

January - September 2022 in brief

Senzime AB (publ), 556565–5734

» **Strong sales growth of 79% in the third quarter** *«

» **Sales in the USA up by 110% in the third quarter** *«

* Adjusted for currency effects and Respiratory Motion Inc. (RMI), which was acquired in the quarter.

Financial information 2023

Year-end Report: February 20
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 Interim Report Q3: October 26

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July - September 2022

- Net sales amounted to TSEK 3 720 (1 436), a 159% increase. Sales rose by 79% adjusted for the acquisition of RMI and currency fluctuations.
- Sales of instruments were TSEK 1 201 (728), a 65% increase. Adjusted for the acquisition of RMI and currency fluctuations, sales increased by 45%.
- Sales of disposables were TSEK 2 519 (708), a 256% increase. Adjusted for the acquisition of RMI and currency fluctuations, sales increased by 113%.
- The gross margin excluding amortization was 69.6% (67.8).
- EBITDA was TSEK -24 727(-16 963). Adjusted for acquisition costs, EBITDA was TSEK -24 360 (-16 963).
- Profit (loss) after financial items was TSEK -53 625 (-19 704)
- Earnings per-share were SEK -0.74 (-0.31)
- Cash and cash equivalents as of September 30, 2022 were TSEK 58 389 (97 436)
- The acquisition of RMI was completed on Jul. 1, 2022 (see page 17)

January - September 2022

- Net sales amounted to TSEK 9 484 (7 263), a 31% increase. Sales rose by 9% adjusted for the acquisition of RMI and currency fluctuations.
- Sales of instruments were TSEK 5 083 (4 212), a 21% increase. Adjusted for the acquisition of RMI and currency fluctuations, sales increased by 10%.
- Sales of disposables were TSEK 4 402 (3 052), a 44% increase. Adjusted for the acquisition of RMI and currency fluctuations, sales increased by 6.3%.
- The gross margin excluding amortization was 60.5% (58.9)
- EBITDA was TSEK -80 895(-51 742). Adjusted for RMI related acquisition costs, EBITDA was TSEK -64 128 (-56 019)
- Profit (loss) after financial items was TSEK -115 491 (-59 923)
- Earnings per-share were SEK -1.72 (-0.93)

SEK 000	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full yr. 2021
Net sales	3,720	1,436	9,484	7,263	10,980
EBITDA	-24,727	-16,963	-80,895	-51,742	-73,303
Profit (loss) after financial items	-53,625	-19,704	-115,491	-59,923	-84,289
Earnings per share (SEK)	-0.74	-0.31	-1.72	-0.93	-1.31
Gross margin excl. amortization (%)	69.6	67.8	60.5	58.9	54.3
Equity/assets ratio (%)	52.4	89.4	52.4	89.4	86.2

All amounts rounded to the nearest thousand Swedish kronor (SEK 000) unless otherwise stated. Figures in brackets above are for the corresponding period of the previous year. Unless otherwise stated, all information refers to the group.

High growth in the USA driven by new business customers and increased use of disposables

We finished the third quarter strongly. In the quarter, we saw increased usage of our disposables on key markets, reflecting the growing installed base of monitors and interest in our technology. Overall, sales increased by 159 percent to SEK 3.7 m for the third quarter, and adjusted for the acquisition of Respiratroy Motion Inc. (RMI) and currency effects, growth was 79 percent. Gross profit was SEK 2.6 m, with a gross margin of 69.6 percent. Our gross margin continued to increase as a result of strong sales performance in the USA.

The installed base of TetraGraph® continued to grow steadily on our core markets, and usage of our disposables is rising, especially on our major hospital accounts. Sales of monitors were up by 45 percent and disposables by 113 percent in the third quarter, adjusted for RMI and currency effects. Sales increased by 32 percent in Europe, and 110 percent in the USA, adjusted for RMI and currency effects. We're currently involved in several tenders in Europe, as well as negotiation processes in the USA that we expect to be carried out in 2023.

We completed our acquisition of Respiratory Motion at the beginning of the third quarter, and this operation has now been consolidated. We expect the expanded product portfolio to generate sales synergies from 2023 onwards. In the third quarter, ExSpirom® contributed sales of TSEK 757. We've started the process of transferring production of the ExSpirom® monitor to Uppsala, Sweden, which in time, we expect to increase our gross margin further.

The new guidelines that have been adopted by American Society of Anesthesiologists (ASA) represent a major recognition for Senszime, and for the millions of patients affected by critical complications from neuromuscular blocking agents every year. These new clinical guidelines include strong recommendations to observe patients with a quantitative monitor, rather than relying solely on clinical and subjective assessment. They also offered strong recommendations to hasten the use of quantitative monitoring to improve patient safety. Senszime's TetraGraph is a patient monitoring system that satisfies the standards of these new American guidelines, enabling improved patient safety and fewer complications.



Our previously announced strategic partnership with American Masimo is progressing as planned. Our ambition is to submit the module developed to connect TetraGraph® with Masimo's patient monitoring system Root® for approval at the end of 2023, and to launch at the beginning of 2024.

I'm grateful for all the hard work done by everyone at Senszime, and their efforts for patients on our markets. With new guidelines in place in the USA and Europe, we're making good progress in continuing our efforts to eliminate complications to save lives, improve patient safety and reduce healthcare costs.

