

## Continued growth, improved gross margin and lower loss

” We are continuing to attract new customers and scale up our business with a substantially improved gross margin and a lower loss to show for it. Sales were up 18% from the strong comparative period last year, and we have seen a significant increase in interest during the period that has not yet been reflected in our sales figures. As a result, we expect an even higher return on our investments in the second half of the year. With the strong growth of our customer portfolio, high demand from pharmaceuticals companies, successful cross selling within the Group, and increased profitability, I have a very positive view of the second half of the year and the future of non-animal testing based on our unique methods.



Peter Nählstedt, President and CEO

### Half year 1 January–30 June

- » Net sales totaled SEK 23.6 (19.9) million.
- » EBITDA amounted to SEK -6.8 (-9.1) million.
- » Earnings per share were SEK -0.51 (-0.56).
- » Cash and cash equivalents at 30 June amounted to SEK 25.1 (49.0) million.

### Significant events during the first half year

- » SenzaGen won an order for GARD®skin worth about SEK 1 million from a new chemicals customer.

### Significant events after the end of the period

- » SenzaGen strengthened its market presence with expanded distribution channels in India and France.

# Message from the CEO

We are continuing to attract new customers and scale up our business with a substantially improved gross margin and a lower loss to show for it. Sales were up 18% from the strong comparative period last year, and we have seen a significant increase in interest during the period that has not yet been reflected in our sales figures.

## Key step toward profitability

Sales increased by 18% compared with the strong period of last year while our cost base excluding acquisitions decreased.

It is gratifying to see that our work on pricing and increased efficiency in our testing operations are leading to an improved gross margin for both the GARD® and VitroScreen tests. The gross margin during the first half year was 69% (64%).

We also saw an improvement in the Group's operating cash flow. Excluding investment and acquisition activities, cash flow improved by SEK 5 million.

Driven by growth, the improved gross margin and effective cost controls, our loss is decreasing and we are approaching breakeven. Therefore, we estimate that the Company has sufficient funding for its organic growth plan.

## Increased sales and broadened customer base for GARD®

Interest in GARD® is on the rise following the OECD approval but is not yet fully reflected in sales, which still grew by 23% year-on-year. As many as 14 new customers were gained during the first half of 2023, compared with 18 for the entire year in 2022. We had many more orders than in the half year period last year, with two record-high orders dominating, one of which was worth more than SEK 4 million. At the same time, repeat sales from established customers accounted for 73% of total sales, driven in part by a major customer-specific adaptation project with a world leader in cosmetics.

The growth in interest in GARD® is also reflected in our distributor strategy. During the period, the contribution of distributor sales to total sales increased by about 200% and we gained two new strong partners. GVRP, is based in Hyderabad, the life sciences hub of India, a new potentially interesting market, and Oroxcell has a strong foothold in the French market, an important market

for us. With strong, local partners in addition to our direct sales, we are poised for progress in each market.

Our effective marketing also continues to deliver excellent results. Our webinars held in collaboration with customers and opinion leaders attracted large audiences, which is indicative of a stronger position for GARD® and great prospects for future business.

More widespread use of *in vitro* methods for chemical risk assessment is also confirmed by the latest report from the European Chemicals Agency (ECHA), which aligns well with the Company's strategy and marketing.

## Positive revenue synergies within Group

VitroScreen started off the year with great demand in pharma and cosmetics, which drove strong sales of VitroScreen's pre-clinical tests at a solid gross margin. Cross selling of VitroScreen's offer within the Group also increased. VitroScreen's sales figures in the comparative period last year were its strongest ever with several major projects with medical devices customers across Italy. We see continued strong growth in the pharma sector for VitroScreen, which heads into the second half of the year with a strong order backlog and sales pipeline.

Our skilled regulatory consulting unit, ToxHub, was successfully integrated during its first half year in the Group. Starting in the spring, we were able to begin offering customers projects combining advisory services and testing, which also secured our first cross sale. This is a very positive start. ToxHub contributed 9% to consolidated sales.

## Higher ROI expected in H2

The overarching trend is indicative of continuing increased demand for non-animal tests, and the market situation for GARD® and the rest of the Group's test offering is favorable, although, as always, sales may vary over the year.

With the strong growth of our customer portfolio, high demand from pharmaceuticals companies, successful cross selling within the Group, and increased profitability, I have a very positive view of the second half of the year and the future of non-animal testing based on our unique methods.

*Peter Nählstedt, President and CEO*

# SenzaGen at a glance

## Vision

SenzaGen’s vision is to replace animal testing with best-in-class *in vitro* technology, establish a new industry standard and contribute to safer products in society.

