

"We have continued to deliver very strong sales growth with cost controls in the second quarter of the year. Sales increased to SEK 14.7 million in the quarter, representing 30% year-on-year growth driven by the impressive performance of our GARD® business, which grew by 55%. We have achieved this rapid growth without increasing our cost base whilst improving our gross margins. With stronger funding for our ongoing growth projects secured, we will now be able to accelerate the transition to improved testing without the use of animals."



Peter Nählstedt, President and CEO

1 April–30 June 2024

- Net sales totaled SEK 14.7 (11.3) million.
- EBITDA amounted to SEK -2.5 (-5.0) million.
- Earnings per share were SEK -0.30 (-0.31).

Half year 1 January–30 June 2024

- Net sales totaled SEK 29.0 (23.6) million.
- EBITDA amounted to SEK -2.4 (-6.8) million.
- Earnings per share were SEK -0.43 (-0.51).
- Cash and cash equivalents at 30 June amounted to SEK 42.9 (25.1) million.

Significant events during the second quarter

- SenzaGen conducted a directed issue of shares equivalent to SEK 37.2 million to a number of professional investors. The proceeds of this will support several important investments that will secure future growth.

Significant events after the end of the period

- SenzaGen's non-animal testing collaboration with Research Institute for Fragrance Materials (RIFM) was expanded with a new GARD®skin Dose-Response order worth SEK 1.5 million.
- An existing customer in the chemicals industry placed an order worth SEK 1.3 million for testing with GARD®skin Dose-Response.
- SenzaGen strengthened its US market presence by signing a license agreement with the Institute for In Vitro Sciences (IIVS), a contract research organization that is a prominent advocate of non-animal testing.

Message from the CEO

We have continued to deliver very strong sales growth in the second quarter of the year. Sales increased to SEK 14.7 million in the quarter, representing 30% year-on-year growth driven by the impressively strong performance of our GARD® business, which grew by 55%. We have achieved this rapid growth without increasing our cost base whilst improving our gross margins.

Continued strong growth for GARD®

Our marketing and sales activities continued to deliver outstanding results in the second quarter. For the second quarter in a row, GARD® sales maintained the record level of over SEK 9 million. The revenue is primarily from customer orders in the cosmetics and chemicals industries but also from the medical devices industry.

Our customer base was broadened during the quarter with the addition of 10 new customers, and the number of top 100 companies served grew in line with our strategy. By the end of the half year, as many as 21 new customers were gained in 2024, compared with 32 for the entire year in 2023. At the same time, sales from returning customers accounted for 87% of total sales during the half year.

Sales from returning customers for the quarter included a major test order from the Research Institute for Fragrance Materials (RIFM) worth SEK 1.5 million. Earning the trust of RIFM once again underlines the strength of our relationship and illustrates the potential of our technology platform.

After the end of the reporting period, we signed a license agreement with the Institute for In Vitro Sciences (IIVS), a prominent advocate of non-animal testing in the US, which strengthens our presence and opens up greater potential in the key US market.

Positive performance for VitroScreen efficacy tests

We are pleased to report that VitroScreen's investments in pre-clinical efficacy testing have continued to follow a positive sales trend. During the quarter, our subsidiary closed deals with both new and existing customers in several industries, including medical devices. This initiative has compensated for the decline in demand in Italy associated with the delayed implementation of the new EU Medical Device Regulation (MDR). This year, sales outside of Italy increased significantly by 57% year-on-year.

For the Group's advisory and consulting services, investments to expand the business beyond the medical devices segment are proceeding according to plan in an aim to compensate for the decline in demand associated with the MDR delay.

At the same time, Group companies have become better at selling each other's offerings, and cross selling tripled during the half year to SEK 2.9 (1.0) million.

Improved gross margin

An increased share of GARD® tests in the sales mix for the quarter resulted in an improved gross margin of 70 percent (68). We observe a clear positive trend, with our distributors continuing to significantly contribute to GARD® sales. In the second quarter, this share of sales was 19% (19), which confirms continued strong market interest and our ability to meet demand more cost-effectively.

