# Q3

# Interim report for January-September 2020

Senzime AB (publ), 556565–5734

»September sales revenue were the best ever in Senzime's history«

## July - September 2020

- Net sales amounted to SEK 2,096 thousand (2,420).
- Income after financial items was SEK -11,787 thousand (-7,473).
- Earnings per share amounted to SEK -0.20 (-0.14)
- Cash and cash eqivalents amounted to SEK 75.7 millions (38.9) on September 30.
- The number of shares as of September 30 was 57,348,290 (52,448,290).

## January - September 2020

- Net sales amounted to SEK 5,843 thousand (4,023).
- Income after financial items was SEK -33,420 thousand (-24,650).
- Earnings per share amounted to SEK -0.58 (-0.48)

| SEK in thousands | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full year 2019 |
|---|---|---|---|---|---|
| Net sales | 2,096 | 2,420 | 5,843 | 4,023 | 6,711 |
| Income after financial items | -11,787 | -7,473 | -33,420 | -24,650 | -34,266 |
| Earnings per share (SEK) | -0.20 | -0.14 | -0.58 | -0.48 | -0.66 |
| Equity/assets ratio (%) | 86.3 | 85.5 | 86.3 | 85.5 | 83.9 |
| Gross margin before depreciation (%) | 33.4 | 44.9 | 39.7 | 41.3 | 57.6 |

This interim report is Senzime's first financial report prepared in accordance with IFRS. Effects that the recalculation has had on reports on comprehensive income and equity are described in Note 9.

## Definitions

- Earnings per share: Profit for the period divided by average number of shares during the period.
- Equity/assets ratio: Equity divided by total assets.
- Gross margin before depreciation: Gross profit excluding depreciation of intangible assets divided by sales revenue.
- The parentheses above describe the corresponding period last year.
- Unless otherwise stated, all information pertains to the Group.

## Calendar

Year-end summary: February 26, 2021
Interim Report Q1: May 6
AGM: May 11
Inerim Report Q2: August 27
interim Report Q3: November 12


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## Adress

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# Important events during the period

**January.** Senzime receives new large order from South Korea and passes 400 delivered TetraGraph®. The order value amounts to approximately SEK 1.5 million.

**March.** Senzime announced that it currently has no indications of problems with supply or delays in customer deliveries and that it is actively working to support customers and partners with digital tools during the current situation regarding COVID-19.

**March.** Senzime announced that it has received orders for TetraGraph® systems together with disposable sensors from the NHS hospitals Medway Maritime Hospital and Sherwood Forest Hospital in England. The initial order value amounts to approximately SEK 0.5 million.

**April.** Senzime issued a directed share issue to the Fourth Swedish National Pension Fund, Swedbank Robur Microcap, TIN Fonder, Danske Invest Småbolagsfond, Handelsbanken Fonder, Länsförsäkringar Fonder and ÖstVäst Capital Management. The issue comprised 4,900,000 shares at a subscription price of SEK 15 per share and added SEK 73.5 million to the Company before issue costs.

**June.** Senzime established a direct sales force for key U.S. territories and signs distribution agreements for some states in the northwest and central parts of the country.

**July.** The Extraordinary General Meeting on July 7 resolved on two additional employee stock option programs entitling to subscribe for a total of 1,200,000 shares.

**July.** CEO Pia Renaudin acquired 300,000 shares in Senzime at a price of SEK 18.50, corresponding to a value of approximately SEK 5.5 million. The shares were acquired from a consortium of principal owners consisting of Segulah Venture AB, Adam Dahlberg and Philip Siberg (through companies).

**August.** Senzime announces the launch of TetraConnect, a new cloud-based platform that enables doctors to share and graphically visualize patient data when using TetraGraph®.

**September.** Senzime delivers disposable sensors - TetraSens® - to its distributor in South Korea The order value amounted to approximately SEK 1 million.

**September.** Senzime communicates strategic and financial targets for 2023. The company shall be the market leader in the segment and reach a global market share of at least 10 % in the long term. By 2023, Senzime will achieve sales of at least SEK 200 million, with sales growth of 100% vs. 2022 and Senzime should show profitability in 2023.

## Important events after the end of the third quarter

**October.** Senzime receives an additional order from its distributor Leuag in Switzerland. The order is for TetraGraph® systems with Philips Interface and disposable sensors TetraSens® and has been purchased by a hospital to replace its current AMG system. The order value is approximately 300 KSEK and delivery takes place during October.

**October.** Senzime announces that the company's U.S. subsidiary – with the recruitment of the sixth employee – has achieved the first level of establishment in the United States as decided by the Senzime AB's Board of Directors.

**October.** Senzime announces that Eva Walde will be a member of the Board as a new co-opted member and will then be elected as a full member at the upcoming Annual General Meeting in 2021. Eva Walde has a Master of Science degree from the School of Business, Economics and Law in Gothenburg and over 20 years of experience from leading roles in Johnson & Johnson, Pfizer and Phadia.

**October.** Senzime signs a distribution agreement with The Surgical Company (formerly Sebac) for the French market while being about to deliver its first order to a university hospital in the country. Entry into the market is driven by new clinical guidelines in France with recommendations supporting the use of Senzime products in surgery.

**November.** Senzime enters into a license agreement with the Italian company Moss S.p.A. The agreement gives Moss 10-year manufacturing and sales rights for OnZurf® Probe in Europe. Forecasted royalty revenue to Senzime amounts to more than SEK 100 million during the contract period.

# About Senzime

**Senzime develops and markets systems, driven by unique algorithms and sensors, to follow patients ’ nervous systems and electrical impulses – before, during and after surgery. The company’s solution is called TetraGraph®, a medical technology system that digitally and continuously measures the degree of neuro-muscular blockade in the patient.**

The goal is improved clinical precision and simplified management in healthcare. By preventing complications and enabling healthcare professionals to follow health care guidelines and drug recommendations, TetraGraph® contributes to shorter hospitalizations and lower health care costs – in a world where everyone wakes up safely after surgery.

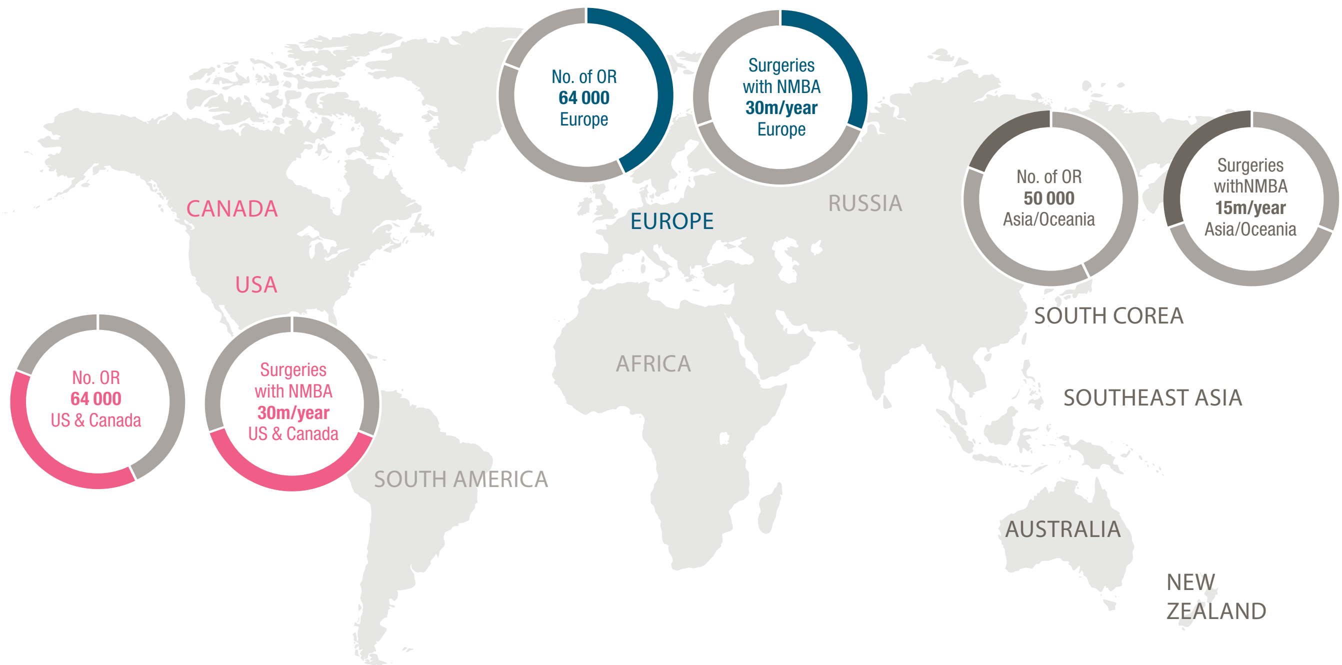
Senzime’s development portfolio also includes innovative, patient-oriented solutions that enable automated and continuous measurement of biological substances such as glucose and lactate in blood and tissue fluid; CliniSenz® Analyzer and OnZurf® Probe.

The mission is to develop solutions, designed to ensure maximum patient benefit, reduce complications associated with surgery and anesthesia, and decrease health care costs. Senzime operates in growing markets that in Europe and the United States are valued in excess of SEK 10 billion. The company’s shares are listed on Nasdaq First North Growth Market (ticker: SEZI)

### TetraGraph®

TetraGraph® is an innovative and user-friendly digital system for monitoring patients undergoing anesthesia with neuromuscular blocking agents (NMBAs). TetraGraph® is designed to easily and accurately measure the effects of NMBAs, guiding the clinician’s decision-making about the depth of neuromuscular blockade, and appropriate timing for patient extubation to spontaneous breathing. Ultimately this will enhance patient safety for the post-surgical patient. The system consists of a portable, handheld patient monitoring unit and disposable sensors.

By preventing complications and enabling healthcare professionals to follow care guidelines and drug recommendations, TetraGraph contributes to shorter hospital stays and lower healthcare costs - in a world where everyone wakes up safely after surgery. The potential market for TetraGraph® market is estimated at 166,000 operating rooms, which carry out 79 million surgeries annually.




**Källor:** Meta-analysen 2007, Global operating theatre distribution and pulse oximetry supply: an estimation from reported data. Funk et al. 2010, Centers for Disease Control and Prevention 2017, Steiner et al. 2017, Rose et al. 2014, An estimation of the global volume of surgery, Weiser et al. 2008, OECD, nationella databaser, M. Naguib 2007, Ishizawa 2011, Number of surgical procedures (per 100,000 population), World Bank, Measuring surgical systems worldwide: an update, Kamali et al.,2018,National Hospital Discharge Survey, Centers for Disease Control and Prevention, 2010 together with Senzime company assumptions.

# Sales increase and several key steps in our global roll-out

**The increased access to hospitals towards the end of the quarter meant that September's sales were the best ever in Senzime's history. In the first three quarters of the year, sales increased by 45 percent compared to the same period in 2019. Sales from all regions contributed to the result.**

**In Switzerland and the UK, we see example** of hospitals that have upgraded from analog monitoring technology to our digital TetraGraph® system. Contributing factors to this have been demands for higher precision, ease of use and the ability to monitor in all types of surgery. We have about 20 clinical trials under way, which is particularly gratifying given that hospitals have been closed for company representatives for some time.

**It was also extremely important for us** to sign a distribution agreement with The Surgical Company, which is one of the leading players in the French anesthesia market, after the end of the third quarter. This gives us quick access to the market, and we are about to deliver our first order to a university hospital in the country. In France, new clinical guidelines recently presented recommendations supporting the use of Senzime's products in surgery.

**In South Korea, sales of our** disposable sensors TetraSens® continue, which clearly demonstrates the leverage of our business model. I expect more orders for both TetraGraph® and TetraSens® from South Korea during the year.