Pia Renaudin, CEO
Uppsala, Sweden, November 2022

Comments on the Report

Revenue and profit in the third quarter 2022

The group's net sales in the third quarter 2022 were TSEK 3 720 m (1 436), corresponding to an increase of 159 percent on the third quarter of the previous year. Adjusted for an estimated inventory build-up by distributors, sales increased by 254 percent year on year, and adjusted for sales of RMI products and currency fluctuations, sales were up by 79 percent. Growth was primarily sourced from the USA and Europe. The USA grew by 157 percent, or 110 percent adjusted for RMI and currency fluctuations. Most of the growth in the USA was from sales of disposables, which increased by 291 percent adjusted for RMI and currency fluctuations. The region Europe grew by 41 percent, or 32 percent adjusted for sales of RMI products and currency fluctuations.

kSEK Q3	as reported			as reported RMI adjusted			RMI and FX adj
	FY 2022	FY 2021	Growth	FY 2022	FY 2021	Growth	Growth
US	2 466	671	268%	1 725	671	157%	110%
* Devices/other	441	395	11%	409	395	3%	-16%
* Disposables	2 025	276	635%	1 316	276	378%	291%
Europe	958	668	43%	942	668	41%	32%
* Devices/other	464	235	97%	464	235	97%	84%
* Disposables	494	433	14%	478	433	10%	4%
RoW	297	97	205%	297	97	205%	188%
* Devices/other	297	97	205%	297	97	205%	188%
* Disposables	0	0		0	0		
Senzime Q3	3 720	1 436	159%	2 963	1 436	106%	79%
* Devices/other	1 201	728	65%	1 169	728	61%	45%
* Disposables	2 519	708	256%	1 794	708	153%	113%

The gross margin excluding amortization in the period was 69.6 percent, compared to 67.8 percent for the corresponding quarter of the previous year. This increase relates primarily to the product and customer mix, where a higher share of total sales are sourced from the high-margin product TetraSens® compared to the third quarter 2021.

The group's total operating expenses in the quarter were TSEK 28 380 (17 937). However, expenses related to the acquisition of RMI amounted to TSEK -367 and adjusted for them, the group's total operating expenses were TSEK 28 013 (17 941). Continued development of the marketing organizations in the USA and Germany, and negative currency effects, has led to cost increases compared to the corresponding quarter of the previous year.

Earnings before interest and taxes in the third quarter were TSEK -32 900 (-19 683).

Financial expenses for the period were TSEK -20 725 (-21), essentially consisting of exchange rate effects, and RMI-related fair value measurement of the potential contingent consideration in terms of a future earn-out payment

Earnings before interest and taxes for the period were TSEK -53 625 (-19 704).



Revenue and profit in January - September 2022

Net sales in the period January - September 2022 were TSEK 9 484 (7 263), an increase of 31 percent on the corresponding period of the previous year. Adjusted for an estimated inventory build-up by distributors, sales increased by 128 percent year on year, and adjusted for sales of RMI products and currency fluctuations, sales were up by 9 percent. Growth is mainly from direct sales in the USA, with increased sales of TetraSens® to current customers with installed bases, and from distributor sales in Europe, primarily from increased shipments of TetraGraph® systems.

kSEK YTD	as reported			as reported RMI adjusted			RMI and FX adj
	FY 2022	FY 2021	Growth	FY 2022	FY 2021	Growth	Growth
US	4 981	2 558	95%	4 240	2 558	66%	41%
* Devices/other	2 032	1 835	11%	2 000	1 835	9%	-5%
* Disposables	2 949	723	308%	2 240	723	210%	159%
Europe	3 989	2 437	64%	3 973	2 437	63%	57%
* Devices/other	2 560	1 355	89%	2 560	1 355	89%	81%
* Disposables	1 429	1 083	32%	1 413	1 083	31%	26%
RoW	515	2 268	-77%	515	2 268	-77%	-79%
* Devices/other	491	1 022	-52%	491	1 022	-52%	-55%
* Disposables	24	1 246	-98%	24	1 246	-98%	-98%
Senzime YTD	9 484	7 263	31%	8 727	7 263	20%	9%
* Devices/other	5 083	4 212	21%	5 051	4 212	20%	10%
* Disposables	4 402	3 052	44%	3 677	3 052	20%	6%

The gross margin excluding amortization in the period was 60.5 percent, compared to 58.9% for the corresponding period of the previous year. This increase relates primarily to the product and customer mix, where a higher share of total sales are sourced from the high-margin product TetraSens®.

The group's total operating expenses in the first nine months of the year were TSEK 88 307 (56 019). The acquisition of RMI and continued build-up of sales resources in the USA and Germany have caused cost increases between periods. However, expenses related to the acquisition of RMI for period amounted to TSEK 16 767, and accordingly, adjusted for them, the group's total operating expenses were TSEK 71 540 (56 021).

Financial expenses for the period were TSEK -20 760 (-65), essentially consisting of exchange rate effects, and RMI-related fair value measurement of the potential contingent consideration in terms of a future earn-out payment

Earnings before interest and taxes for the period were TSEK -115 491 (-59 923).