We remain focused on costs, and our expenses before depreciation and amortization were at the same level as in the same quarter in 2023.

Ambitious growth initiatives secured

With stronger funding for our ongoing growth projects secured, we will now be able to accelerate the transition to improved testing without the use of animals. The new share issue, which was oversubscribed, enables us to invest in existing technology, expand our product portfolio and strengthen our commercial activities in the near term.

These projects are instrumental in driving the inclusion of GARD®skin in the ISO standard for medical devices and the OECD approval of GARD®skin Dose Response for the chemicals and cosmetics industries, while also helping us develop the VitroScreen ORA® platform for spheroids. All of these tests were represented in sales for the half year, and the investment increases our business opportunities significantly.

We are also very pleased to have attracted new owners to the Company, including ShapeQ GmbH, Life Science Invest Fund I from Denmark and Landia AB.

Together with our fantastic team, I look forward to continuing to grow our business and implement the initiatives.

Peter Nählstedt, President and CEO

SenzaGen at a glance

Business concept and vision

SenzaGen is a corporate group that aims to be an *in vitro* testing leader, driving the transition from animal testing to methods better suited to reflect human biology.

We provide high-performance, non-animal test methods and innovation and advisory services based on state-of-the-art technology. With non-animal methods that are more effective, more accurate and less expensive than traditional animal-based methods, we help to reduce the number of laboratory animals.

SenzaGen's vision is to replace animal testing with best-in-class in vitro technology, establish new industry standards and contribute to safer and more effective products in society.

A market with great potential

The *in vitro* toxicology testing market is global and growing strongly. The market is experiencing a paradigm shift as companies around the world transition from animal to non-animal testing. SenzaGen estimates its addressable market at approximately SEK 30 billion. Our market segments are cosmetics, chemicals, medical devices, pharmaceuticals and nutrition/food additives.

Business model

The majority of the Company's sales are direct sales supplemented by a global network of licensed CROs. Direct sales build strong, long-term customer relationships while the global network of licensed CROs provides flexibility and scalability. SenzaGen's customer base comprises leading multinationals primarily based in Europe and North America.

Growth strategy

We have a growth strategy centered around continued commercialization of our proprietary test platforms GARD® and VitroScreen ORA®, expansion of our test portfolio and acquisitions of profitable and growing companies with complementary offerings.

Our contribution to a more sustainable world

Our solutions help companies provide products that do not cause allergic or other toxic reactions and also create better production environments for their employees while decreasing the number of animal tests.

Innovative *in vitro* offering.

The SenzaGen Group offers innovative solutions for safety assessment and efficacy testing of chemicals in several industries.

SenzaGen's patent-protected GARD® test platform, based on genomics and machine learning, has been developed to determine whether substances can cause allergic reactions, and more complementary tests and services have been added. GARD®skin is approved as a standard test by the OECD.

VitroScreen has vast expertise in human 3D tissue models. The patent-protected organoid platform VitroScreen ORA® makes it possible to test the efficacy and safety of substances. The platform can be customized based on customer needs and constitutes a growing share of VitroScreen's sales.

ToxHub specializes in toxicological risk assessment and regulatory strategy consulting, with expertise in medical devices and pharmacology.



Sales, earnings and investments

Q2 2024

Consolidated net sales for the April–June 2024 period amounted to SEK 14.7 (11.3) million, a 30 percent year-on-year increase. GARD® sales accounted for SEK 9.3 (6.0) million, corresponding to a 55% increase.

Consolidated gross profit was SEK 10.3 (7.7) million and the gross margin increased to 70% (68%). The gross margin was affected by a higher share of GARD® tests in the sales mix for the quarter.

Total operating expenses for the quarter amounted to SEK 18.0 (15.7) million. Operating expenses include depreciation, amortization and impairment losses amounting to SEK 5.1 (2.9) million, and SEK 2.1 (1.9) million of this amount is for depreciation and amortization on acquired assets. The impairment losses are attributable to savings on patent expenses for undeveloped products amounting to SEK 2.5 (0) million.