**In the US, we have gradually expanded** our business and we have now reached the first level of establishment with a total of six employees in the team. We have succeeded in attracting cutting-edge expertise from leading global companies such as Medtronic and Masimo. We also work closely with our US distributors to complement our direct sales model in certain regions. We have several ongoing clinical trials in the United States and further scheduled.

**As part of our new strategy** to focus on the anesthesia monitoring market, we signed a licensing agreement with Italian Moss S. p.A. The deal gives Moss a 10-year license to manufacture and sell OnZurf® Probe on the European market. The agreement is expected to generate license revenue to Senzime of SEK 100 million over the period.

**We see strong underlying demand** for our products and new clinical guidelines are advertised continuously in our favor. Every year, nearly 80 million operations with neuromuscular blockade are performed with the need for neuromuscular monitoring. Senzime stands ready to provide TetraGraph® system on a global basis. We do this with a combination of our own sales force and well-established distributors. We are building Sweden's next export success in medical technology and advanced patient monitoring. Together we improve care and save lives.

Uppsala, November 2020

*Pia Renaudin, CEO*

# The share

## Share capital development (SEK)

| Date | Event | No. of shares | Share capital (SEK) | Quotient value (SEK) |
|---|---|---|---|---|
| January 1, 2020 | Opening | 52,448,290 | 6,556,036 | 0.125 |
| April 21, 2020 | New share issue | 4,900,000 | 612,500 | 0.125 |
| **Total, September 30, 2020** | | **57,348,290** | **7,168,536** | **0.125** |

## Share price development (SEK)


## Largest shareholders on September 30

| Owner | Number of shares | Share of capital % |
|---|---|---|
| Crafoord family | 9,119,251 | 15,9% |
| Segulah Venture AB and AB Segulah | 4,408,085 | 7,7% |
| Pershing Llc. | 3,933,481 | 6,9% |
| Handelsbanken Fonder AB | 3,610,251 | 6,3% |
| Sorin J. Brull | 3,233,528 | 5,6% |
| Länsförsäkringar Fondförvaltning AB | 2,798,604 | 4,9% |
| Lindskog family | 2,751,969 | 4,8% |
| Stone Bridge Biomedical | 2,170,030 | 3,8% |
| Swedbank Robur Microcap | 1,883,234 | 3,3% |
| Crafoordska Stiftelsen | 1,606,943 | 2,8% |
| TIN Ny Teknik | 1,461,500 | 2,5% |
| Fjärde AP-fonden | 1,350,000 | 2,4% |
| Others | 19,021,414 | 33,2% |
| **Total** | **57 348 290** | **100,0%** |

# Comments to the report

## Revenue and earnings third quarter 2020

Consolidated net sales in the third quarter of 2020 amounted to SEK 2,095 thousand (2,420). Sales were strong during the last month of the quarter, despite the negative impact of the corona pandemic.

Depreciations on TetraGraph® and OnZurf® Probe capitalized development expenditure charged cost of goods sold in the Group's income statement of SEK 2,734 thousand (2,500) for the third quarter.

Gross margin before depreciation amounted to 33% (44) for the quarter. The krona's strengthening against the dollar and expanded deliveries of demonstration units to support distributors in the US and Europe contributed to the lower gross margin compared to the previous year.

SG&A expenses amounted to SEK 10,050 thousand (6,314). In particular, the establishment of Senzime, Inc. with its own sales force has increased costs between periods.

Operating profit in the third quarter amounted to SEK -11,749 thousand (-7,466).

## Income and profit for the period January-September 2020

Net sales for the period January - September amounted to SEK 5,843 thousand (4,023), an increase of 45% compared to the same period last year. All regions contributed to the good development. COVID-19 has had an inhibitory effect on sales growth.

Depreciation on capitalized development expenditure for TetraGraph® and OnZurf® Probe charged cost of goods sold in the Group's income statement of SEK 11,934 thousand (9,851) for the period January - September.

Gross margin before depreciation was 40% (40) for the first nine months of the year.

SG&A expenses amounted to SEK 27,106 thousand (19,011). Building of sales organizations in the US and Sweden has brought about an increase in costs between periods.

Financial expenses consist mainly of interest expenses on lease debt.

Operating profit in the third quarter amounted to SEK -33,329 thousand (-24,620).

## Financial position

At the end of the quarter, the Group's equity amounted to SEK 147.4 million (118.8). The equity ratio was 86.3 percent (85.5). At the end of the period, the company's cash and cash equivalents amounted to SEK 75.7 million (38.9). The company's cash and cash equivalents are expected to cover the business's needs for more than the next 12-month period.

## Cash-flow and investments

Cash flow from operating activities including changes in working capital amounted to SEK -7,988 thousand (-4,878) for the third quarter. The negative cash flow is mainly due to the negative result.

Cash flow from investment activities for the third quarter amounted to SEK 0 thousand (-538). The investments in the previous year consist mainly of capitalized development work expenses for Tetra Graph®.

Cash flow from financing activities for the third quarter was SEK -375 thousand (29,512). During August 2019, Senzime conducted a directed rights issue, which added SEK 29.6 million before issue costs and SEK 28.8 million after issue costs.

Cash flow from operating activities including changes in working capital for the period January-September amounted to SEK -24,791 thousand (-16,492). The negative cash flow is largely due to the negative result.

Cash flow from investment activities for the period January-September amounted to SEK -277 thousand (-2,886). The investments in the previous year consist mainly of capitalized development work expenses for Tetra Graph®.

Cash flow from financing activities for the third quarter amounted to SEK 68,158 thousand (28,781). In April 2020, Senzime conducted a directed share issue, which added SEK 73.5 million before issue costs and SEK 69.1 million after issue costs.

## Stock options

### Subscription options

The company has an employee stock option program that covers all permanent employees. Each option entitles during the period up to 31 December 2020 to subscribe for a new share in the company at a price of SEK 8.80. The options have been issued free of charge. The options require continued employment in the company and are not transferable. There was no change in the number of outstanding options during the quarter.

An Extraordinary General Meeting on July 7, 2020 resolved on two new employee stock option programs, which entitle the holder to subscribe for a maximum of 1,200,000 shares. The options are issued free of charge and require continued employment in the company. Of these options, 100,000 have been allocated.

### Warrants

Pia Renaudin, the company's CEO, holds 400,000 warrants. Each warrant entitles the holder to subscribe for one new share in the company at a price of SEK 12.00 with the redemption date no later than May 7, 2022.

**Dilution**

Based on the existing number of shares and outstanding personnel and warrants, the dilution resulting from the programs is calculated on the assumption that all options exercised for new subscription of shares amount to a maximum of 3.8 percent.

## Parent and subsidiaries

Most of the Group's operations are conducted in the parent company. For comments on the parent company's results, please refer to the comments made for the Group.

The U.S. subsidiary Senzime, Inc. started its operational activities in the second quarter of 2020. Sales in the US will take place both from in-house staff and through local distributors.

The Group's two other subsidiaries hold only certain rights licensed to the parent company in return for payment in the form of royalties.

## Risks and uncertainties

A number of risk factors may have a negative impact on the operations of Senzime. It is therefore of great importance to take into account relevant risks in addition to the company's growth opportunities. A statement of the Group's significant financial and business risks can be found in the Annual Report for 2019. No additional significant risks are deemed to have been added.

Like most companies, we face the great challenge of the pandemic. We carefully follow the Public Health Agency's health guidelines.

Access to components and production capacity has so far not affected Senzime and we work actively to support customers and partners remotely with the help of digital tools.

The basic need for neuromuscular monitoring has not diminished, although operations have been postponed to accommodate and enable the availability of medical staff.

Access to hospitals has been very limited and has affected the number of trials throughout the pandemic. Since the end of the summer, we have seen some recovery, but it is currently too early to say how this will continue.

## Other

In May 2016, Senzime acquired the Dutch company Acacia Designs B.V. and Acacia is subsequently included in the group's accounts. The Dutch Tax Office has made inquiries regarding certain aspects of intra-group transactions. Senzime has provided the tax authorities with various background information in relation to the merger and data in Acacia B.V.'s 2016 tax return. The questions put by the Dutch tax authorities have been answered to their satisfaction. After the discussions with the Dutch tax authorities, Acacia Designs B.V. and Senzime AB (publ) agreed to adjust their license fee arrangement, which is about the IP that Acacia Designs B.V. developed and is licensed to Senzime AB.

## Auditors report

This interim report has not been reviewed by the company's auditor.

## Certified Adviser

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## Certification

The Board of Directors and the CEO certify that the interim report gives a true and fair view of the parent company's and the Group's operations, position and results and describes the material risks and uncertainties to which the company and the companies included in the Group are exposed.

Uppsala, November 6, 2020

**Philip Siberg**
*Chairman*

**Sorin J Brull**
*Director*

**Adam Dahlberg**
*Director*

**Lennart Kalén**
*Director*

**Pia Renaudin**
*CEO*

# Condensed Consolidated Statement of Comprehensive Income

| SEK 000 | Note | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full yr. 2019 |
|---|---|---|---|---|---|---|
| **Net sales** | 4 | **2,095** | **2,420** | **5,843** | **4,023** | **6,711** |
| Cost of goods sold | | –4,130 | –3,834 | –11,937 | –9,851 | –13,650 |
| – of which materials | | –1,294 | –1,093 | –3,190 | –1,887 | –2,203 |
| – of which personnel expenses | | –69 | –157 | –235 | –345 | –469 |
| – of which external services | | –33 | –84 | –101 | –129 | –172 |
| – of which depreciation and amortization | | –2,734 | –2,500 | –8,411 | –7,490 | –10,805 |
| **Gross profit (loss)** | | **–2,035** | **–1,414** | **–6,094** | **–5,828** | **–6,939** |
| | | | | | | |
| Selling and administrative expenses | 5 | –9,637 | –6,161 | –27,106 | –19,011 | –27,179 |
| Other operating income | | 270 | 182 | 1,034 | 569 | 556 |
| Other operating expenses | | –347 | –72 | –1,163 | –351 | –667 |
| **Earnings before interest and taxes** | | **–11,749** | **–7,466** | **–33,329** | **–24,620** | **–34,229** |
| | | | | | | |
| Financial income | | – | – | – | – | – |
| Financial expenses | | –38 | –8 | –91 | –30 | –37 |
| **Financial items—net** | | **–38** | **–8** | **–91** | **–30** | **–37** |
| | | | | | | |
| **Profit(loss) after financial items** | | **–11,787** | **–7,473** | **–33,420** | **–24,650** | **–34,266** |
| | | | | | | |
| Income tax | | 386 | 389 | 1,168 | 1,161 | 1,548 |
| **Net profit (loss)** | | **–11,400** | **–7,084** | **–32,252** | **–23,489** | **–32,718** |
| | | | | | | |
| **Other comprehensive income:** | | | | | | |
| Items reclassifiable to profit or loss | | | | | | |
| Translation differences | | –75 | 226 | 276 | 712 | 1,206 |
| **Other comprehensive income for the period, net of tax** | | **–75** | **226** | **276** | **712** | **1,206** |
| **Total comprehensive income for the period** | | **–11,476** | **–6,858** | **-31,976** | **–22,777** | **–31,512** |

Net profit (loss) and total comprehensive income is wholly attributable to equity holders of the parent.