Financial position

The group's equity was TSEK 301 333 (174 839) at the end of the third quarter. The equity/assets ratio was 52.4 percent (89.4). At the end of the period, the company's cash and cash equivalents were TSEK 58 389 (97 436). The Board's opinion is that this finance is sufficient to ensure management of operations for at least a 12-month period assuming that investments and initiatives are balanced against the financial reserves that could be available at any time. The Board of Directors' opinion is that expansion beyond that planned will require additional finance. Such finance could be raised through loans or share issues, for example.

Cash flow and investments

Cash flow from operating activities including changes in working capital for the third quarter was TSEK -67 981 (-19 767). The negative cash flow is due to the loss reported and a negative change in working capital, of which TSEK -21 400 was liabilities included in the acquisition of RMI, and SEK -16 800 was expenses related to the RMI transaction, and the RMI acquisition, which were paid out at the beginning of the third quarter.

Cash flow from investing activities for the third quarter amounted to TSEK -1 430 (-595). Investments in the period largely related to capitalization of development projects. Cash flow from financing activities was approximately TSEK -1 142 (-275) for the third quarter.

Cash flow from operating activities including changes in working capital for the period January - September 2022 was TSEK -107 342 (-60 767). The negative cash flow is largely due to the loss reported.

Cash flow from investing activities for the period January-September 2022 was TSEK -3 753 (-1 717), largely related to capitalization of development projects. Cash flow from financing activities for the period January-September 2022 was TSEK 93 299 m (594). In June 2022, Senszime conducted a private placement that raised approximately TSEK 100 000 for the company before issue expenses, and approximately TSEK 95 000 after issue expenses.

Stock options

Staff stock options

The group has four staff stock option programs, totaling 2,556,050 options.

See note 8 of this Interim Report for more detail.

Dilution

Based on the existing number of shares and outstanding staff stock options and share warrants, dilution from the programs, assuming all options (including those not yet granted) are exercised to subscribe for new shares, would be a maximum of 3.8%.

Parent company and subsidiaries

Most of the group's operations are conducted in the parent company. For comments on the parent company's results of operations, see the comments on the group. US company Respiratory Motion, Inc. was acquired in the third quarter 2022, and is a 100%-owned subsidiary of Senszime AB. US company Senszime, Inc. started operating activities in the second quarter 2020. Sales in the USA are conducted in-house and via local distributors. German subsidiary Senszime GmbH started operations in the first quarter 2021. The group's two other subsidiaries exclusively hold certain rights that have been licensed to the parent company against royalty payments.

Sustainability

Senzime's operations help improve global health and patient safety by reducing anesthesia-related and respiratory complications, as well as cutting healthcare costs of surgical procedures and emergency treatment.

Senzime's sustainability work supports the commitment to patients, and endeavors to achieve sustainable development based on responsible action that is consistent with core values.

In the third quarter, we initiated work on transferring production of RMI's product ExPiron® to the facility in Uppsala, Sweden, to streamline the supply chain, improving the potential to reduce climate footprint. We have started the process of implementing an environmental management system that will be ISO 14001 certified. The environmental management system includes a materiality analysis, mapping environmental impact of the company.

Other significant events in the quarter

An Extraordinary General Meeting (EGM), which elected two new Directors to the Board, Laura Piccinini and Jenny E. Freeman.

Significant events after the end of the quarter

The European Patent Office (EPO) reported that it intends to grant a European patent on our TetraSens sensor.

Risks and uncertainty factors

A number of risk factors may have a negative impact on the operations of Senszime. Accordingly, it is important to consider relevant risks besides the company's growth potential. A review of the group's significant financial and business risks is included in the Statutory Administration Report and annual accounts for 2021. The company does not consider that any further significant risks have arisen.

Prospects

Just like many other companies, Senszime has faced major challenges from the Covid-19 pandemic. The fundamental need for neuromuscular monitoring has not reduced, even if surgery has been deferred to satisfy and enable the supply of medical staff. The pandemic impacted the number of trials conducted in 2020 and 2021. Access to hospitals has varied between countries. However, Senszime has enjoyed increased access to hospitals in 2022. Senszime has no operations in either Russia or Ukraine. It is also too early to judge the possible consequences of a long-term conflict between these countries.

Board of Directors' certification

The Board of Directors and CEO certify that this Interim Report gives a true and fair view of the parent company's and the group's operations, financial position and results of operations, and reviews the significant risks and uncertainties faced by the parent company and companies in the group.

Philip Siberg

Chairman of the Board

Sorin J. Brull

Director

Adam Dahlberg

Director

Laura Piccinini

Director

Lennart Kalén

Director

Eva Walde

Director

Jenny E Freeman

Director

Pia Renaudin

Chief Executive Officer

Uppsala, Sweden, November 10, 2022

Auditor's review report

Senzime AB (publ.) corp. ID no. 556565-5734

Introduction

We have reviewed the condensed interim financial information (interim report) of Senzime AB as of September 30, 2022 and the nine-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Leonard Daun