Consolidated EBITDA amounted to SEK -2.5 (-5.0) million. The improvement in earnings is due to increased sales, our focus on costs and a stronger gross margin, which demonstrates the scalability of SenzaGen's business model.

SenzaGen capitalizes new development expenditure and recognizes patents in the balance sheet on an ongoing basis. Total investments in intangible assets for the quarter were SEK 0.5 (0.3) million, with patents and trademarks accounting for SEK 0.2 (0.3) million of this amount.

Capitalized expenditure for in-house development projects totaled SEK 0.3 (0) thousand.

First half year 2024

Consolidated net sales for the January–June 2024 period amounted to SEK 29.0 (23.6) million, a 23% year-on-year increase. GARD® sales increased by 61% to SEK 18.5 million.

The majority of sales are in EUR and USD to companies outside Sweden, which means that the Company's sales and earnings are impacted by fluctuations in these currencies.

Gross profit was SEK 21.0 (16.3) million, corresponding to an improved gross margin of 72% (69%).

Total operating expenses for the period amounted to SEK 32.1 (29.2) million.

Operating expenses include depreciation, amortization and impairment losses amounting to SEK 8.1 (5.7) million, and SEK 4.1 (3.7) million of this amount is for depreciation and amortization on acquired assets. The impairment losses are attributable to savings on patent expenses for undeveloped products amounting to SEK 2.5 (0) million.

Consolidated EBITDA improved to SEK -2.4 (-6.8) million.

SenzaGen capitalizes new development expenditure and recognizes patents in the balance sheet on an ongoing basis. Total investments in intangible assets for the period were SEK 0.9 (0.7) million.

Capitalized expenditure for in-house development projects totaled SEK 0.3 (0) thousand.

Funding

The Group's cash and cash equivalents at the end of the period totaled SEK 42.9 (25.1) million.

Net cash from operating activities for the period improved to SEK -4.9 (-5.8) million. Cash flow was impacted negatively by trade receivables amounting to SEK 11.4 (7.7) million due to deliveries at the end of the period.

Total net cash flow for the period amounted to SEK 30.5 (-6.7) million.

A directed share issue totaling SEK 37.2 million was conducted in Q2. After expenses, the issue raised cash and cash equivalents amounting to SEK 34.6 million for the Company. The number of shares increased by 5,315,701 to 29,504,026 and the share capital increased by SEK 265,785.05 to SEK 1,475,201.30.

Parent Company

The Parent Company's net sales for the January–June 2024 period totaled SEK 18.5 (11.5) million. The loss before tax was SEK -5.6 (-9.2) million. The operating loss was SEK -6.0 (-9.4) million.

The Parent Company's net investments in both property, plant and equipment and intangible assets for the period amounted to SEK 0.9 (0.7) million, and its total cash flow was SEK 25.0 (-14.1) million.

Additional consideration was paid during the period totaling SEK 4.1 million attributable to the acquisition of VitroScreen s.r.l and ToxHub s.r.l. The additional consideration was impaired compared to previous estimates but may still be paid in 2025 or 2026 if the set targets are exceeded.

The additional consideration was partially financed using an SEK 2 million overdraft facility with SEB.

For further information, see the disclosures for the Group.

Other information

Group

SenzaGen AB (publ) (reg. no. 556821-9207), based in Lund, is the parent company of subsidiary SenzaGen North America Inc, based in North Carolina, USA (reg. no. C3870650), subsidiary VitroScreen s.r.l. (reg. no. MI-1653696) based in Milan, Italy, and subsidiary ToxHub s.r.l. (reg. no. MI-2690194) based in Rome, Italy.

Segment reporting

SenzaGen's business currently includes only one operating segment, toxicology *in vitro* testing. Therefore, see the income statement and balance sheet for operating segment reporting.