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

| SEK | Note | Jul–Sep 2020 | Jul–Sep 2019 | Jan–Sep 2020 | Jan–Sep 2019 | Full yr. 2019 |
|---|---|---|---|---|---|---|
| Weighted average no. of shares before dilution | 7 | 57,348,290 | 49,789,114 | 55,351,994 | 49,314,707 | 49,314,707 |
| Weighted average no. of shares after dilution | 7 | 57,805,884 | 49,899,332 | 55,809,588 | 49,424,707 | 49,672,224 |
| Earnings per share, basic and diluted | 7 | –0.20 | –0.14 | –0.58 | –0.48 | –0.66 |

# Condensed Consolidated Balance Sheet

| SEK 000 | Note | 30 Sep 2020 | 30 Sep 2019 | 31 Dec 2019 |
|---|---|---|---|---|
| ASSETS | | | | |
| **Non-current assets** | | | | |
| Intangible assets | | 86,182 | 95,504 | 93,533 |
| Property, plant and equipment | | 208 | 134 | 120 |
| Rights of use | | 3,016 | 681 | 542 |
| **Total non-current assets** | | **89,407** | **96,319** | **94,195** |
| | | | | |
| **Current assets** | | | | |
| Inventories and work in progress | | 2,267 | 1,139 | 2,437 |
| | | | | |
| **Current receivables** | | | | |
| Accounts receivable | | 1,702 | 1,570 | 2,528 |
| Other receivables | | 1,624 | 583 | 647 |
| Prepaid expenses and accrued income | | 21 | 401 | 403 |
| Cash and cash equivalents | | 75,707 | 38,927 | 30,898 |
| **Total current receivables** | | **79,054** | **41,481** | **34,476** |
| | | | | |
| **Total current assets** | | **81,321** | **42,619** | **36,913** |
| | | | | |
| **Total assets** | | **170,728** | **138,938** | **131,107** |
| | | | | |
| EQUITY AND LIABILITIES | | | | |
| **EQUITY** | | **147,350** | **118,756** | **109,970** |
| | | | | |
| **LIABILITIES** | | | | |
| *Non-current liabilities* | | | | |
| Lease liability | | 1,578 | 68 | 52 |
| Deferred tax liability | | 12,237 | 13,791 | 13,405 |
| **Total non-current liabilities** | | **13,815** | **13,859** | **13,457** |
| | | | | |
| *Current liabilities* | | | | |
| Lease liability | | 1,193 | 467 | 336 |
| Trade payables | | 3,206 | 1,693 | 2,949 |
| Other current liabilities | | 1,257 | 1,157 | 1,167 |
| Accrued expenses | | 3,905 | 3,006 | 3,228 |
| **Total current liabilities** | | **9,561** | **6,323** | **7,680** |
| | | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **170,726** | **138,938** | **131,107** |

# Condensed Consolidated Statement of Changes in Equity

| | Attributable to equity holders of the parent | | | | |
|---|---|---|---|---|---|
| SEK 000 | Share capital | Other paid-up capital | Reserves | Retained earnings incl. net profit (loss) | Total equity |
| **Opening balance, 1 January 2019** | 6,135 | 201,179 | 743 | –96,074 | 111,983 |
| Net profit (loss) | | | | –23,489 | –23,489 |
| Other comprehensive income | | | 712 | | 712 |
| **Total comprehensive income** | **0** | **0** | **712** | **–23,489** | **–22,777** |
| **Transactions with shareholders in their capacity as owners** | | | | | |
| Employee stock options | | | | 347 | 347 |
| New share issue | 421 | 29,579 | | | 30,000 |
| Expenses attributable to share issues | | –798 | | | –798 |
| **Total transactions with shareholders** | **421** | **28,781** | **0** | **347** | **29,549** |
| **Closing balance, 30 September 2019** | **6,556** | **229,960** | **1,455** | **–119,215** | **118,755** |
| **Opening balance, 1 January 2020** | **6,556** | **229,891** | **1,949** | **–128,428** | **109,968** |
| Net profit (loss) | | | | –32,252 | –32,252 |
| Other comprehensive income | | | 276 | | 276 |
| **Total comprehensive income** | **0** | **0** | **276** | **–32,252** | **–31,976** |
| **Transactions with shareholders in their capacity as owners** | | | | | |
| Employee stock options | | | | 271 | 271 |
| New share issue | 612 | 72,888 | | | 73,500 |
| Expenses attributable to share issues | | –4,410 | | | –4,410 |
| **Total transactions with shareholders** | **612** | **68,478** | **0** | **271** | **69,361** |
| **Closing balance, 30 September 2020** | **7,168** | **298,369** | **2,224** | **–160,409** | **147,352** |

# Condensed Consolidated Statement of Cash Flows

| SEK 000 | Note | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full yr. 2019 |
|---|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | | |
| Earnings before interest and taxes | | –11,749 | –7,466 | –33,329 | –24,620 | –34,229 |
| Adjustment for non-cash items: | | | | | | |
| –Depreciation and amortization | | 2,757 | 2,515 | 8,467 | 7,534 | 10,864 |
| –Other non-cash items | | 93 | 87 | 271 | 624 | 813, |
| Interest paid | | –38 | –8 | –91 | –30 | –37 |
| Income tax paid | | – | – | – | – | – |
| **Cash flow from operating activities before change in working capital** | | **–8,937** | **–4,871** | **–24,682** | **–16,492** | **–22,589** |
| | | | | | | |
| **Cash flow from change in working capital** | | | | | | |
| Increase/decrease in inventories and work in progress | | –254 | 758 | 170 | –177 | –1,476 |
| Increase/decrease in trade receivables | | –404 | –567 | 315 | 1,447 | 421 |
| Increase/decrease in trade payables | | 1,706 | –198 | 1,124 | –4,413 | –2,925 |
| **Total change in working capital** | | **1,048** | **–7** | **1,609** | **–3,143** | **–3,980** |
| | | | | | | |
| **Cash flow from operating activities** | | **–7,889** | **–4,878** | **–23,073** | **–19,635** | **–26,569** |
| | | | | | | |
| **Cash flow from investing activities** | | | | | | |
| Investments in tangible assets | | | | –142 | | |
| Investments in intangible assets | | | –538 | –135 | –2,866 | –3,766 |
| **Cash flow from investing activities** | | | **–538** | **–277** | **–2,886** | **–3,766** |
| | | | | | | |
| **Cash flow from financing activities** | | | | | | |
| Payments for amortization of lease liabilities | | –375 | –145 | –932 | –423 | –568 |
| New share issue, net of transaction expenses | | | 29,657 | 69,090 | 29,204 | 29,133 |
| **Cash flow from financing activities** | | **–375** | **29,512** | **68,158** | **28,781** | **28,565** |
| | | | | | | |
| **Decrease/increase in cash and cash equivalents** | | **–8,264** | **24,096** | **44,809** | **–6,260** | **–1,768** |
| Cash and cash equivalents at beginning of period | | 83,971 | 14,830 | 30,898 | 32,666 | 32,666 |
| **Cash and cash equivalents at end of period** | | **75,707** | **38,927** | **75,707** | **38,927** | **30,898** |

# Parent Company Income Statement

| SEK 000 | | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full yr. 2019 |
|---|---|---|---|---|---|---|
| **Net sales** | 4 | **2,229** | **2,420** | **6,923** | **4,023** | **6,711** |
| Cost of goods sold | | –1,910 | –1,679 | –5,316 | –3,396 | –4,224 |
| of which materials | | –1,357 | –1,093 | –3,839 | –1,887 | –2,203 |
| of which personnel expenses | | –69 | –157 | –235 | –345 | –469 |
| of which external services | | –33 | –84 | –101 | –129 | –172 |
| of which depreciation and amortization | | –452 | –345 | –1,141 | –1,035 | –1,380 |
| **Gross profit (loss)** | | **319** | **741** | **1,606** | **627** | **2,487** |
| Selling and administrative expenses | 5 | –,8,563 | –6,295 | –24,215 | –19,314 | –27,531 |
| Other operating income | | 279 | 182 | 1,032 | 569 | 556 |
| Other operating expenses | | –319 | –72 | –1,136 | –351 | –667 |
| **Earnings before interest and taxes** | | **–8,283** | **–5,444** | **–22,711** | **–18,469** | **–25,154** |
| Financial income | | – | – | – | – | – |
| Financial expenses | | – | – | –2 | –2 | –3 |
| **Financial items—net** | | **0** | **0** | **–2** | **–2** | **–3** |
| **Profit(loss) after financial items** | | **–8,283** | **–5,444** | **–22,713** | **–18,471** | **–25,157** |
| **Net profit (loss)** | | **–8,283** | **–5,444** | **–22,713** | **–18,471** | **–25,157** |

There are no items in the parent company recognized as other comprehensive income, so total comprehensive income is equal to net profit (loss).

# Parent Company Balance Sheet

| SEK 000 | Note | 30 Sep 2020 | 30 Sep 2019 | 31 Dec 2019 |
|---|---|---|---|---|
| ASSETS | | | | |
| **Non-current assets** | | | | |
| Intangible non-current assets | | 19,575 | 19,939 | 20,474 |
| Property, plant and equipment | | 209 | 134 | 120 |
| Financial non-current assets | | 15,209 | 11,218 | 11,153 |
| **Total non-current assets** | | **34,993** | **31,291** | **31,747** |
| | | | | |
| **Current assets** | | | | |
| Inventories and work in progress | | 1,568 | 1,138 | 2,438 |
| Current receivables | | 805 | 543 | 595 |
| Trade receivables | | 3,066 | 1,436 | 2,379 |
| Other receivables | | 262 | 13 | 22 |
| Prepaid expenses and accrued income | | 315 | 552 | 556 |
| **Total current receivables** | | **6,016** | **3,682** | **5,990** |
| | | | | |
| Cash and bank balances | | 75,183 | 38,486 | 30,475 |
| **Total current assets** | | **81,198** | **42,169** | **36,465** |
| | | | | |
| **TOTAL ASSETS** | | **116,191** | **73,460** | **68,212** |
| | | | | |
| EQUITY AND LIABILITIES | | | | |
| **Equity** | | | | |
| Restricted equity | | 28,789 | 28,326 | 28,942 |
| Non-restricted equity | | 78,795 | 39,246 | 31,891 |
| **Total equity** | | **107,584** | **67,571** | **60,833** |
| | | | | |
| **Liabilities** | | | | |
| *Current liabilities* | | | | |
| Trade payables | | 3,204 | 1,692 | 2,961 |
| Other current liabilities | | 1,525 | 1,212 | 1,222 |
| Accrued expenses | | 3,878 | 2,985 | 3,197 |
| **Total current liabilities** | | **8,607** | **5,889** | **7,379** |
| | | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **116,191** | **73,460** | **68,212** |

# Notes on the Consolidated Accounts

## 1. General information

This Interim Report includes parent company Senzime AB (publ), with corporate identity number 556565-5734 and its subsidiaries. Senzime AB (publ) is a parent company registered in Sweden with its registered office in Uppsala at the address Ulls väg 41, 756 51, Uppsala, Sweden.

Unless otherwise specifically stated, all amounts are stated in thousands of Swedish kronor (SEK 000). information in brackets is for the comparative year.

## 2. Summary of critical accounting policies

This note contains a review of the critical accounting policies that have been applied when preparing these consolidated accounts. These policies have been applied consistently for all years presented, unless otherwise stated.

### 2.1 Basis of preparation of the accounts

The consolidated accounts of the Senzime AB group have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, International Financial Reporting Standards (IFRS) and interpretation statements from the IFRS Interpretations Committee (IFRS IC) as endorsed by the EU. This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting, and the Swedish Annual Accounts Act.

This Interim Report is Senzime's first to be prepared in accordance with IFRS. The consolidated accounts have been prepared in accordance with the cost method.

Historical financial information has been restated from 1 January 2018, which is the transition date for accounting pursuant to IFRS. Explanations on the transition from previously applied accounting policies to IFRS and the effects of restatements on statements of comprehensive income and equity are reported in note 9.

Preparing financial statements consistent with IFRS requires the usage of some critical estimates for accounting purposes. This also requires management to make certain judgements when applying the group's accounting policies. Those segments involving a high degree of judgement, which are complex or segments where assumptions and estimates are of material significance to the consolidated accounts are stated in note 3.