Authorized Public Accountant

Öhrlings PricewaterhouseCoopers AB

Uppsala, Sweden, November 10, 2022

Condensed Consolidated Statement of Comprehensive Income

SEK 000	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full yr. 2021
Net sales	2	3,720	1,436	9,484	7,263	10,980
Cost of goods sold	3	-8,240	-3,182	-15,908	-11,102	-15,903
Gross profit (loss)		-4,520	-1,746	-6,424	-3,839	-4,923
Development expenditure	4	-5,285	-3,191	-13,002	-8,629	-12,527
Selling expenses	4	-20,198	-10,114	-46,757	-26,195	-39,533
Administrative expenses	4,5,8,9	-8,229	-4,958	-36,186	-21,637	-28,175
Other operating income		7,675	633	13,100	1,511	2,884
Other operating expenses		-2,343	-307	-5,462	-1,069	-1,917
Earnings before interest and taxes		-32,900	-19,683	-94,731	-59,858	-84,191
Financial expenses		-20,725	-21	-20,760	-65	-98
Financial items – net		-20,725	-21	-20,760	-65	-98
Profit (loss) after financial items		-53,625	-19,704	-115,491	-59,923	-84,289
Income tax		1,714	517	2,683	1,552	2,146
Profit (loss) for the year		-51,911	-19,187	-112,808	-58,371	-82,143
Other comprehensive income:						
<i>Items reclassifiable to profit or loss</i>						
Translation differences		23,714	-2	23,552	418	-580
Other comprehensive income for the period, net of tax		23,714	-2	23,552	418	-580
Total comprehensive income for the period		-28,197	-19,189	-89,256	-57,953	-82,723

Profit (loss) for the year and total comprehensive income are wholly attributable to equity holders of the parent.

Earnings per share, based on profit (loss) for the year attributable to equity holders of the parent

SEK	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full yr. 2021
Weighted average number of shares, before dilution	6	69,883,985	62,493,290	65,541,650	62,493,290	62,493,290
Weighted average number of shares, after dilution	6	69,883,985	62,687,193	65,541,650	62,685,857	62,679,957
Earnings per share, basic and diluted, SEK	6	-0.74	-0.31	-1.72	-0.93	-1.31

Condensed Consolidated Balance Sheet

SEK 000	Note	Sep. 30, 2022	Sep. 30, 2021	Dec. 31, 2021
ASSETS				
Non-current assets				
Intangible assets	11	461,385	75,737	74,159
Property, plant and equipment		2,299	1,010	1,286
Rights of use		15,585	1,943	1,884
Other financial assets		3,958	1,399	1,735
Total non-current assets		483,227	80,089	79,064
Current assets				
Inventories		18,069	8,572	8,834
Trade receivables		3,665	3,588	4,936
Other receivables		4,977	5,611	5,644
Prepaid expenses and accrued income		7,094	304	1,272
Cash and cash equivalents		58,389	97,436	74,872
Total current assets		92,194	115,511	95,558
TOTAL ASSETS		575,421	195,600	174,622
EQUITY AND LIABILITIES				
EQUITY		301,333	174,839	150,580
Liabilities				
<i>Non-current liabilities</i>				
Provisions		2,714	1,386	1,735
Non-current liabilities	11	161,158	-	-
Lease liability		11,753	740	617
Deferred tax liability		64,023	10,307	9,712
Total non-current liabilities		239,648	12,433	12,064
<i>Current liabilities</i>				
Lease liability		2,915	982	1,017
Trade payables		4,297	2,600	3,941
Other current liabilities		18,564	2,056	2,062
Accrued expenses		8,664	2,690	4,958
Total current liabilities		34,440	8,328	11,978
TOTAL EQUITY AND LIABILITIES		575,421	195,600	174,622

Condensed Consolidated Statement of Changes in Equity

SEK 000	Attributable to equity holders of the parent				TOTAL EQUITY
	Share capital	Other paid-up capital	Reserves	Retained earnings incl. profit (loss) for the year	
Opening balance, January 1, 2021	7,812	397,553	1,913	-175,932	231,346
Profit (loss) for the year				-58,371	-58,371
Other comprehensive income			418		418
Total comprehensive income	-	-	418	-58,371	-57,953
Transactions with shareholders in their capacity as owners					
Staff stock options				1,446	1,446
Total transactions with shareholders	-	-	-	1,446	1,446
Closing balance, September 30, 2021	7,812	397,553	2,331	-232,857	174,839
Opening balance, January 1, 2022	7,812	397,553	1,333	-256,118	150,580
Adjustment of translation difference			621	-621	-
Adjusted opening balance, January 1, 2022	7,812	397,553	1,954	-256,739	150,580
Profit (loss) for the year				-112,808	-112,808
Other comprehensive income			23,552		23,552
Total comprehensive income	-	-	23,552	-112,808	-89,256
Transactions with shareholders in their capacity as owners					
New share issues	1,718	242,407			244,125
Expenses attributable to new share issues		-5,256			-5,256
Staff stock options				1,140	1,140
Total transactions with shareholders	1,718	237,151	-	1,140	240,009
Closing balance, September 30, 2022	9,530	634,704	25,506	-368,407	301,333