Accounting policies

The accounting policies applied are in compliance with the Swedish Annual Accounts Act (1995:1554) and the general advice of the Swedish Accounting Standards Board in BFNAR 2012:1 Annual Reports and Consolidated Financial Statements ("K3"). The same accounting policies and calculation bases were applied as those in the 2023 Annual Report.

Operating activities are conducted in the parent company and two subsidiaries, VitroScreen and ToxHub.

Information about risks and uncertainties

SenzaGen's business is exposed to several risks, including both operational and financial risks. The operational risks mainly comprise uncertainty concerning product development, supplier agreements, product liability and distribution. For a more detailed description of the risks and uncertainties to which SenzaGen is exposed, see the risk and sensitivity analysis in the 2023 Annual Report.

Research and development

SenzaGen invests in research and development to advance new high-tech and human-relevant *in vitro* methods for effective safety assessment. The foundation of the Group's product development is the GARD® technology platform, which is broadly applicable in all of the Company's relevant industries and for difficult-to-test substances. The GARD® technology platform also has potential for use in several more testing and application domains. With the help of VitroScreen's

proprietary organoid model VitroScreen ORA®, the Group can also provide customers with tailored solutions for a specific test method, cell or organ type.

Employees

At the end of the period, the Group had 33 (33) employees, 21 (22) of which were women and 12 (11) were men. At the end of the period, the Parent Company had 19 (20) employees, 11 (11) of which were women and 8 (9) were men.

Significant events after the end of the period

On 3 July, SenzaGen announced the continuation of its collaboration with the Research Institute for Fragrance Materials (RIFM). With a new order worth SEK 1.5 million, SenzaGen will test additional substances using the GARD®skin Dose-Response test method to investigate safe levels of the substances in terms of skin allergies. Earning the trust of RIFM once again underlines the strength of the relationship and illustrates the GARD® technology's performance and broad application area. The order was received in June and the testing will be performed at the Company's GLP-certified lab in Lund.

On 12 August, SenzaGen announced that it has won a significant test order for the GARD®skin Dose-Response method from one of the largest chemicals companies in the world. The goal of the testing for this existing customer is to determine safe dose levels and assess the risks of specialty chemicals in their product development. Worth approximately SEK 1.3 million, the order is a testament to the continuing excellent results of our organic growth strategy. The testing will be performed at SenzaGen's GLP-certified laboratory in Lund in autumn 2024.

On 21 August, SenzaGen announced that it has entered into a licensing agreement with the US-based contract laboratory Institute for In Vitro Sciences, Inc (IIVS) for its innovative, non-animal GARD® test portfolio used in chemical risk assessment. The agreement gives IIVS the right to sell and perform the company's pioneering tests on behalf of clients at their facility in Maryland, USA. This partnership enhances SenzaGen's presence in the key U.S. market and adds capacity and scalability to its business.

Audit

This report was not reviewed by the Company's auditors.

Certified Adviser

FNCA Sweden AB is the Company's Certified Adviser on Nasdaq First North.

Financial calendar

Jan-Sep 2024 Interim Report	8 Nov 2024
2024 Year-End Report	13 February 2025

Interim reports and annual reports are available on SenzaGen's website.

Glossary

In vitro: Latin for "in glass". In vitro tests are done in test tubes.

Toxicology: A science that deals with poisons and poisoning symptoms, including how drugs and other chemicals can cause various adverse health effects in humans.

MDR: The EU Medical Device Regulation.

The board of directors and CEO assure that the interim report provides a true and fair view of the Parent Company and Group's business, financial position and financial performance and discloses significant risks and uncertainties to which the Parent Company and Group companies are exposed.

Lund, 22 August 2024

Carl Borrebaeck
Chairman

Ian Kimber
Director

Anki Malmborg Hager
Director

Paul Yianni
Director

Paula Zeilon
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Publication

This information constitutes the type of information SenzaGen AB is required to publish under the EU Market Abuse Regulation. This information was released for publication by the contact person set out above on 22 August 2024 at 8:30 AM.