### Parent company

The parent company applies RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. The application of RFR 2 means that in the interim financial statements of the legal entity, the parent company applies all IFRS as endorsed by the EU, as far as is possible within the auspices of the Swedish Annual Accounts Act, the Swedish Pensions Obligations Vesting Act, and considering the relationship between accounting and taxation.

The group transferred to applying RFR 2 in tandem with the transition to accounting according to IFRS in the consolidated accounts. Explanations on the transition from previously applied accounting policies to RFR2 and the effects of restatements on statements of comprehensive income and equity are reported in note 10.

Preparing financial statements consistent with IFRS requires the usage of some critical estimates for accounting purposes. This also requires management to make certain judgements when applying the group's accounting policies. Those segments involving a high degree of judgement, which are complex or segments where assumptions and estimates are of material significance to the consolidated accounts are stated in note 3.

The parent company applies differing accounting policies to the group in the cases stated below:

### Presentation

The Income Statement and Balance Sheet conform to the presentations in the Swedish Annual Accounts Act. The Statement of Changes in Equity is consistent with the group's presentation, but should contain the columns stated in the Swedish Annual Accounts Act. Other differences in nomenclature compared to the consolidated accounts primarily concern financial income and expenses, as well as equity.

### Shareholders' contributions and group contributions

Group contributions from the parent company to subsidiaries, and group contributions received by the parent company from subsidiaries are accounted as appropriations. Shareholders' contributions paid are reported in the parent company as an increase in the carrying amount of the participation, and in the recipient company, as an increase in equity.

### Financial instruments

The parent company does not apply IFRS 9. Instead, the parent company applies the points stated in RFR 2 (IFRS 9 Financial Instruments, p. 3-10).

Financial instruments are initially measured at cost. In subsequent periods, financial assets acquired with the intention of holding for the short term, are accounted at the lower of cost and market.

Derivative instruments with negative fair value are reported at this value.

When measuring the net realizable value of receivables recognized as current assets, the principles of impairment testing and loss risk reserves set out in IFRS 9 should be applied. For a receivable recognized at amortized cost at group level, this means that the loss risk reserve recognized in the group pursuant to IFRS 9 should also be reported in the parent company.

### Leases

The parent company has decided not to apply IFRS 16 Leases, but instead, has decided to apply RFR 2 IFRS 16 Leases p.2-12. This decision means that no right-of-use asset and lease liability are recognized in the Balance Sheet, but that lease payments are recognized as an expense on a straight-line basis over the lease term.

#### 2.1.1 New and revised standards not yet applied by the group

A number of new standards and interpretations come into effect for financial years beginning after 1 January 2020 and later, and have not been applied when preparing these financial statements. No published standards that have not yet come into effect are judged to have any impact on the group.

## 2.2 Consolidated accounts

#### (a) Subsidiaries

Subsidiaries are all companies that the group has a controlling influence over. The group controls a company when it is exposed or entitled to variable returns from its holding in the entity and has the capability to affect returns through its influence over the company. Subsidiaries are included in the consolidated accounts effective the date when controlling influence transfers to the group. They are excluded from the consolidated accounts effective the date when controlling influence ceases.

Intra-group transactions, balance sheet items and unrealized gains and losses on transactions between group companies are eliminated.

Where applicable, the accounting policies of subsidiaries have been amended to guarantee consistent application of the group's policies.

## 2.3 Segment reporting

For Senzime, the chief operating decision maker (CODM) is the CEO, because it is this individual that is primarily responsible for allocating resources and evaluating performance. Judgments of the group's operating segments should be based on the financial information reported to the CEO. The financial information reported to the CEO as supporting data for allocating resources and evaluating the group's performance is for the group as a whole. Against this background, management has determined that the group as a whole constitutes a single operating segment.

## 2.4. Translation of foreign currency

#### (i) Functional currency and presentation currency

The different entities in the group have local currency as their functional currencies because the local currency is defined as the currency used in the primary economic environment where each entity is mainly active. The consolidated accounts, use Swedish kronor (SEK), which is the parent company's functional currency and the group's presentation currency.

#### (ii) Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency at the rates of exchange ruling on the transaction date. Exchange gains and losses occurring on payment of such transactions, and on translating monetary assets and liabilities in foreign currency at closing day rates, are recognized in earnings before interest and taxes in the Statement of Comprehensive Income.

Exchange rate gains and losses relating to loans, and cash and cash equivalents, are recognized as financial assets or expenses in the Statement of Comprehensive Income. All other exchange rate gains and losses are accounted in the "other operating expenses" and "other operating income" items respectively in the Statement of Comprehensive Income.

#### (iii) Translation of foreign group companies

The profit or loss and financial positions of all group companies that have a functional currency that differs from the presentation currency are translated to the group's presentation currency. Assets and liabilities for each balance sheet are translated from the foreign operation's functional currency to the group's presentation currency, Swedish kronor, at closing day rates. Income and expenses for each income statement are translated to Swedish kronor at average rates of exchange at each transaction date. Translation differences arising from currency translation of foreign operations are reported in other comprehensive income.

Accumulated gains and losses in equity are recognized in the income statement when the foreign operation is wholly or partly divested.

## 2.5 Revenue recognition

#### License rights to Senzime's intangible assets

Income from licenses is an exclusive right, a license, for a customer to use the group's intangible asset related to the TetraGraph® system on certain specified markets. The group applies the following principles, and judgments stated below when recognizing the revenue for out-licensing an IP right.

#### Distinct license or integrated undertaking

The group judges whether a license in a customer contract is distinct, and accordingly should be disclosed separately, or whether the license is integrated with services in the contract, and accordingly, should be reported collectively as an undertaking. For a license to be considered as a distinct undertaking and reported individually, the customer should be able to benefit from the license without Senzime making any other undertakings in the contract. For revenue recognition of non-distinct licenses in customer contracts, see services below.

#### Accounting of distinct licenses in customer contracts; right to use or right to access

For distinct licenses, the group judges whether the license that the counterparty receives during the contract includes a right to use the intangible asset as it is when the license is granted, or a right to access the intangible asset during the whole license period.

This judgement is based on the economic substance of the contract. A counterparty receiving a license right for a fixed fee through an irrevocable contract that entitles the licensee to use this right freely, and where Senzime does not have any remaining obligations to perform, is considered a right to use the license and accounted at a specific time. If instead, the contract means that the counterparty has a right to access throughout the license period (depending on Senzime performing activities that affect the value and benefit of the license), compensation is allocated on a straight-line basis over the contract period.

Usually, distinct licenses are right to use licenses because the services that could affect the value and benefit of the license are reported separately as an independent and distinct performance obligation.

#### Timing of recognition of fixed transaction prices of distinct licenses

The transaction price to be received for the performed obligation to transfer a license to a customer may be fixed or variable depending on the terms & conditions of the agreement. The revenue from a fixed transaction price for a right to use license is recognized at a designated point in time. This point in time is when the customer obtains control over the license and can benefit from it. A fixed transaction price for a right to access license is recognized over the period that Senzime has an obligation to provide the customer with the right to access.

#### Timing of recognition of variable transaction prices (milestone payments) for distinct licenses

Contracts to outlicense Senzime's intangible assets often include a payment plan. A lump-sum payment is often made on entering the contract, and revenue from this is recognized when the counterparty has obtained control over the license as stated above. The revenue of from additional potential compensation, i.e. variable compensation dependent on specific future events, is not recognized until it is considered very likely that a significant reversal of accumulated income recognized will not occur when future uncertainties cease. Senzime does not judge this point to have occurred until the counterparty has confirmed the occurrence of a specific event. Such event might be definitive regulatory approval of a product for example.

#### The timing of recognition of a variable transaction price (royalties) for distinct licenses

Royalties are another form of variable transaction price associated with a customer's license. Royalties are recognized in accordance with a specific principle. The revenue of sales-based royalties offered in exchange for a license for intellectual property is only recognized when subsequent sales occur.

### Sales of goods

The group develops, manufactures and sells medical device solutions. Essentially, the group's customer base consists of a range of distributors, although there are some direct sales to end-customers. Sales revenues are recognized when control over goods transfers to the customer, which is normally coincident with delivery of the product. Delivery occurs when goods have been transported to the specific site, the risks of obsolescence or lost items have transferred to the customer, and the customer has either accepted the goods according to contract, the time-frame for objections to the contract has expired, or the group has objective evidence that all acceptance criteria have been satisfied. No financing component is judged to exist at the time of sale of the group's goods.

### 2.6 Current and deferred income tax

The tax expense for the period includes current and deferred tax. Tax is reported in the Consolidated Statement of Comprehensive Income, apart from where the tax relates to items recognized in other comprehensive income or directly in equity. In these cases, tax is also reported under other comprehensive income and equity.

The current tax expense is computed on the basis of the tax regulations that are enacted or substantively enacted on the reporting date in those countries where the parent company and its subsidiaries are active and generate taxable revenues. Management regularly evaluates the claims made in tax returns regarding situations where applicable tax regulations are subject to interpretation. Where considered appropriate, management makes provisions for amounts that are likely to be paid to tax agencies.

Deferred tax is recognized on all temporary differences occurring between the taxable value of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax is not recognized if it arises as a consequence of a transaction that is the first-time recognition of an asset or liability that is not a business combination, and which at the time of the transaction, neither affects reported nor taxable earnings. Deferred income tax is computed by applying the tax rates (and tax laws) that are enacted or substantively enacted on the reporting date and are expected to apply when the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent it is likely that future taxable surpluses will be available against which the temporary differences can be used.

Deferred tax assets and liabilities are offset when there is a legal right of offset for the relevant tax assets and tax liabilities, and when the deferred tax assets and tax liabilities relate to taxes charged by a single tax agency and either relate to the same taxpayer or different taxpayers, where there is an intention to settle the balances through net payments.

### 2.7 Leases

Essentially, the group's leases are for office premises. The group acts as a lessee only.

Lease arrangements are recognized as right-of-use assets and a corresponding liability, on the date the leased asset is available for use by the group. Each lease payment is allocated between repayment of the liability and financial expense. The financial expense should be allocated over the lease term so that each accounting period is charged an amount corresponding to a fixed interest rate for the liability accounted in each period.

Right-of-use assets are amortized on a straight-line basis over the shorter of the asset's useful life and the period of the lease arrangement.

The assets and liabilities arising in leases are initially recognized at present value. Lease liabilities include the present value of the following lease payments:

- fixed payments and
- variable lease payments dependent on an index.

Lease payments are discounted by an incremental borrowing rate. Assets with right of use are measured at cost and include the following:

- the initial measurement of the lease liability and
- payments made at or before the time when the leased asset is made available to the lessee.

Lease payments attributable to short term leases and leases where the underlying asset is of low value are reported as an expense on a straight-line basis over the lease term. Leases for which the underlying asset is of low value are essentially on office equipment.

#### Extension and cancellation options

Extension and cancellation options on leases are included in the group's office leases. Terms & conditions are used to maximize the flexibility of managing these leases. Extension or cancellation options are included in the asset and liability when it is reasonably certain that they will be exercised.

### 2.8 Property, plant and equipment

Property, plant and equipment consists of equipment. Property, plant and equipment are recognized at cost less depreciation. Cost includes expenditure that is directly attributable to acquiring the asset.

Depreciation of assets to allocate their cost down to an estimated residual value over the estimated useful life is on a straight-line basis as follows:

- Equipment 60 months

Residual values and useful lives of assets are evaluated at the end of each reporting period and restated where necessary.

The carrying amount of an asset is depreciated immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. Gains and losses on sale are determined through a comparison between sales revenue and carrying amount, and are recognized in other operating income/ other operating expenses net in the Statement of Comprehensive Income.