Condensed Consolidated Statement of Cash Flows

SEK 000	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full yr. 2021
Cash flow from operating activities						
Earnings before interest and taxes		-32,900	-19,683	-94,731	-59,858	-84,191
<i>Adjustment for non-cash items:</i>						
–Depreciation and amortization		8,171	2,724	13,835	8,187	10,987
–Other non-cash items		591	509	1,374	1,446	1,920
Income tax paid		-77	-	-133	-	-273
Interest paid		20	-20	-15	-65	-98
Cash flow from operating activities before change in working capital		-24,195	-16,470	-79,670	-50,290	-71,655
Cash flow from change in working capital						
Increase/decrease in inventories		-1,559	-2,567	-1,913	-4,622	-5,086
Increase/decrease in trade receivables		283	-133	2,407	-303	-1,651
Increase/decrease in other operating receivables		1,503	1,546	979	395	-413
Increase/decrease in trade payables		-5,444	-884	-1,633	-2,118	-777
Increase/decrease in trade payables		-38,569	-1,259	-27,512	-3,829	-1,746
Total change in working capital		-43,786	-3,297	-27,672	-10,477	-9,673
Cash flow from operating activities		-67,981	-19,767	-107,342	-60,767	-81,328
Cash flow from investing activities						
Investments in tangible assets		-454	-273	-899	-838	-1,171
Investments in intangible assets		-1,107	-322	-2,985	-879	-1,803
Investments in participations in group companies		131	-	131	-	-
Cash flow from investing activities		-1,430	-595	-3,753	-1,717	-2,974
Cash flow from financing activities						
New share issue, net of transaction expenses		-244	-	94,744	-	-
Payments made for repayment of lease liabilities		-898	-275	-1,445	-594	-945
Cash flow from financing activities		-1,142	-275	93,299	-594	-945
Decrease/increase in cash and cash equivalents		-70,553	-20,637	-17,796	-63,078	-85,247
Cash and cash equivalents at beginning of period		126,495	118,170	74,872	160,310	160,310
Exchange differences in cash and cash equivalents		2,447	-97	1,313	204	-191
Cash and cash equivalents at end of period		58,389	97,436	58,389	97,436	74,872

Parent company Income Statement

SEK 000	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full yr. 2021
Net sales	2	2,810	2,612	8,221	10,390	15,450
Cost of goods sold	3	-1,884	-1,583	-5,370	-6,543	-9,316
Gross profit (loss)		926	1,029	2,851	3,847	6,134
Development expenditure	4	-2,564	-3,196	-10,281	-8,634	-12,527
Selling expenses	4	-4,008	-3,125	-27,806	-9,815	-28,173
Administrative expenses	4,5,8,9	-5,571	-13,176	-17,528	-30,912	-37,994
Other operating income		7,619	631	13,036	1,507	2,788
Other operating expenses		-2,338	-306	-5,457	-1,066	-2,085
Earnings before interest and taxes		-5,936	-18,143	-45,185	-45,073	-71,857
Financial expenses		-20,515	-	-20,517	-2	-14
Financial items – net		-20,515	-	-20,517	-2	-14
Profit (loss) after financial items		-26,451	-18,143	-65,702	-45,075	-71,871
Profit (loss) for the year		-26,451	-18,143	-65,702	-45,075	-71,871

The parent company has no items recognized as other comprehensive income, so total comprehensive income is consistent with profit (loss) for the year.

Parent Company Balance Sheet

SEK 000	Note	Sep. 30, 2022	Sep. 30, 2021	Dec. 31, 2021
ASSETS				
Non-current assets				
Intangible non-current assets		20,255	18,091	18,579
Property, plant and equipment		1,335	1,000	984
Financial assets	11	405,119	26,267	34,786
Total non-current assets		426,709	43,358	54,349
Current assets				
Inventories		9,421	7,281	7,153
Trade receivables and other receivables		5,671	7,559	8,437
Receivables from group companies		4,782	115	3,180
Prepaid expenses and accrued income		1,276	516	1,329
cash and bank balances		54,867	96,600	74,173
Total current assets		76,017	112,071	94,272
TOTAL ASSETS		502,726	157,429	148,621
EQUITY AND LIABILITIES				
EQUITY				
Restricted equity		32,567	28,374	28,940
Non-restricted equity		261,343	117,501	90,664
Total equity		293,910	145,875	119,604
Liabilities				
Non-current liabilities				
Non-current liabilities		161,158	-	-
Provisions		2,714	1,386	1,735
Total non-current liabilities		163,872	1,386	1,735
Current liabilities				
Trade payables		2,930	2,555	3,852
Liabilities to group companies		20,342	3,087	16,837
Other current liabilities		18,072	1,979	1,889
Accrued expenses		3,600	2,547	4,704
Total current liabilities		44,944	10,168	27,282
TOTAL EQUITY AND LIABILITIES		502,726	157,429	148,621

Notes on the consolidated accounts

Note 1 Accounting policies

This condensed Interim Report for the third quarter ending on September 30, 2022 has been prepared in accordance with IAS 34 "Interim Financial Reporting." The term "IFRS" in this document includes the application of IAS and IFRS, as well as their interpretations as published by the IASB Standards Interpretation Committee (SIC) and the IFRS Interpretations Committee (IFRIC). Application of the accounting policies is consistent with the annual accounts for the financial year ending on December 31, 2021, and should be read in conjunction with this Interim Report. There have been no amendments to IFRS in 2022 considered to have a material impact on the results of operations and financial position of the group. Unless specifically stated otherwise, all amounts are stated in thousands of Swedish kronor (SEK 000) information in brackets is for the comparative year.

The purchase method has been used for accounting the group's business combinations.

The purchase consideration for the acquisition of a subsidiary consists of the fair values of:

- assets taken over
- liabilities the group incurs to previous owners
- shares issued by the group
- assets or liabilities that are the consequence of an agreement on contingent consideration
- previous share of equity in the acquired entity

Identified acquired assets, liabilities and contingent liabilities taken over in a business combination are initially measured at fair value on the acquisition date. Acquisition-related expenses are expensed as they occur.