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SenzaGen is listed on Nasdaq First North. The Company is traded under the ticker symbol SENZA and ISIN code SE0010219626.

Condensed consolidated statement of comprehensive income (SEK thousand)	Apr-Jun 2024	Apr-Jun 2023	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
Operating income					
Net sales	14,668	11,301	29,007	23,592	49,870
Cost of goods sold	-4,384	-3,646	-8,032	-7,286	-14,938
Gross profit/loss	10,284	7,655	20,975	16,306	34,932
Selling expenses	-6,798	-7,587	-13,266	-13,760	-26,787
Administrative expenses	-4,801	-5,084	-9,025	-9,588	-19,138
Research and development expenditure	-4,231	-1,059	-5,306	-1,935	-3,747
Acquisition-related costs	-2,095	-1,856	-4,149	-3,671	-7,518
Other operating income	216	133	542	364	689
Other operating expenses	-159	-57	-363	-219	-917
Operating profit/loss*	-7,584	-7,855	-10,592	-12,503	-22,486
Profit/loss from financial items					
Interest income and similar items	-1	368	295	379	764
Interest expenses and similar items	-491	-198	-893	-222	-254
Profit/loss after financial items	-8,076	-7,685	-11,190	-12,346	-21,976
Tax expenses	329	290	382	43	-121
Profit/loss for the period	-7,747	-7,395	-10,808	-12,303	-22,097
Share of profit/loss to Parent Company shareholders	-7,747	-7,395	-10,808	-12,303	-22,097
<i>*Operating profit/loss includes depreciation</i>	<i>-5,104</i>	<i>-2,871</i>	<i>-8,149</i>	<i>-5,693</i>	<i>-11,586</i>

	Apr-Jun 2024	Apr-Jun 2023	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
Per share data					
Earnings per share (SEK)	-0,30	-0,31	-0,43	-0,51	-0,91
Fully diluted earnings per share (SEK)	-0,30	-0,31	-0,43	-0,51	-0,91
Equity per share (SEK)	3,11	3,28	3,11	3,28	2,80
Equity ratio (%)	77%	78%	77%	78%	70%
Number of outstanding shares at end of period (thousands)	29,504	24,188	29,504	24,188	24,188
Average number of outstanding shares (thousands)	25,960	24,188	25,074	24,188	24,188
Share price at end of period (SEK)	7,20	11,30	7,20	11,30	7,28

Definitions of financial ratios

Earnings per share

Profit/loss for the period as a percentage of weighted average number of shares.

Equity per share

Equity as a percentage of the number of shares at the end of the period.

Equity ratio

Equity as a percentage of total assets.

Condensed consolidated statement of financial position (SEK thousand)	30 Jun 2024	30 Jun 2023	31 Mar 2024	31 Dec 2023
Assets				
Goodwill	18,500	20,304	20,287	20,993
Intangible assets	30,705	37,545	33,839	34,016
Property, plant and equipment	2,017	2,301	1,738	1,811
Inventories	5,315	4,143	6,676	6,228
Trade receivables	11,413	7,664	8,677	10,589
Other receivables	2,923	1,035	2,370	1,769
Prepaid expenses and accrued income	4,723	3,717	5,860	4,146
Cash and cash equivalents	42,913	25,104	12,506	17,624
Total assets	118,509	101,813	91,953	97,176
Equity and liabilities				
Equity	91,832	79,336	65,636	67,608
Liabilities to credit institutions	4,254	1,087	2,506	1,673
Trade payables	4,139	2,392	3,801	5,691
Other provisions	7,107	8,080	7,287	6,571
Current tax liabilities	636	625	519	421
Other liabilities	2,047	2,050	1,364	2,916
Accrued expenses and deferred income	8,494	8,243	10,840	12,296
Total equity and liabilities	118,509	101,813	91,953	97,176
Statement of changes in equity (SEK thousand)	30 Jun 2024	30 Jun 2023	31 Mar 2024	31 dec 2023
Opening balance	67,608	89,701	67,608	89,701
New shares issue	37,210	-	-	-
Costs new shares issue	-2,648	-	-	-
Profit/loss for the period	-10,808	-12,303	-3,061	-22,097
Foreign currency effect	470	1,938	1,089	4
Equity at end of period	91,832	79,336	65,636	67,608