### 2.9 Intangible assets

#### Goodwill

Goodwill occurs on the acquisition of subsidiaries and is the amount whereby the purchase consideration, any non-controlling interests in the acquired entity and the fair value of previous equity participations in the acquired entity as of the acquisition date, exceed the fair value of identifiable acquired net assets. If this amount is less than the fair value of the acquired subsidiary's net assets, in a bargain purchase, the difference is reported directly in the Statement of Comprehensive Income.

With the aim of testing for impairment, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units expected to benefit from synergies from the acquisition. Each unit or group of units that goodwill has been allocated to corresponds to the lowest level of the group on which the goodwill in question is monitored by internal governance. Goodwill is monitored at business segment level.

#### Patents and similar rights

Patents and similar rights acquired separately are accounted at cost. Patents and similar rights have a definite useful life and are accounted at cost less accumulated amortization and impairment. Expenditure for patents developed by Senzime related to intangible assets judged to satisfy the following capitalization criteria are recognized as an asset in the Balance Sheet.

Amortization of assets to allocate their cost over their estimated useful life is on a straight-line basis as follows:

- Patents and similar rights 120–140 months

The useful life of patents is judged as consistent with each patent's registration period

Capitalized expenditure for development work
Development expenditure directly attributable to developing medical device solutions controlled by the group, is recognized as intangible assets when the following criteria are satisfied:

- it is technically feasible to complete them so they can be used,
- the company's intention is to complete them and use or sell them,
- the conditions for their use or sale are in place,
- how they generate likely future economic benefits can be demonstrated,
- adequate technical, economic and other resources to complete development, and to use or sell them are available, and
- the expenditure attributable to them during development can be measured reliably.

Directly attributable expenditure capitalized as part of development work includes expenditure for employees and external consultants. Other development expenses that do not satisfy these criteria, are expensed as they occur. Development expenses previously expensed are not recognized as assets in subsequent periods. Expenses for research are recognized when they occur.

Capitalized development expenses that satisfy the above capitalization criteria have a definite useful life. Amortization begins from the time when the asset is ready for use.

Amortization is on a straight- line basis over the useful life. The useful life is 10 - 20 years. The group has judged that intangible non-current assets have a useful life of ten years, and in those cases where there is a legal right (such as a patent) that has a remaining lifetime of over 10 years, the maximum useful life, and thus the amortization period, is judged to continue for the remaining lifetime of these legal rights, albeit never longer than 20 years.

The cost of capitalized expenditure for development work acquired in a business combination is the fair value on acquisition. Additional expenditure is accounted in the same way as below. In subsequent periods, these intangible assets are recognized at cost less accumulated amortization and impairment.

## 2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life (goodwill) or intangible assets that are not ready for use (capitalized expenditure for development work), are not amortized, but instead subject to yearly impairment tests. Assets that are amortized are tested for impairment whenever events or changed circumstances indicate that the carrying amount may not be recoverable. Intangible assets that the company consider material that are also ready for use are subject to yearly impairment tests. Impairment is by an amount whereby the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is the greater of the asset's fair value less selling expenses and its value in use. When testing for impairment, assets are grouped at the lowest levels where there are essentially independent cash flows (cash-generating unit). For assets (other than goodwill) previously impaired, testing for reversal should be conducted at each reporting date.

## 2.11 Financial instruments

The group's financial assets and liabilities consist of the following items: trade receivables, accrued income, cash and cash equivalents, trade payables and accrued expenses.

a) First-time recognition
Financial assets and financial liabilities are reported when the group becomes party to the instrument's contracted terms. The purchase and sale of financial assets and liabilities are reported on the transaction date, the date when the group undertakes to purchase or sell the asset.

On first-time recognition, financial instruments are reported at fair value plus, for an asset or financial liability that cannot be recognized at fair value through profit or loss, transaction expenses directly attributable to the acquisition or issue of a financial asset or financial liability, such as fees and commission.

Transaction expenses for financial assets and liabilities recognized at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

b) Financial assets—classification and measurement
The group classifies and measures its financial assets in the amortized cost category. The classification of investments in debt instruments depends on the group's business model for managing financial assets and the contracted terms of the cash flows of assets.

Financial assets measured at amortized cost
Assets held with the purpose of collecting contracted cash flows, and where these cash flows are principal and interest exclusively, are measured at amortized cost. The carrying amount of these assets is restated by any expected credit losses recognized (see Impairment of financial assets below). The group's financial assets measured at amortized cost consist of the following items: trade receivables, accrued income, and cash and cash equivalents.

c) Financial liabilities—classification and measurement

Financial liabilities measured at amortized cost

After first-time recognition, the group's financial liabilities are measured at amortized cost by applying the effective interest method. Financial liabilities consist of trade payables and accrued expenses.

d) Derecognition of financial assets and financial liabilities

Financial assets are derecognized from the Statement of Financial Position when the right to receive cash flows from the instrument has expired or been transferred, and the group has essentially transferred all risks and rewards associated with rights of ownership.

Financial liabilities are derecognized from the Statement of Financial Position when the obligations in the contract have been fulfilled or otherwise extinguished. When the terms & conditions of a financial asset have been renegotiated, and not derecognized from the Balance Sheet, a gain or loss is recognized in the Statement of Comprehensive Income. The gain or loss is measured as the difference between the original contracted cash flows and the modified cash flows discounted by the original effective interest rate.

e) Offsetting financial instruments

Financial assets and liabilities are offset and recognized at a net amount in the Balance Sheet only when there is a legal right to offset the reported amounts and an intention to settle them with a net amount, or simultaneously realize the asset and settle the liability. This legal right may not be dependent on future events, and must be legally binding for the company and counterparty, both in ordinary business operations, and in the event of payment default, insolvency or bankruptcy.

f) Impairment of financial assets

Assets recognized at amortized cost

The group judges future expected credit losses associated with assets recognized at amortized cost. The group reports a credit loss reserve for such expected credit losses at each reporting date. For trade receivables, the group applies the simplified approach for credit reserves, i.e. the reserve will correspond to the expected loss throughout the economic life of the receivable.

To measure the expected losses, trade receivables have been grouped based on the allocated credit risk characteristics and overdue days. The group utilizes forward-looking variables for expected credit losses. Expected credit losses are recognized in the Consolidated Statement of Comprehensive Income under the other operating expenses item.

g) Measurement and disclosure of fair value

The carrying amount of the group's financial assets and liabilities is judged as a reasonable estimate of fair value because they are current receivables and liabilities, and accordingly, any discount effect is insignificant.

## 2.12 Trade receivables

Trade receivables are amounts related to customers for goods sold in operating activities. Trade receivables are classified as current assets. Trade receivables are initially recognized at transaction price. The group holds trade receivables with the aim of collecting contracted cash flows. Accordingly, trade receivables are measured at amortized cost at subsequent reporting dates by applying the effective interest method.

## 2.13 Cash and cash equivalents

In the Balance Sheet and Statement of Cash Flows, cash and cash equivalents include bank balances.

## 2.14 Share capital

Ordinary shares are classified as equity. Transaction expenses that can be directly attributed to the issue of new shares or stock options are recognized in equity net of tax as a deduction from the issue proceeds.

## 2.15 Trade payables

Trade payables are financial instruments consisting of the obligation to pay for goods and services that have been purchased in operating activities from suppliers. Trade payables are classified as current liabilities if they are due with one year. If not, they are recognized as non-current liabilities.

Trade payables are initially recognized at fair value, and subsequently amortized cost by applying the effective interest method.

## 2.16 Public subsidies

Public subsidies are recognized at fair value because there is reasonable assurance that they will be received and the group will satisfy the terms & conditions associated with the subsidies. Subsidies received prior to the terms & conditions for revenue recognition being satisfied, are recognized as a liability..

## 2.17 Inventories

Inventories are recognized by applying the first in first out principle, at the lower of cost or market (net realizable value).
The net realizable value is the estimated sales price in operating activities less any variable selling expenses.

## 2.18 Employee benefits

a) Short-term employee benefits

Liabilities for salary and compensation including non-monetary benefits and paid absence expected to be settled within 12 months of the end of the financial year are recognized as current liabilities at the undiscounted amounts expected to be paid when the liabilities are settled. The expense is recognized in the Statement of Comprehensive Income as employees render service. The liability is recognized as an obligation for employee benefits in the Consolidated Balance Sheet.

b) Pension obligations

The group has defined contribution pension plans only. A defined contribution pension plan is a pension plan by which the company pays fixed contributions to a separate legal entity. The group does not have any legal or informal obligation to make further contributions if this legal entity does not have sufficient assets to pay all compensation to employees associated with employees rendering service during the current or previous periods. These charges are recognized as personnel expenses in the Statement of Comprehensive Income when they become due for payment.

## 2.19 Share-based payment

The group has one employee stock option program. The fair value of service entitling employees granting of options in the group's employee stock option program is recognized as a personnel expense with the corresponding increase in equity. The total amount to expense is based on the fair value of share options granted:

- including all market-related terms (e.g. target share price).
- excl. any impact of employee service terms and non-market related vesting terms (e.g. profitability, sales targets and the employee remaining in the company's service for a specified period),
- incl. the impact of terms & conditions that are not vesting conditions (e.g. requirements for the employee saving or retaining shares for a specified period.)

The total expense is recognized over the vesting period; the period for which all specified vesting terms should be satisfied. The group re-evaluates its judgment of how many shares are expected to be vested based on the non- market related vesting terms at the end of each reporting period. Potential departure from the original judgments resulting from these re-evaluations are recognized in the Income Statement, with the corresponding restatement of equity.

The social security contributions arising from granting stock options are accounted as an integrated part of granting, and this expense is treated as a cash-settled, share-based payment.

## 2.20 Earnings per share

(i) Basic earnings per share

Basic earnings per share are computed by dividing

- earnings attributable to equity holders of the parent excluding dividends attributable to preference shares
- by a weighted average number of outstanding ordinary shares in the period, adjusted for the bonus issue element of ordinary shares issued in the period, and excluding re-purchased shares held as treasury shares by the parent company

(ii) Diluted earnings per share

To compute diluted earnings per share, the amounts used for computing basic earnings per share are adjusted by considering:

- the effect after tax of dividends and interest expenses on potential ordinary shares and
- the weighted average of the additional ordinary shares that would have been outstanding given a conversion of all potential ordinary shares.

## 2.21 Cash Flow Statement

The Cash Flow Statement is prepared using the indirect method. The accounted cash flow only includes transactions involving payments received or made.

## 3. Critical estimates and judgments for accounting purposes

The group makes estimates and assumptions regarding the future. By definition, the estimates for accounting purposes that result from them will seldom correspond to actual outcomes. The estimates and assumptions that involve a significant risk of material restatements of carrying amounts of assets and liabilities in subsequent financial years are outlined below.

(a) Estimates and judgments associated with capitalized development expenditure

Each year, the group examines whether capitalized development expenditure is impaired. Impairment tests have been conducted at product level for CliniSenz® and TetraGraph®. Recoverable amounts have been determined by measuring value in use. The impairment test indicates that there was no impairment as of 31 December 2019.

(b) Taxable deficits

Deferred tax assets related to loss carry-forwards or other future tax deductions are recognized to the extent it is likely that the deduction can be offset against surpluses in future taxation. Because the group is not reporting positive earnings, pursuant to IFRS, the group must also demonstrate convincing evidence that future taxable earnings will be generated, not merely probable, for deferred tax assets to be recognized. It is not possible to demonstrate such convincing evidence at present, and accordingly, no deferred tax assets are recognized.