## Business concept

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 biological reactions to toxic substances. 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.

## Growth strategy

SenzaGen’s growth strategy is centered around continued commercialization of its proprietary GARD® and VitroSceen ORA® test platforms, expansion of its test portfolio and acquisitions of profitable and growing companies with strong, complementary offerings.

## A market with great potential

The *in vitro* toxicology testing market is global and growing strongly. After expanding the Company’s range of tests and completing acquisitions, SenzaGen estimates its addressable market at approximately SEK 30 billion. The majority of the Company’s sales are direct sales supplemented by sales via distributors and license partners.

## Our contribution to a more sustainable world

SenzaGen’s non-animal tests and services help companies provide products that do not cause allergic or other toxic reactions and also create better production environments for their employees. As a result, we contribute to safe, ethical and more sustainable products reaching the market while also reducing the number of tests on animals.








## Innovative *in vitro* offering.

The SenzaGen Group offers complete solutions for assessing the safety of chemicals in several industries.

SenzaGen became an operating company in 2014. Prior to its founding, the EU had decided to no longer allow sales of cosmetic products tested on animals. This ban then spread to other countries and there are also processes in other industries in which there is an aim to avoid animal testing. Since then, the Company’s innovative and 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.

VitroScreen, which was acquired, has vast expertise in human 3D tissue models. The patent-protected organoid platform VitroScreen ORA®, which is uniquely produced by allowing human cells to self-organize without the need for artificial scaffolding, 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. The combination and availability of the Group’s technologies open up new commercial opportunities.

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

PART OF THE VALUE CHAIN	OFFERING	GROUP COMPANIES
<b>Testing strategy</b> Advice and strategies for toxicology safety assessments.	Consulting on how to combine tests	 
<b>In silico</b> Computer-simulated assessment of toxicity in drug candidates, chemicals, medical devices and food additives.	Studies and consulting: QSAR and read-across with expert assessment of results	
<b>In vitro-testing</b> Cell-based identification of toxic properties in drug candidates, chemicals, cosmetics and medical devices.	<ul style="list-style-type: none"> <li>Innovative patented tests: GARD® and ORA®</li> <li>GLP Regulatory toxicology testing</li> <li>Pre-clinical testing</li> <li>Innovation services</li> </ul>	 
<b>Regulatory documentation and support</b> Toxicological and pharmacological assessment of results and compilation of regulatory information..	Independent advice for regulatory compliance.	 

### 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.

# Sales, earnings and investments

## First half year

Consolidated net sales for the January-June 2023 period amounted to SEK 23.6 (19.9) million, an 18% year-on-year increase. Acquired sales from ToxHub accounted for 9% of total net sales. Organic sales were driven by strong growth (23%) for GARD® tests.

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.

Consolidated gross profit was SEK 16.3 (12.7) million, corresponding to an improved gross margin of 69% (64%). The gross margin for both GARD® and VitroScreen tests improved during the half year.

Operating expenses for the period totaled SEK 29.1 (27.0) million. The increase in costs is attributable to forward-looking investments in line with the Company's growth strategy, which includes acquisitions. The ToxHub acquisition resulted in the number of employees increasing by 3 from the same period last year.

Operating expenses include depreciation and amortization amounting to SEK 5.7 (4.6) million, and SEK 3.7 (2.3) million of this amount is for depreciation and amortization on acquired assets.

Consolidated EBITDA improved to SEK -6.8 (-9.1) 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 0.7 (0.7) million, with patents and trademarks accounting for SEK 0.7 (0.7) million of this amount.

# Funding

The Group's cash and cash equivalents at the end of the period totaled SEK 25.1 (49.0) million.

Net cash from operating activities for the period improved to SEK -13.4 (-19.0) million. Cash flow was impacted negatively by trade receivables amounting to SEK 7.7 (8.9) million due to deliveries at the end of the period.

Total net cash flow for the period amounted to SEK -15.0 (-20.3) million.

# Parent Company

The Parent Company's net sales for the January-June 2023 period totaled SEK 11.5 (9.4) million. The loss before tax was SEK -9.2 (-11.9) million.

The Parent Company's operating loss was SEK -9.3 (-12.1) million.

The Parent Company's net investments in both property, plant and equipment and intangible assets for the period amounted to SEK 0.7 (0.7) million, and its total cash flow was SEK -14.1 (-19.8) million.

Additional consideration was paid during the period totaling SEK 5.6 million attributable to the acquisition of VitroScreen s.r.l. The amount of the additional consideration paid was in line with previous estimates.