Goodwill is the amount of:

- transferred compensation and the fair value of previous equity shares of the acquired entity on the acquisition date.

Contingent considerations are classified as financial liabilities. Amounts classified as financial liabilities are restated in each period to fair value. Any revaluation gains and losses are recognized in profit or loss. If the business combination is a step acquisition, the previous equity shares of the acquired entity are restated to fair value at the acquisition date. Any gain or loss arising from the restatement is recognized in profit or loss.

Note 2 Division of net sales

SEK 000	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Instruments/other	1,201	728	5,083	4,212	5,570
* of which royalty income	38	70	148	122	270
Disposable products	2,519	1,366	4,402	3,052	5,410
Total	3,720	1,436	9,484	7,263	10,980

Note 3 Cost of goods sold

SEK 000	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Cost of materials	722	361	2,956	2,576	4,507
Personnel expenses	303	0	398	101	144
External services	52	102	252	309	365
Depreciation and amortization	7,163	2,719	12,302	8,116	10,887
Total	8,240	3,182	15,908	11,102	15,903

Note 4 Development, selling and administrative expenses by nature of cost

SEK 000	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Personnel expenses	20,168	11,180	49,424	32,425	46,894
Consulting expenses	5,688	3,712	16,002	15,769	22,063
Depreciation and amortization	109	7	259	72	99
Other expenses	7,748	3,364	30,261	8,195	11,179
Total	33,712	18,263	95,945	56,461	80,235

Note 5 Transactions with related parties

During the period, two Directors invoiced SEK 1,118,000 (771,000) on market terms for consulting services rendered associated with the

company's operating activities. These services were mainly rendered by Sorin Brull and Jenny Freeman.

Note 6 Earnings per share

SEK 000	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
SEK					
Basic earnings per share	-0.74	-0.31	-1.72	-0.93	-1.31
Diluted earnings per share	-0.74	-0.31	-1.72	-0.93	-1.31

Earnings measures used for calculating earnings per share

Profit (loss) attributable to equity holders of the parent used:	Net profit				
Profit (loss) attributable to equity holders of the parent, SEK 000	-51,911	-19,187	-112,808	-58,371	-82,143

No.

Weighted average no. of ordinary shares for calculating basic earnings per share	69,883,985	62,493,290	65,541,650	62,493,290	62,493,290
Adjustment for calculating diluted earnings per share	0	193,903	0	192,567	186,667

Stock options

Weighted average no. of ordinary shares and potential ordinary shares used as denominator for calculating diluted earnings per share	69,883,985	62,687,193	65,541,650	62,685,857	62,679,957
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Diluted earnings per share is not reported because it generates higher earnings per share because the company is loss making.

Share capital history

Date	Event	Number of shares	Share capital (SEK)	Quotient value (SEK)
Jan. 1, 2022	Opening	62,493,290	7,811,661	0.125
Jun. 1, 2022	Cash private placement	5,263,158	657,895	0.125
Jul. 1, 2022	Set-off issue on acquisition	2,127,537	1,059,742	0.125
Total, September 30, 2022		69,883,985	9,529,298	0.125

Note 7 Alternative performance measures

Senzime has defined the following alternative performance measures. The computations are published at www.senzime.com.

Performance measure	Definition	Motive for use
Gross margin excl. amortization	Gross profit (loss) excl. amortization of intangible assets divided by net sales	The group uses the alternative performance measure gross margin excluding amortization because it illustrates the impact of amortization of capitalized development expenditure on gross margin..
EBITA	Earnings before interest and taxes excluding amortization of intangible assets	The group uses the alternative performance measure EBITA because it illustrates the impact of amortization of capitalized development expenses on operating profit.
Equity/assets ratio	Closing equity in the period divided by closing total assets in the period	The group uses the alternative performance measure equity/assets ratio because it illustrates the portion of the total assets that consist of equity, and has been included so investors will be able to assess the group's capital structure.
Items affecting comparability	Items of material value that do not have any clear relationship with ordinary activities, and are of such nature that they cannot be expected to occur often. They may, for example, relate to acquisitions, major one-off orders, other unusual non-recurring revenue and expenses, capital gains/losses from divestments, restructuring expenses and impairment losses.	Enables improved understanding of the company's underlying operations.
Currency fluctuation	Adjusted for currency fluctuations on the net sales of operations excludes the effect of exchange rates by restating the net sales of operations for the relevant period by applying the rates of exchange used for the comparative period.	This performance measure is important for understanding the underlying progress of operations, and improves compatibility between periods.

Note 8 Staff stock option programs

Staff stock option program 2020/2023

An Extraordinary General Meeting (EGM) on July 2, 2020 resolved on a program comprising 100,000 staff stock options. The program is for one senior manager and was granted free of charge in July 2020. Granted staff stock options are vested over three years as follows: 20% of granted staff stock options are vested on July 1, 2021; 20% of granted staff stock options are vested on July 1, 2022; and 60% of granted staff stock options will be vested on July 1, 2023. Assuming vesting, and continued employment with the company, each option can be exercised to subscribe for shares in the period July 1, 2023 to September 30, 2023. The subscription price is set at SEK 24.70, which corresponds to 125% of the volume-weighted average price paid for the company's share on NASDAQ Stockholm's main market for a period of 20 trading days from the date of the EGM resolution onwards.