(c) License agreements
The group has entered contracts where the customer receives the right to use TetraGraph in a marketplace. In customer contracts entered to date, this license is considered as distinct from other performance obligations (services) in the contract. Namely, the customer is able to benefit from the license without services rendered in the contract. The fixed compensation for the license is recognized as revenue when the customer obtains control over the license because the licensee can freely use the right Senzime does not have any remaining obligations to perform (right-to-use licenses, RTU). Pursuant to the group's policies, additional variable compensation in these contracts is not recognized until Senzime has fulfilled its obligations and the counterparty has confirmed that a specific event has occurred.

## 4. Division of net sales

| SEK 000 | 2020 Jul–Sep | 2019 Jul–Sep | 2020 Jan–Sep | 2019 Jan–Sep | 2019 Jan–Dec |
|---|---|---|---|---|---|
| License revenue | | | | | |
| –Up-front and milestone payments | | | | | 1,806 |
| –Royalties from product sales | | | | | |
| Sales of goods | 2,096 | 2,420 | 5,843 | 4,023 | 4,905 |
| **Total** | **2,096** | **2,420** | **5,843** | **4,023** | **6,711** |

## 5. Selling and administrative expenses

| SEK 000 | 2020 Jul–Sep | 2019 Jul–Sep | 2020 Jan–Sep | 2019 Jan–Sep | 2019 Jan–Dec |
|---|---|---|---|---|---|
| Personnel expenses | 6,102 | 3,263 | 16,360 | 8,984 | 12,864 |
| Consulting expenses | 2,782 | 1,999 | 7,668 | 6,896 | 10,005 |
| Other expenses (incl. depr'n. of tangible assets) | 1,166 | 1,052 | 4,099 | 3,581 | 4,912 |
| **Total** | **10,050** | **6,314** | **28,127** | **19,461** | **27,781** |

## 6. Transactions with related parties

In the period, one Director invoiced SEK 943,000 (826,000) on market terms for consulting services rendered associated with the company's operating activities. These services were mainly rendered by Sorin Brull.

## 7. Earnings per share

| SEK 000 | 2020 Jul–Sep | 2019 Jul–Sep | 2020 Jan–Sep | 2019 Jan–Sep | 2019 Jan–Dec |
|---|---|---|---|---|---|
| *SEK* | | | | | |
| Basic earnings per share | –0.20 | –0.14 | –0.58 | –0.48 | –0.66 |
| Diluted earnings per share | –0.20 | –0.14 | –0.58 | –0.48 | –0.66 |
| **Earnings measures used for calculating earnings per share** | | | | | |
| Profit (loss) attributable to equity holders of the parent used | Net profit (loss) | Net profit (loss) | Net profit (loss) | Net profit (loss) | Net profit (loss) |
| Profit (loss) attributable to equity holders of the parent, SEK 000 | –11,400 | –7,084 | –35,252 | –23,489 | –32,718 |
| **No.** | | | | | |
| Weighted average no. of ordinary shares for calculating basic earnings per share | 57,348,290 | 49,789,114 | 55,351,994 | 49,314,707 | 49,314,707 |
| Adjustment for calculating diluted earnings per share | 457,594 | 110,219 | 457,594 | 110,000 | 357,518 |
| **Stock options** | | | | | |
| Weighted average no. of ordinary shares and potential ordinary shares used as denominator for calculating diluted earnings per share | 57,805,884 | 49,899,332 | 55,809,588 | 49,424,707 | 49,672,224 |

Diluted earnings per share is not reported because it generates higher earnings per share because the company is loss making.

## 8. Financial key indicators

### Definitions of key indicators

| | |
|---|---|
| **Gross margin before depreciation and amortization** | Gross profit (loss) excl. amortization of intangible assets divided by net sales. |
| **Equity/assets ratio** | Equity as a percentage of total assets |
| **Debt/equity ratio** | Interest-bearing liabilities as a percentage of equity |

## 9. Effects on transition to International Financial Reporting Standards (IFRS)

The Interim Report for the third quarter 2020 is Senzime AB's (Senzime's) first financial statement prepared pursuant to IFRS. The accounting policies stated in this Report have been applied when the consolidated accounts of Senzime were prepared as of 30 September 2020, and for the comparative information presented as of 30 September 2019, 31 December 2019, 31 December 2018, as well as when preparing the statement of Senzime's opening financial position (opening balance sheet) as of 1 January 2018 (the group's transition date to IFRS).

In its Balance Sheet in this Interim Report, the group has decided to present accounting periods ending on 30 September 2020, 30 September 2019, and 31 December 2019, as well as Income Statements for the accounting periods January-September 2020 and 2019, the financial year 2019, and the third quarters of each year. The Balance Sheet for the opening balance as of 1 January 2018, and the financial year ending on 31 December 2018 have instead been presented in this note.

When the opening Balance Sheet as of 1 January 2018 and the Balance Sheets as of 31 December 2018, 31 December 2019, as well as 30 September 2019 were prepared pursuant to IFRS, amounts that in previous annual accounts and interim reports were reported pursuant to BFNAR 2012:1 Annual Accounts and Consolidated Accounts (K3) have been restated. A review of how the transition from previously applied accounting policies to IFRS have impacted the group's results of operations and financial position is in the tables following below, and in the associated references.

### Decisions made when preparing opening balances for accounting pursuant to IFRS

The first time IFRS are applied in consolidated accounts, accounting should be in accordance with IFRS 1, First-time Adoption of IFRS. The general rule is that all applicable IFRS and IAS standards, which have come into effect and are endorsed by the EU, should be applied retroactively. However, IFRS 1 contains transitional provisions that offer companies some freedom of choice.

The exemptions from IFRS granted from complete retroactive application of all Standards that the group has decided to apply when preparing opening balances are stated below:

### Leases

The group has decided on the exemption from applying IFRS 16 from the transition date (1 January 2018) and prospectively (IFRS 1, D9B). This exemption implies that a lease liability is measured at the present value of remaining lease payments discounted by the lessee's incremental borrowing rate. The right of use is measured at an amount that corresponds to the lease liability. Additionally, the group has made the following decisions based on IFRS 1 D9D on the transition date:

- Leases for which the underlying asset is of low value are not reported in the right-of-use asset or lease liability.
- Estimates applied retroactively when determining the lease term when the arrangement contains extension or cancellation options.

### Exemption for accumulated translation differences

IFRS 1 permits accumulated translation differences recognized in equity to be zeroed on the transition date to IFRS. This is a practical expedient compared to measuring accumulated translation differences pursuant to IAS 21, The Effects of Changes in Foreign Exchange Rates, from the date when a subsidiary or associated company is incorporated or acquired. Senzime has decided to zero all accumulated translation differences in the translation reserve, and reclassify them as retained earnings on the transition date to IFRS on 1 January 2018. Senzime has also decided to apply the exemption of IFRS 1 C2, to decide not to apply IAS 21 retroactively on restatements of fair value and goodwill sourced from business combinations conducted prior to the transition to IFRS. Restatements of fair value and goodwill are instead recognized in the acquired entity's functional currency

### Exemption for business combinations

IFRS 1, which formalizes how a transition to IFRS should be conducted, offers the possibility of applying the principles of IFRS 3, business combinations, either prospectively from the transition date to IFRS, or from a specific time prior to the transition date. This offers practical expedients from full retroactive application that would require restatement of all business combinations prior to the transition date. The group has decided to apply IFRS 3 prospectively for business combinations that occur after the transition date to IFRS. Accordingly, business combinations that occurred prior to the transition date have not been restated.

#### Reconciliation between previous accounting policies and IFRS

Pursuant to IFRS 1, the group should present a reconciliation between equity and total comprehensive income reported pursuant to previous accounting policies, and equity and total comprehensive income pursuant to IFRS. The group's transition to accounting pursuant to IFRS did not have any impact on total cash flows from operating activities, investing activities or financing activities. However, there was a reclassification of cash flow between financing activities and cash flow from operating activities with the amortization of the lease liability recognized in financing activities after the transition to IFRS. Pursuant to previous accounting policies, total cash flow from leases is recognized in operating activities. The following tables illustrate the reconciliation between previously applied accounting policies and IFRS for equity and total comprehensive income for each period.

| SEK 000 | Notes | Jan-Dec 2018<br>Income Statement (pursuant to previous accounting policies) | Jan-Dec 2018<br>Total effect of transition to IFRS | Jan-Dec 2018<br>Pursuant to IFRS | Notes | Jan-Dec 2019<br>Income Statement (pursuant to previous accounting policies) | Jan-Dec 2019<br>Total effect of transition to IFRS | Jan-Dec 2019<br>Pursuant to IFRS |
|---|---|---|---|---|---|---|---|---|
| Net sales | | 3,214 | 0 | 3,214 | | 6,711 | 0 | 6,711 |
| Cost of goods sold | a,b,c,d) | –8,441 | 1,693 | –6,748 | a,b,c,d) | –15,251 | 1,601 | –13,650 |
| **Gross profit (loss)** | | **–5,227** | **1,693** | **–3,534** | | **–8,540** | **1,601** | **–6,939** |
| Selling and administrative expenses | c) | –21,646 | 527 | –21,119 | c) | –27,781 | 602 | –27,179 |
| Other operating income | | 372 | 0 | 372 | | 556 | 0 | 556 |
| Other operating expenses | | –260 | 0 | –260 | | –667 | 0 | –667 |
| **Earnings before interest and taxes** | | **–26,761** | **2,220** | **–24,541** | | **–36,432** | **2,203** | **–34,229** |
| **Financial items—net** | c) | **–2** | **–48** | **–50** | c) | **–3** | **–34** | **–37** |
| Profit (loss) before tax | | –26,763 | 2,172 | –24,591 | | –36,435 | 2,169 | –34,266 |
| Income tax | e) | 1,142 | –626 | 516 | e) | 2,758 | –1,210 | 1,548 |
| **Net profit (loss)** | | **–25,621** | **1,546** | **–24,075** | | **–33,677** | **959** | **–32,718** |
| **Other comprehensive income for the period, net of tax** | b,g,h) | | **743** | **743** | b,g,h) | | **1,206** | **1,206** |
| **Total comprehensive income for the year** | | **–25,621** | **2,288** | **–23,333** | | **–33,677** | **2,165** | **–31,512** |

| SEK 000 | Notes | Jan-Sep 2019<br>Income Statement (pursuant to previous accounting policies) | Jan-Sep 2019<br>Total effect of transition to IFRS | Jan-Sep 2019<br>Pursuant to IFRS | Notes | Jul-Sep 2019<br>Income Statement (pursuant to previous accounting policies) | Jul-Sep 2019<br>Total effect of transition to IFRS | Jul-Sep 2019<br>Pursuant to IFRS |
|---|---|---|---|---|---|---|---|---|
| Net sales | | 4,023 | 0 | 4,023 | | 2,420 | 0 | 2,420 |
| Cost of goods sold | a,b,c,d) | –11,673 | 1,822 | –9,851 | a,b,c,d) | –4,448 | 614 | –3,834 |
| **Gross profit (loss)** | | **–7,650** | **1,822** | **–5,828** | | **–2,028** | **614** | **–1,414** |
| Selling and administrative expenses | c) | –19,461 | 450 | –19,011 | c) | –6,314 | 153 | –6,161 |
| Other operating income | | 569 | 0 | 569 | | 182 | 0 | 182 |
| Other operating expenses | | –351 | 0 | –351 | | –72 | 0 | –72 |
| **Earnings before interest and taxes** | | **–26,893** | **2,273** | **–24,620** | | **–8,232** | **766** | **–7,466** |
| **Financial items—net** | c) | **–2** | **–28** | **–30** | c) | **0** | **–8** | **–8** |
| Profit (loss) before tax | | –26,895 | 2,245 | –24,650 | | –8,232 | 759 | –7,473 |
| Income tax | e) | 2,069 | –908 | 1,161 | e) | 692 | –303 | 389 |
| **Net profit (loss)** | | **–24,826** | **1,337** | **–23,489** | | **–7,540** | **457** | **–7,083** |
| **Other comprehensive income for the period, net of tax** | b,g,h) | | **712** | **712** | b,g,h) | | **226** | **226** |
| **Total comprehensive income for the year** | | **–24,826** | **2,049** | **–22,777** | | **–7,540** | **683** | **–6,857** |