A dividend amounting to SEK 1.7 million was paid from ToxHub to the Parent Company during the period. Given that the amount paid as a dividend comprised the acquired net cash calculated after completion of the acquisition, the Parent Company's financial assets have been written down in this amount.

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 2022 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 2022 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 (29) employees, 22 (18) of which were women and 11 (11) were men. At the end of the period, the Parent Company had 20 (18) employees, 11 (10) of which were women and 9 (8) were men.

### Significant events after the end of the period

On 7 July, SenzaGen announced that the Company has signed agreements with two CROs, GV Research Platform (GVRP), India, and Oroxcell, France, for the distribution of the Company's GARD® non-animal test portfolio for chemical risk assessment. These strategically important agreements enable broader distribution of GARD® to large markets in which regulations and industry forces are driving demand for alternative test methods.

### 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

2023 Year-End Report

14 February 2024

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

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, 24 August 2023

Carl Borrebaeck  
*Chairman*

Ian Kimber  
*Director*

Anki Malmborg Hager  
*Director*

Paul Yianni  
*Director*

Paula Zeilon  
*Director*

Peter Nählstedt  
*President and CEO*

**For questions about this report, contact:**

Peter Nählstedt, President and CEO, SenzaGen AB  
Tel: +46 700-23 44 31 | Email: [peter.nahlstedt@senzagen.com](mailto:peter.nahlstedt@senzagen.com)

Marianne Olsson, VP Finance, SenzaGen AB  
Tel: +46 706-36 73 18 | Email: [marianne.olsson@senzagen.com](mailto:marianne.olsson@senzagen.com)

**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 24 August 2023 at 8:30 AM CEST.

**Address**

SenzaGen AB (publ) | Company registration number: 556821-9207  
Bldg 401, Medicon Village, 223 81 LUND, SWEDEN  
Phone: 046-275 60 00 | [info@Senzagen.se](mailto:info@Senzagen.se) | [www.senzagen.com](http://www.senzagen.com)

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)	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
<b>Operating income</b>			
Net sales	23,592	19,922	41,770
Cost of goods sold	-7,286	-7,248	-14,434
<b>Gross profit/loss</b>	<b>16,306</b>	<b>12,674</b>	<b>27,336</b>
Selling expenses	-13,760	-10,680	-21,609
Administrative expenses	-9,588	-8,890	-17,418
Research and development expenditure	-1,935	-4,783	-8,985
Acquisition-related costs	-3,671	-2,337	-4,921
Other operating income	364	694	1,189
Other operating expenses	-219	-353	-703
<b>Operating profit/loss</b>	<b>-12,503</b>	<b>-13,675</b>	<b>-25,111</b>
<b>Profit/loss from financial items</b>			
Interest income and similar items	379	277	338
Interest expenses and similar items	-222	-46	-189
<b>Profit/loss after financial items</b>	<b>-12,346</b>	<b>-13,444</b>	<b>-24,962</b>
Tax expenses	43	-51	50
<b>Profit/loss for the period</b>	<b>-12,303</b>	<b>-13,495</b>	<b>-24,912</b>
Share of profit/loss to Parent Company shareholders	-12,303	-13,495	-24,912

Per share data	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
Earnings per share (SEK)	-0,51	-0,56	-1,03
Fully diluted earnings per share (SEK)	-0,51	-0,56	-1,03
Equity per share (SEK)	3,28	4,07	3,71
Equity ratio (%)	78%	85%	75%
Number of outstanding shares at end of period (thousands)	24,188	24,065	24,188
Average number of outstanding shares (thousands)	24,188	24,065	24,085
Share price at end of period (SEK)	11,30	9,20	12,05

## 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 June 2023	30 June 2022	31 Dec 2022
<b>Assets</b>			
Goodwill	20,304	12,307	21,647
Intangible assets	37,545	35,184	38,107
Property, plant and equipment	2,301	2,745	2,575
Inventories	4,143	3,705	3,614
Trade receivables	7,664	8,916	9,094
Other receivables	1,035	1,111	554
Prepaid expenses and accrued income	3,717	2,660	4,387
Cash and cash equivalents	25,104	49,034	39,976
<b>Total assets</b>	<b>101,813</b>	<b>115,662</b>	<b>119,954</b>
<b>Equity and liabilities</b>			
Equity	79,336	98,053	89,701
Liabilities to credit institutions	1,087	783	1,207
Trade payables	2,392	3,693	4,420
Other provisions	8,080	6,354	7,321
Current tax liabilities	625	649	411
Other liabilities	2,050	1,986	3,506
Accrued expenses and deferred income	8,243	4,144	13,388
<b>Total equity and liabilities</b>	<b>101,813</b>	<b>115,662</b>	<b>119,954</b>
<b>Statement of changes in equity</b> (SEK thousand)	<b>30 June 2023</b>	<b>30 June 2022</b>	<b>31 Dec 2022</b>
Opening balance	89,701	110,243	110,243
New shares issue	-	-	-
Non-cash issue	-	-	1,629
Costs new shares issue	-	-	-42
Effect of employee stock option plan	-	-	-
Profit/loss for the period	-12,303	-13,495	-24,912
Foreign currency effect	1,938	-1,305	2,783
<b>Equity at end of period</b>	<b>79,336</b>	<b>98,053</b>	<b>89,701</b>