Staff stock option program 2020/2024

The EGM on July 2, 2020 also resolved on a program comprising 1,100,000 options. Staff stock options should be offered and granted to employees of the company based on participants' individual performance over an evaluation period that continued until December 31, 2020 inclusive (the "Evaluation Period"). Granted staff stock options are vested over three years as follows: 20% of granted staff stock options are vested on February 1, 2022; 20% of granted staff stock options will be vested on February 1, 2023; and 60% of granted staff stock options will be vested on February 1, 2024. Participants can exercise granted and vested staff stock options in the period February 1, 2024 to April 30, 2024. The subscription price is set at SEK 24.70, which corresponds to 125% of the volume-weighted average price paid for the company's share on NASDAQ Stockholm's main market for a period of 20 trading days from the date of the EGM resolution. A total of 737,000 of these 1,100,000 options were granted in February 2021 and granting is as follows: CEO: 100,000 staff stock options; members of the Management Team in total: 500,000 staff stock options (maximum individual granting 90,000); other employees: 225,000 (maximum individual granting 30,000). The market value at the grant date was SEK 4.70 per option.

Staff stock option program 2021/2025

The Annual General Meeting (AGM) on May 11, 2021 resolved on an additional staff stock option program comprising 456,050 options. These staff stock options will be offered and granted to employees, although not the CEO or other members of the company's Management Team, based on participants' individual performance in an evaluation period that continued until December 31, 2021 inclusive (the "Evaluation Period"). However, granting may be earlier or later subject to special decision by the Board of Directors. The maximum number of staff stock options that may be granted to participants is 50,000 staff stock options per person.

Granted stock options are vested over three years as follows: 20% of granted staff stock options are vested on February 1, 2023; 20% of granted staff stock options will be vested on February 1, 2024; and 60% of granted staff stock options will be vested on February 1, 2025. Participants may exercise granted and vested staff stock options in the period February 1, 2025 to April 30, 2025. The subscription price is set at SEK 28.10, which corresponds to 125% of the volume-weighted average price paid for the company's share on NASDAQ Stockholm's Main Market for a period of 20 trading days from the grant date. A total of 435,000 of these 456,050 options were granted in February 2022. All options have been granted to other employees. The market value at the grant date was SEK 2.68 per option.

Staff stock option program 2022/2026

The AGM on May 18, 2022, resolved on an additional staff stock option program comprising 900,000 options. These staff stock options will be offered and granted to employees based on participants' individual performance in an evaluation period that continues until December 31, 2022 (the "Evaluation Period"). However, granting may be earlier or later subject to special decision by the Board of Directors. The maximum number of staff stock options that may be granted to participants is 200,000 staff stock options per person. Granted staff stock options are vested for three years as follows: 20% of granted staff stock options will be vested on February 1, 2024; 20% of granted staff stock options will be vested on February 1, 2025; and 60% of granted staff stock options will be vested on February 1, 2026. Participants may exercise granted and vested staff stock options in the period February 1, 2026 to February 28, 2027.

There has been no granting as yet, and the subscription price is set at SEK 30.00.

Dilution from option programs

In total, the Group's four staff stock option programs comprise 2,556,050 options, which on full exercise, would entail dilution of 3.8%.

This assumes that all options are exercised, including staff stock options that have not yet been granted.

Note 9 Business combinations

On July 1, 2022, SENZIME AB acquired 100% of the share capital of American company Respiratory Motion, Inc. (RMI).

RMI is a Boston-based medical technology company that develops and markets systems for monitoring respiratory function and other vital functions. The company's solution ExSpiiron is the market's only non-invasive system that monitors patient breathing volume and respiratory rate in real time. ExSpiiron is based on many years of research by physicians in the USA, and is protected by 14 patent families and proprietary algorithms. The system is CE and FDA approved, and has been validated on over 6,000 patients in more than 30 scientific publications.

Monitoring patient respiratory function is critical, and closely monitored during surgery according to standardized protocols. However, a significant proportion of patients need continued monitoring of respiratory rates and volume in real time even postoperatively, when they come to a ward. Adequate equipment that can provide early warnings of respiratory depression and prevent complications in patients who are not intubated is often absent.

Respiratory depression affects up to 30% of patients undergoing various types of pain treatment (analgesia) in postoperative care. This leads to complications, extra care time and increased costs for caregivers.

Like Senszime's TetraGraph®, ExSpiiron is based on a "razor and razorblade" sales model powered by an installed base of monitors with disposable sensors. The estimated total addressable market in the United States alone amounts to more than USD 4 billion, which, combined with RMI's access to approximately 5,500 hospitals, enables rapid growth of the installed base of monitors. RMI currently has a number of strategic purchasing agreements with some of the larger purchasing organizations in the USA through Group Purchasing Organizations.

The acquisition of RMI is in line with Senszime's vision of a world free of anesthesia-related complications. RMI's product portfolio is complementary to Senszime, which increases Senszime's ability to cover more of the patient journey extending outside the operating theater and enables cross-sales synergies through its own sales force and distributor channels. The companies also have clear operational synergies in manufacturing, product development, regulatory affairs and administration. The acquisition broadens Senszime's product portfolio and is expected to accelerate market penetration of both TetraGraph® and ExSpiiron. The transaction also creates the potential to accelerate Senszime's overall goal of becoming a global market leader in patient monitoring of vital functions, thus helping reduce anesthesia and analgesia-related complications.