| SEK 000 | Notes | 1 Jan. '18<br>Pursuant to previous accounting policies | 1 Jan. '18<br>Total effect of transition to IFRS | 1 Jan. '18<br>Pursuant to IFRS | Notes | 31 Dec. '18<br>Pursuant to previous accounting policies | 31 Dec. '18<br>Total effect of transition to IFRS | 31 Dec. '18<br>Pursuant to IFRS |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Non-current assets | | | | | | | | |
| Intangible assets | | | | | | | | |
| Capitalized development expenditure | b) | 152,995 | –62,099 | 90,896 | b) | 157,909 | –60,266 | 97,643 |
| Patents and similar rights | | 833 | 0 | 833 | | 848 | 0 | 848 |
| Goodwill | | 771 | 0 | 771 | a) | 441 | 330 | 771 |
| **Total intangible assets** | b) | **154,599** | **–62,099** | **92,500** | b) | **159,198** | **–59,936** | **99,262** |
| Property, plant and equipment | | | | | | | | |
| Equipment, tools, fixtures and fittings | | 238 | 0 | 238 | | 179 | 0 | 179 |
| **Total tangible non-current assets** | | **238** | **0** | **238** | | **179** | **0** | **179** |
| **Right-of-use assets** | c) | **0** | **1,405** | **1,405** | c) | **0** | **909** | **909** |
| **Total non-current assets** | | **154,837** | **–60,694** | **94,143** | | **159,377** | **–59,028** | **100,349** |
| Current assets | | | | | | | | |
| Inventories | | 1,063 | 0 | 1,063 | | 961 | 0 | 961 |
| Accounts receivable, other receivables and prepaid expenses and accrued income | c) | 1,394 | –132 | 1,262 | c) | 4,153 | –135 | 4,018 |
| Cash and cash equivalents | h) | 8,738 | 0 | 8,738 | h) | 32,666 | 0 | 32,666 |
| **Total current assets** | | **11,195** | **–132** | **11,063** | | **37,780** | **–135** | **37,645** |
| **Total assets** | | **166,032** | **–60,826** | **105,206** | | **197,157** | **–59,162** | **137,995** |

| SEK 000 | Notes | 31 Dec. '19 Pursuant to previous accounting policies | 31 Dec. '19 Total effect of transition to IFRS | 31 Dec. '19 Pursuant to IFRS | Notes | 30 Sep. '19 Pursuant to previous accounting policies | 30 Sep. '19 Total effect of transition to IFRS | 30 Sep. '19 Pursuant to IFRS |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Non-current assets | | | | | | | | |
| Intangible assets | | | | | | | | |
| Capitalized development expenditure | b) | 149,760 | –57,701 | 92,059 | b) | 152,447 | –58,452 | 93,995 |
| Patents and similar rights | | 704 | 0 | 704 | | 740 | 0 | 740 |
| Goodwill | a) | 110 | 660 | 770 | a) | 193 | 577 | 770 |
| **Total intangible assets** | | **150,574** | **–57,041** | **93,533** | | **153,379** | **–57,875** | **95,504** |
| Property, plant and equipment | | | | | | | | |
| Equipment, tools, fixtures and fittings | | 120 | 0 | 120 | | 134 | 0 | 134 |
| **Total tangible non-current assets** | | **120** | **0** | **120** | | **134** | **0** | **134** |
| **Right-of-use assets** | c) | **0** | **542** | **542** | c) | **0** | **681** | **681** |
| **Total non-current assets** | | **150,694** | **-56,499** | **94,195** | | **153,513** | **–57,194** | **96,319** |
| Current assets | | | | | | | | |
| Inventories | | 2,437 | | 2,437 | | 1,138 | | 1,138 |
| Accounts receivable, other receivables and prepaid expenses and accrued income | c) | 3,732 | -154 | 3,578 | c) | 2,706 | -152 | 2,554 |
| Cash and cash equivalents | h) | 30,898 | | 30,898 | h) | 38,927 | | 38,927 |
| **Total current assets** | | **37,067** | **-154** | **36,913** | | **42,771** | **-152** | **42,619** |
| **Total assets** | | **187,761** | **–56,254** | **131,107** | | **196,284** | **–57,346** | **138,938** |

| SEK 000 | 1 Jan. '18 Notes | 1 Jan. '18 Pursuant to previous accounting policies | 1 Jan. '18 Total effect of transition to IFRS | 1 Jan. '18 Pursuant to IFRS | 31 Dec. '18 Notes | 31 Dec. '18 Pursuant to previous accounting policies | 31 Dec. '18 Total effect of transition to IFRS | 31 Dec. '18 Pursuant to IFRS |
|---|---|---|---|---|---|---|---|---|
| **Equity and liabilities** | | | | | | | | |
| Equity | | | | | | | | |
| Share capital | | 5,086 | 0 | 5,086 | | 6,135 | 0 | 6,135 |
| Other paid-up capital | f) | 151,129 | 500 | 151,629 | | 201,179 | 0 | 201,179 |
| Reserves | | 0 | 0 | 0 | g,b) | 0 | –743 | –743 |
| Accumulated profit or loss (incl. net profit (loss)) | b,e) | –15,756 | –56,943 | –72,699 | a,b,c,e) | –39,906 | –56,167 | –96,073 |
| **Equity attributable to equity holders of the parent** | | **140,459** | **–56,443** | **84,016** | | **167,408** | **–55,424** | **111,984** |
| Non-current liabilities | | | | | | | | |
| Lease liability | c) | 0 | 791 | 791 | c) | 0 | 273 | 273 |
| Deferred tax liability | e) | 20,623 | –5,156 | 15,467 | e) | 19,481 | –4,529 | 14,952 |
| **Total non-current liabilities** | | **20,623** | **–4,365** | **16,258** | | **19,481** | **–4,256** | **15,225** |
| Current liabilities | | | | | | | | |
| Lease liability | c) | 0 | 482 | 482 | c) | 0 | 517 | 517 |
| Trade payables, other current liabilities and accrued expenses and deferred income | f,h) | 4,950 | –500 | 4,450 | | 10,268 | 0 | 10,268 |
| **Total current liabilities** | | **4,950** | **–18** | **4,932** | | **10,268** | **517** | **10,785** |
| **Total liabilities and equity** | | **166,032** | **–60,826** | **105,206** | | **197,157** | **–59,162** | **137,995** |

| SEK 000 | Notes | 31 Dec. '19<br>Pursuant to previous accounting policies | Total effect of transition to IFRS | Pursuant to IFRS | Notes | 30 Sep. '19<br>Pursuant to previous accounting policies | Total effect of transition to IFRS | Pursuant to IFRS |
|---|---|---|---|---|---|---|---|---|
| **Equity and liabilities** | | | | | | | | |
| Equity | | | | | | | | |
| Share capital | | 6,556 | | 6,556 | | 6,556 | 0 | 6,556 |
| Other paid-up capital | g,h) | 232,575 | –2,684 | 229,891 | | 229,961 | 0 | 229,961 |
| Reserves | g,b) | 0 | 1,949 | 1,949 | g,b) | 0 | 1,455 | 1,455 |
| Accumulated profit or loss (incl. net profit (loss)) | a,b,c,e,g,h) | –75,438 | –52,998 | –128,426 | a,b,c,e,g) | –63,500 | –55,715 | –119,215 |
| **Equity attributable to equity holders of the parent** | | **163,693** | **–53,723** | **109,970** | | **173,017** | **–54,261** | **118,756** |
| Non-current liabilities | | | | | | | | |
| Lease liability | c) | 0 | 52 | 52 | c) | 0 | 68 | 68 |
| Deferred tax liability | e) | 16,724 | –3,319 | 13,405 | e) | 17,412 | -3,621 | 13,791 |
| **Total non-current liabilities** | | **16,724** | **–3,267** | **13,457** | | **17,412** | **-3,553** | **13,859** |
| Current liabilities | | | | | | | | |
| Lease liability | c) | 0 | 336 | 336 | c) | 0 | 467 | 467 |
| Trade payables, other current liabilities and accrued expenses and deferred income | | 7,344 | 0 | 7,344 | | 5,855 | 0 | 5,855 |
| **Total current liabilities** | | **7,344** | **336** | **7,680** | | **5,855** | **467** | **6,322** |
| **Total liabilities and equity** | | **187,761** | **–56,654** | **131,107** | | **196,284** | **-57,346** | **138,938** |

## a) Reversal of goodwill amortization

Pursuant to previous accounting policies, goodwill was amortized over the period it was expected to generate economic benefits. Pursuant to IFRS, goodwill is not amortized, but yearly impairment tests are conducted instead. Because goodwill is not amortized pursuant to IFRS, goodwill impairments are reversed effective 1 January 2018, pursuant to previous policies. The reversal of goodwill amortization in a period impacts that period's profit or loss, as well as total comprehensive income, and has been reversed in the "cost of goods sold" item in the Income Statement. The following table indicates the total restatements of goodwill in equity and the Balance Sheet previously accounted pursuant to previous accounting policies, and IFRS, as of 31 December 2018, 30 September 2019 and 31 December 2019.

| SEK 000 | As of 31 December 2018 | As of 30 September 2019 | As of 31 December 2019 |
|---|---|---|---|
| Goodwill pursuant to previous accounting policies | 440 | 193 | 110 |
| Reversed goodwill amortization | 330 | 577 | 660 |
| Goodwill according to IFRS | 770 | 770 | 770 |

## b) Capitalized development expenditure

### CliniSenz

Senzime has analyzed when the criteria of IAS 38 p. 57 for capitalizing development expenses are satisfied on the transition to IFRS. The analysis is that Senzime judges that the developme-nt expenses related to CliniSenz satisfy all the criteria of IAS 38 p. 57 effective 1 January 2018 onwards. Accordingly, Senzime is capitalizing development expenses related to CliniSenz that have occurred from this date onwards. Development expenses capitalized prior to 1 January 2018 of SEK 35,517,000 pursuant to previous accounting policies have been reversed, which results in intangible assets decreasing and accumulated profit or loss reducing (increased loss) on the adoption of IFRS.

### TetraGraph®

On 2 December 2016, Senzime AB signed an agreement with Fukuda Denshi for license rights on TetraGraph for the Japanese market. On this date, Fukuda obtained control over the license of IP for TetraGraph. Because Senzime can no longer use this intangible asset for the remainder of its useful life on the Japanese market, that portion of the intangible asset representing the Japanese market is treated as divested. Accordingly, from the date of divestment on 2 December 2016, a portion of the intangible asset would have been derecognized from the Balance Sheet and a capital gain/loss recognized in the Income Statement (consideration from Fukuda less divested intangible asset). Therefore, on the date of adoption of IFRS of 1 January 2018, the portion of the capitalized development expenditure related to TetraGraph® that was divested reduces, which results in a decrease of intangible assets and a decrease (increased loss) in equity. Thus, in subsequent periods, when amortization of the asset begins, this restatement means lower amortization.