Condensed consolidated statement of cash flows (SEK thousand)	Apr-Jun 2024	Apr-Jun 2023	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
Operating profit/loss after tax	-7,747	-7,395	-10,808	-12,303	-22,097
Adjustments for non-cash items	5,027	2,757	7,955	5,471	10,828
Paid tax	-	-	-	-	-
Net cash from operating activities before changes in working capital	-2,720	-4,638	-2,853	-6,832	-11,269
Change in inventory	1,308	434	976	-369	-2,623
Change in current receivables	-3,002	885	-3,218	2,181	-2,860
Change in current liabilities	-516	-2,444	-6,282	-8,927	296
Change in other provisions	6	6	575	533	3
Net cash from operating activities	-4,924	-5,757	-10,802	-13,414	-16,453
Acquisitions/disposals of intangible assets	-576	-315	-935	-742	-3,679
Acquisitions/disposals of property, plant and equipment	-489	-1	-551	-86	-129
Acquisitions/disposals of subsidiaries	-	-	-	-	-2,295
Acquisitions/disposals of financial assets	-	13	-	13	21
Net cash from investing activities	-1,065	-303	-1,486	-815	-6,082
New share issue	37,210	-	37,210	-	-
Transaction expenses attributable to new share issue	-2,648	-	-2,648	-42	-
Change in long term debt to credit institutions	1,890	-641	2,957	-771	147
Net cash from financing activities	36,452	-641	37,519	-813	147
Total cash flow for the period	30,463	-6,701	25,231	-15,042	-22,388
Cash and cash equivalents at start of period	12,506	31,677	17,624	39,976	39,976
Translation difference on cash and cash equivalents	-56	128	58	170	36
Cash and cash equivalents at end of period	42,913	25,104	42,913	25,104	17,624

Parent Company income statement (SEK thousand)	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
Operating income			
Net sales	18,498	11,524	25,350
Cost of goods sold	-5,456	-3,488	-7,612
Gross profit/loss	13,042	8,036	17,738
Selling expenses	-8,653	-9,475	-18,300
Administrative expenses	-6,402	-6,580	-13,081
Research and development expenditure	-4,188	-1,489	-3,034
Other operating income	541	361	670
Other operating expenses	-361	-219	-921
Operating profit/loss	-6,021	-9,366	-16,928
Profit/loss from financial items			
Interest income and similar items	1,308	391	776
Interest expenses and similar items	-839	-202	-196
Profit/loss after financial items	-5,552	-9,177	-16,348
Tax expenses	-	-	-
Profit/loss for the period	-5,552	-9,177	-16,348

Parent Company balance sheet (SEK thousand)	30 Jun 2024	30 Jun 2023	31 Dec 2023
Assets			
Intangible assets	9,254	12,883	11,936
Property, plant and equipment	416	706	548
Financial assets	48,378	44,391	48,378
Inventories	2,595	1,259	3,559
Trade receivables	6,425	4,269	3,790
Receivables from Group companies	3,304	1,302	2,334
Other liabilities	1,582	1,573	1,139
Prepaid expenses and accrued income	3,706	3,474	3,992
Cash and bank balances	41,080	22,109	16,096
Total assets	116,740	91,966	91,772
Equity and liabilities			
Equity	103,407	81,567	74,396
Liabilities to credit institutions	1,917	-	-
Trade payables	2,032	1,119	3,979
Current tax liabilities	636	625	421
Liabilities to Group companies	6	-	142
Other liabilities	752	905	829
Accrued expenses and deferred income	7,990	7,750	12,005
Total equity and liabilities	116,740	91,966	91,772