Information on preliminary purchase consideration, acquired net assets and goodwill follows

Preliminary purchase consideration (SEK 000)

Cash and cash equivalents	0
Ordinary shares	144,125
Contingent consideration	141,865
Total purchase consideration	285,990

This analysis is preliminary, primarily in terms of estimated contingent consideration.

Ordinary shares

The purchase consideration has been computed on the listed share price on the completion date of July 1, 2022 of SEK 17 per share. A small portion of the agreed maximum number of the 8,477,937 ordinary shares were issued to the sellers of RMI in tandem with the acquisition. The highest number of ordinary shares have been assigned a value of SEK 144,125,000.

The agreed maximum number of shares of 8,477,937 is allocated as follows:

- 1) On completion on July 1, 2022, 2,127,537 Senszime shares were issued through set-off.
- 2) A total of 5,502,606 shares of the consideration have not yet been issued on completion of the transaction because all sellers in RMI have not yet provided complete information. The sellers have 12 months (until July 1, 2023 inclusive) to provide/complete their information in order to receive their proportionate share of the consideration shares in return.
- 3) A total of 847,794 shares, corresponding to 10% of the purchase consideration, are being withheld for a 12-month period for the settlement of any warranty claims against the sellers. This will then be settled in a set-off issue based on the prevailing share price.

All of the initial purchase consideration including the uncompleted share issue has been recognized as equity.

Preliminary purchase consideration

The acquisition of RMI includes an agreement on contingent consideration, paid in the event of RMI achieving certain milestones in the calendar year 2023, which must then be paid after approval of the annual accounts in 2024, and may be a maximum of USD 25 m. The contingent consideration may be paid in new Senszime shares, in cash or a combination of new Senszime shares and cash. Senszime is free to decide on which alternative, and on the potential division between new shares and cash.

Senzzime's initial opinion is that 80% of the contingent consideration may be payable, which would be an amount equivalent to USD 20 m. The present value of this USD 20 m has been calculated by applying a discount rate of 20.4%. The amount of the contingent consideration remains preliminary and has been reported at fair value, estimates and computations are ongoing.

The contingent consideration has been recognized as a liability and reported at fair value.

The fair value of acquired net assets is TSEK 285 990 and is allocated as follows:

Preliminary net asset analysis as of July 1, 2022

SEK 000	
Intangible assets	211,161
<i>Trademarks and brands</i>	29,832
<i>Technology</i>	177,686
<i>Customer relationships</i>	3,643
Machinery and equipment	354
Right-of-use assets	11,790
Inventories	7,322
Other working capital assets	7,968
Cash and cash equivalents	131
Liabilities	-48,844
Working capital liabilities	-5,435
Deferred tax liabilities related to identified intangible assets	-52,790
Identified net assets	131,657
Goodwill	154,333
Carried value of 100% of the shares	285,990

Goodwill mainly relates to the company's workforce.

Acquisition-related expenses were SEK 16.8 m, and are included in administrative expenses.

From the acquisition date, sales of SEK 0.8 m related to the required entity products are included in the group's statement of total sales for the reporting period. The acquired entity's gain or loss since the acquisition date cannot be reported at consolidated level because the company and its products are integrated and not reported as a separate segment.

If the acquisition had been conducted on January 1, 2022, RMI would have contributed with SEK 1.8 m to total sales for the period January-June 2022. The acquired company's loss for the period January-June amounted to approximately -43 MSEK.

Note 10 Contingent liabilities

The strategic connectivity and licensing agreement with Masimo signed in June 2022 involves future sales generating royalty payment outflows based on a market royalty model. There is more detail on this agreement in the Interim Report for January - June 2022.

Note 11 Intangible assets, non-current liabilities and shares in subsidiaries

The substantial increase in intangible assets and non-current liabilities relates to the acquisition of Respiratory Motion Inc. Intangible assets increased by SEK 391.2 m, relating to the fair value measurement of the contingent consideration (of which currency restatements from the completion date onwards of SEK +25.7 m) and non-current liabilities have increased by SEK 161.2 m (of which currency adjustments from the completion date onwards of SEK +11.5 m, and the fair value measurement of the contingent consideration of SEK +7.8 m) due to the acquisition. The parent company's shares in subsidiaries increased by SEK 303 m due to the acquisition of Respiratory Motion Inc. For more information on the acquisition, see note 9 Business combinations.

Senzime is a Swedish medical technology company that develops and markets CE and FDA approved patient monitoring systems and products. Senzime's employees worldwide are committed to the vision of a world without anesthesia and breathing-related complications. The company markets an innovative portfolio of solutions, including TetraGraph® and ExSpirom® 2Xi for real-time monitoring of neuromuscular function and breathing during and after surgery. The goal is to help eliminate care-related complications and radically reduce costs associated with surgical procedures and emergency treatments.

Senzime aims at a market valued at over SEK 40 billion per year and works with sales teams in the world's leading markets. The company's shares are listed on NASDAQ Stockholm's main market (ticks SEZI). More information is available at senzime.com