The following table illustrates the total effect on the capitalized development expenditure item on transition, and in subsequent periods:

| SEK 000 | 1 Jan. '18 | 31 Dec. '18 | 30 Sep. '19 | 31 Dec. '19 |
|---|---|---|---|---|
| Capitalized development expenditure | 152,995 | 157,909 | 152,447 | 149,760 |
| Expensed capitalized development expenditure, CliniSenz | –35,517 | –35,517 | –35,517 | –35,517 |
| Divested portion of intangible assets (TetraGraph®) | –26,582 | –26,582 | –26,582 | –26,582 |
| Reversed depreciation of sold balance, TetraGraph® | – | 1,859 | 3,846 | 3,682 |
| Restatement of translation difference, TetraGraph® | – | -26 | –199 | 716 |
| Capitalized development expenditure, IFRS as of 1 January 2018 | 90,896 | 97,643 | 93,995 | 92,059 |

### c) Leases

#### The group as lessee

On the transition date to IFRS, the group recognized a right-of-use asset and lease liability in the Balance Sheet for leases, which pursuant to previous policies, were classified as operating leases, and not related to assets of low value or short-term leases. At the transition date to IFRS, the following lease liability measured as the present value of remaining lease payments was recognized amounting to SEK 1,273,000, 31 December 2018 SEK 791,000, 30 September 2019 SEK 405,000, and 31 December 2019 SEK 273,000.

On the transition date, a right-of-use asset is measured of an amount corresponding to the value of the lease liability adjusted for prepaid lease payments.

On the transition date, right-of-use assets amounted to SEK 1,405,000, 31 December 2018 SEK 909,000, 30 September 2019 SEK 681,000, and 31 December 2019 542,000. Right-of-use assets are amortized on a straight- line basis over the lease term in the Statement of Comprehensive Income, with interest computed on the lease liability at a fixed rate for the liabilities reported in each period.

In the Statement of Comprehensive Income, amortization of assets with right of use is reported in the cost of goods sold function, and an interest expense under financial expenses, instead of lease payments, which previously, were reported in selling and administrative expenses. Amortization of rights of use was SEK 552,000 for the financial year 2019 (2018: SEK 429,000, Jan–Sep 2019 SEK 413,000, and Jul-Sep 2019: SEK 139,000), and interest expenses of SEK 34,000 (2018: SEK 48,000, Jan–Sep 2019 SEK 28,000, and Jul–Sep 2019: SEK 6,000). The weighted average incremental borrowing rate used on first-time adoption (1 January 2018) was 4.45%.

### d) Review of effects in the income statement associated with points a-c

In notes a), b) and c) above, it was apparent that a portion of the balance of capitalized development expenditure was expensed on transition, there was reversal of goodwill amortization, as well as additional non-current assets in the form of right-of-use assets added to the Consolidated Balance Sheet.

Reversal of goodwill amortization recognized according to previous accounting policies, and the reversal of amortization on the sold balance of TetraGraph®, as well as additional amortization on rights of use, have had the following effect on the "cost of goods sold" item in the Consolidated Statement of Comprehensive Income for the accounting periods 2018, Jan–Sep 2019, Jul–Sep 2019, and 2019.

| Restatement on the "cost of goods sold" line of the Consolidated Statement of Comprehensive Income, SEK 000 | 2018 | Jan-Sep 2019 | Jul-Sep 2019 | 2019 |
|---|---|---|---|---|
| Reversed goodwill amortization | 330 | 248 | 83 | 330 |
| Reversed depreciation of sold balance, TetraGraph® | 1,859 | 1,987 | 670 | 1,823 |
| Additional amortization on right of use | –496 | –413 | –139 | –552 |
| **Total restatement on the "cost of goods sold" line of the Consolidated Statement of Comprehensive Income** | **1,693** | **1,822** | **614** | **1,601** |

### e) Deferred tax

A large portion of the balance of capitalized expenditure for development attributable to TetraGraph® was additional through a business combination, with this balance measured at fair value. In tandem with the business combination, a temporary difference arose between the tax and consolidated value of this intangible asset. In tandem with the restatement related to TetraGraph® reviewed in b) above, deferred tax associated with this sold balance was dissolved. The restatements of deferred tax in the opening balance, and in the presented Income Statements, are illustrated in the following table.

| Deferred tax liability<br>SEK 000 | As of 1 January 2018 |
|---|---|
| Deferred tax liability pursuant to previous accounting policies | 20,623 |
| Dissolution of deferred tax due to sale of surplus value, TetraGraph® | –5,156 |
| **Total deferred tax liability pursuant to IFRS** | **15,467** |

Deferred tax liabilities change as the underlying items the tax relates to change. The specification of restatements accounted on the “income tax” line of the Consolidated Statement of Comprehensive Income for the financial accounting periods 2018, Jan-Sep 2019, Jul-Sep 2019 and 2019 are attributable to the following IFRS restatements.

| Re-statements on the ”Income tax” line of the Consolidated Statement of Comprehensive Income<br>SEK 000 | 2018 | Jan–Sep 2019 | Jul–Sep 2019 | 2019 |
|---|---|---|---|---|
| Deferred tax on reversed depreciation of sold balance, TetraGraph® | –629 | –908 | –303 | –1,210 |
| **Total restatement on the ”Income tax” line of the Consolidated Statement of Comprehensive Income** | **–629** | **–908** | **–303** | **–1,210** |

### f) Contingent consideration

The contingent consideration related to the acquisition of MD Biomedical AB, which was recognized as a provision as of 1 January 2018 pursuant to previous accounting policies, will wholly take the form of shares. Pursuant to IFRS 3 (p. 58 a), the contingent consideration should be measured at fair value and recognized against equity. Accordingly, on transition to IFRS, this item is restated to be wholly accounted against equity.

### g) Translation differences for the period

Pursuant to IFRS, translation differences are recognized in other comprehensive income and balanced in the “Reserves” item in equity. In subsequent periods, translation differences for translation of foreign subsidiaries are reported under “other comprehensive income,” and balanced in “Reserves” in equity. Amounts reallocated in the statements of comprehensive income above are amounts that were reported directly against retained earnings pursuant to previous principles, and a restatement of translation differences due to IFRS restatements of intangible assets relating to the sold balance of TetraGraph®. In 2019, accumulated translation differences were reported in other contributed capital, which is why a reclassification during this year was instead made between the items “other contributed capital” and “reserves”.

### h) Reclassifications and reheadings in the Balance Sheet and Statement of Comprehensive Income

#### Balance Sheet

The following Balance Sheet items have been reheaded and reclassified; “Cash and bank balances” has been renamed “Cash and cash equivalents.”

Pursuant to IFRS, provisions should not be reported under a dedicated “Provisions ” heading, but instead be reported under one of the headings “Non-current liabilities” or “Current liabilities” dependent on the character of the provision. Accordingly, deferred tax liabilities have been reclassified to “Non-current liabilities.”

A reclassification attributable to employee stock options has taken place between other contributed capital and retained earnings. This is to be consistent with how this item has been reported in equity in previous years.

#### Statement of Comprehensive Income

Compared to previous accounting policies, in the Income Statement, items reported under other comprehensive income have been added. Senzime reports these two parts in a statement entitled the “Statement of Comprehensive Income.”

## 10. Effects of the parent company's transition to RFR 2 Accounting for legal entities

This is Senzime AB's (the parent company) first accounts prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act.

The Interim Report for the third quarter 2020 is Senzime's first financial statement prepared in accordance with RFR 2 Accounting for Legal Entities. The accounting policies stated in note 2 have been applied when preparing the accounts of Senzime as of 30 September 2020 and for the comparative information presented as of 30 September 2019, 31 December 2019, 31 December 2018, and when preparing the statement of Senzime's opening financial position (opening balance sheet) as of 1 January 2018 (the parent company's date of transition to RFR 2).

When the opening balance sheet as of 1 January 2018, and balance sheets as of 31 December 2018, 30 September 2019, and as of 31 December 2019 were prepared pursuant to RFR 2, amounts that in previous annual accounts and interim reports were reported pursuant to BFNAR 2012:1 Annual Accounts and Consolidated Accounts (K3) were restated. A review of how the transition from previously applied accounting policies to RFR 2 have affected the parent company's results of operations and financial position is illustrated in the following tables and associated notes.

## Decisions made on the transition to accounting pursuant to RFR 2

The transition to RFR 2 is reported in accordance with IFRS 1 First-time Adoption of IFRS. The general rule is that all applicable IFRS and IAS standards that have come into effect and endorsed by the EU as of 31 December 2020, with the exemptions reviewed in RFR 2 Accounting for Legal Entities, should be applied retroactively. However, IFRS 1 does include transitional provisions that offer companies some freedom of choice.

Senzime AB has not applied any exemptions in the transition to RFR 2.

## Reconciliation between previously applied accounting policies (K3) and RFR 2

On first-time adoption of RFR 2, Senzime AB should present a reconciliation between equity and total comprehensive income reported pursuant to previous accounting policies, and equity and total comprehensive income pursuant to RFR 2. The parent company's transition to accounting pursuant to RFR 2 did not have any impact on total cash flows from operating activities, investing activities or financing activities. Nor did the parent company's transition to accounting pursuant to RFR 2 have any impact on the Income Statement or total comprehensive income for any period, so no reconciliation between previous accounting policies and RFR 2 is provided. The following table illustrates the reconciliation between previously applied accounting policies in K3 and RFR 2 for each period, for equity.

| Reconciliation of equity between current accounting policies and RFR 2 | Note | 31 Dec 2019 | 30 Sep 2019 | 31 Dec 2018 | 1 Jan 2018 |
|---|---|---|---|---|---|
| **Total restricted equity pursuant to current accounting policies** | | **36,737** | **36,121** | **33,606** | **23,827** |
| Reversal of development fund, CliniSenz | a) | –7,795 | –7,795 | –7,795 | –7,795 |
| **Total restricted equity, RFR 2** | | **28,942** | **28,326** | **25,711** | **16,032** |
| **Total non-restricted equity pursuant to current accounting policies** | | **59,613** | **66,968** | **58,187** | **51,058** |
| Reversal of development fund, CliniSenz | a) | 7,795 | 7,795 | 7,795 | 7,795 |
| Reversal of capitalized development expenditure, CliniSenz | a) | –35,517 | –35,517 | –35,517 | –35,517 |
| Reclassification of contingent consideration | b) | – | – | – | 500 |
| **Total non-restricted equity pursuant to RFR 2** | | **31,891** | **39,246** | **30,465** | **23,836** |

## Disclosures on the effects of transition to RFR 2

### a) Capitalized development expenditure CliniSenz

The parent company has decided to apply the accounting policy of capitalizing expenditure for development that satisfies all the criteria of IAS 38. p 57. On transition to RFR 2, Senzime analyzed when the criteria of IAS 38. p 57 for capitalizing development expenses had been satisfied. The analysis is that Senzime judges that the development expenses related to CliniSenz satisfy all the criteria of IAS 38. p 57 effective 1 January 2018. Accordingly, Senzime is capitalizing the development expenses related to CliniSenz that have arisen from this date onwards. Development expenses capitalized prior to 1 January 2018 of SEK 35,517,000 pursuant to previous accounting policies have been reversed, which results in intangible assets decreasing and accumulated profit or loss reducing (increased loss) on the adoption of RFR 2. The same reclassification is being conducted for all subsequent periods.

Additionally, capitalized expenditure for development attributable to CliniSenz, which pursuant to current accounting policies, is being reclassified from non-restricted equity to the development fund within restricted equity, amounting to SEK 7,795,000 as of 1 January 2018, and the same reclassification has been conducted for all subsequent periods.

### b) Contingent consideration

The contingent consideration related to the acquisition of MD Biomedical AB, which was recognized as a provision as of 1 January 2018 pursuant to previous accounting policies, will wholly take the form of shares. Pursuant to RFR 2, contingent considerations judged as likely for payment are recognized as a portion of the cost of the acquisition. However, because the contingent consideration will take the form of shares, this financial instrument (the contractual undertaking to pay more for the acquisition as shares) has been classified as equity by applying IAS 32 within RFR 2. Thus, on transition to RFR 2, this item is restated to be wholly recognized as equity.