Condensed consolidated statement of cash flows (SEK thousand)	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
<b>Operating profit/loss after tax</b>	<b>-12,303</b>	<b>-13,495</b>	<b>-24,912</b>
Adjustments for non-cash items	5,471	4,397	9,145
<b>Net cash from operating activities before changes in working capital</b>	<b>6,832</b>	<b>-9,098</b>	<b>-15,767</b>
Changes in working capital	-6,582	-9,942	-304
<b>Net cash from operating activities</b>	<b>-13,414</b>	<b>-19,040</b>	<b>-16,071</b>
Acquisitions/disposals of intangible assets	-742	-670	-1,982
Acquisitions/disposals of property, plant and equipment	-86	-160	-607
Acquisitions/disposals of subsidiaries	-	-	-13,041
Acquisitions/disposals of financial assets	13	-	2,193
<b>Net cash from investing activities</b>	<b>-815</b>	<b>-830</b>	<b>-13,437</b>
New share issue	-	-	-
Transaction expenses attributable to new share issue	-42	-	-42
Option premium	-	-	-
Repurchase of options	-	-	-
Change in long term debt to credit institutions	-771	-396	73
<b>Net cash from financing activities</b>	<b>-813</b>	<b>-396</b>	<b>31</b>
<b>Total cash flow for the period</b>	<b>-15,042</b>	<b>-20,266</b>	<b>-29,477</b>
Cash and cash equivalents at start of period	39,976	69,164	69,164
Translation difference on cash and cash equivalents	170	136	289
<b>Cash and cash equivalents at end of period</b>	<b>25,104</b>	<b>49,034</b>	<b>39,976</b>

Parent Company income statement (SEK thousand)	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
<b>Operating income</b>			
Net sales	11,524	9,379	21,501
Cost of goods sold	-3,488	-3,310	-7,430
<b>Gross profit/loss</b>	<b>8,036</b>	<b>6,069</b>	<b>14,071</b>
Selling expenses	-9,475	-9,955	-20,534
Administrative expenses	-6,580	-6,490	-12,041
Research and development expenditure	-1,489	-2,058	-3,543
Other operating income	361	663	1,150
Other operating expenses	-219	-350	-699
<b>Operating profit/loss</b>	<b>-9,366</b>	<b>-12,121</b>	<b>-21,596</b>
<b>Profit/loss from financial items</b>			
Interest income and similar items	391	259	356
Interest expenses and similar items	-202	-7	-117
<b>Profit/loss after financial items</b>	<b>-9,177</b>	<b>-11,869</b>	<b>-21,357</b>
Tax expenses	-	-	-
<b>Profit/loss for the period</b>	<b>-9,177</b>	<b>-11,869</b>	<b>-21,357</b>

<b>Parent Company balance sheet</b> (SEK thousand)	<b>30 June</b> <b>2023</b>	<b>30 June</b> <b>2022</b>	<b>31 Dec</b> <b>2022</b>
<b>Assets</b>			
Intangible assets	12,883	13,949	-13,715
Property, plant and equipment	706	942	861
Financial assets	44,391	31,101	46,103
Inventories	1,259	1,491	973
Trade receivables	4,269	5,202	3,405
Receivables from Group companies	1,302	1,226	1,252
Other receivables	1,573	1,672	1,343
Prepaid expenses and accrued income	3,474	2,441	4,180
Cash and bank balances	22,109	47,495	36,242
<b>Total assets</b>	<b>91,966</b>	<b>105,519</b>	<b>108,074</b>
<b>Equity and liabilities</b>			
Equity	81,567	98,645	90,744
Trade payables	1,119	1,743	2,584
Current tax liabilities	625	649	411
Liabilities to Group companies	-	-	405
Other liabilities	905	691	751
Accrued expenses and deferred income	7,750	3,791	13,179
<b>Total equity and liabilities</b>	<b>91,966</b>	<b>105,519</b>	<b>108,074</b>