

Strong performance with more than 150% growth in H2 and nearly doubled sales for full year

” SenzaGen continues its strong performance and 2021 was a very positive year. We increased sales by 94% during the year, and we more than doubled sales during the second half year, driven by very strong organic growth with new and returning leading global customers and the acquisition of a profitable, growing company. Sales growth will remain our highest priority in 2022 while we continue working on our acquisition agenda, the integration of VitroScreen and completing the OECD Test Guideline process for GARD®skin.”

Peter Nählstedt, President and CEO



Full year 1 January–31 December

- » Net sales totaled SEK 15.4 (8.0) million.
- » The operating loss was SEK -31.5 (-27.1) million.
- » Earnings per share were SEK -1.35 (-1.27).
- » Cash and cash equivalents at 31 December amounted to SEK 69.2 (89.3) million.
- » The board proposes that no dividend be paid to the Company's shareholders.

Second half year 1 July–31 December

- » Net sales totaled SEK 10.4 (4.1) million.
- » The operating loss was SEK -17.5 (-14.2) million.
- » Earnings per share were SEK -0.78 (-0.67).

Significant events during the second half year

- » Peter Nählstedt was appointed the new CEO.
- » New growth strategy combining organic growth with acquisition activities.
- » Positive ESAC opinion on GARD® paves the way for OECD validation.
- » One of the largest cosmetics companies in the world became a new customer and tested ingredients with GARD®skin Dose-Response for a cumulative value of SEK 1.65 million.
- » One of the largest pharmaceuticals companies in the world became a new customer with an order for GARD®skin totaling SEK 0.7 million.
- » A new global consumer product customer ordered skin allergy and irritation tests for SEK 0.65 million.
- » Collaboration with the US Research Institute for Fragrance Materials (RIFM) was expanded with an SEK 0.6 million grant.
- » SenzaGen acquired Italy-based VitroScreen, which is active in preclinical testing and innovation.
- » SEK 30 million in capital was raised with a directed share issue.

Significant events after the end of the year

- » SenzaGen broadened its non-animal offering for medical devices with more tests and toxicology consulting services, establishing itself deeper in the market and realizing acquisition synergies.

Message from the CEO

SenzaGen continues its strong performance and 2021 was a very positive year. We increased sales by 94% during the year, and we more than doubled sales during the second half year, driven by very strong organic growth with new and returning leading global customers and the acquisition of a profitable, growing company. Sales growth will remain our highest priority in 2022 while we continue working on our acquisition agenda, the integration of VitroScreen and completing the OECD Test Guideline process for GARD®skin.

2021 performance

In the second half of 2021, SenzaGen implemented a new strategy that, in addition to focusing on organic growth, also includes working on an active acquisition strategy targeting profitable and growing companies, and we immediately began to deliver strong results in several market areas. Organic growth reached an impressive 73%, and with the addition of a strategic acquisition, sales more than doubled, 152%, year-on-year. For the full year, we reported SEK 15.4 (8.0) million in sales. The increased operating losses in 2021 were due to acquisition-related expenses and costs associated with the change in CEOs in the second half year.

Growing customer base led to 73% organic growth

The Company already exhibited a strong sales trend in the first six months of the year and this trend accelerated further in the second half year. Two major new customers, one of the absolute largest pharmaceuticals companies in the world and one of the largest cosmetics companies in the world, placed key orders. The latter also placed a follow-on order worth SEK 1 million, which is the Company's largest order to date. Several other new customers were acquired, and we saw a number of returning customers, especially from the medical devices and chemicals industries. Our expanded non-animal range of tests for skin irritation and corrosion and scientific GARD® presentations with strong brands including Essity, Sonova and Corteva both helped spark increased market interest.

Positive ESAC opinion paves way for OECD approval of GARD®skin

Two key regulatory milestones were achieved in the second half year. In July, the EURL ECVAM scientific committee (ESAC) issued a positive report assessing that GARD®skin is ready to achieve Test Guideline status. This is a milestone the Company has been seeking since 2016 and is a major and important step toward regulatory acceptance. In addition, at the end of the year, GARD®skin was incorporated as an *in vitro* method for skin sensitization into the latest ISO standard 10993, which governs the evaluation of medical devices. The progress on both of these fronts has resulted in increased demand for our technology.

VitroScreen, first acquisition complete

On 1 November 2021, SenzaGen acquired VitroScreen s.r.l, which is a profitable, growing and innovative CRO based in Italy. The company commands unique cutting-edge expertise in human 3D tissue models and has a patented method for producing and performing tests on organoids, ORA®, a three-dimensional structure of cells to resemble human organs. The acquisition gives SenzaGen access to unique expertise in non-animal toxicology testing based in part on tissue models, a substantially broader offering and a significantly expanded customer base. The acquisition also opens the door to new future opportunities for innovative projects and new applications of both companies' technology platforms, GARD® and ORA®. The acquisition contributed 73% in growth for the second half year despite counting only two months of sales.

Accelerated growth strategy

SenzaGen will lead the way in helping companies transition from animal testing to methods better suited to how humans function biologically. With this as a basis, we developed a new strategy to accelerate sales.

Under the new strategy, the Company will grow both organically and by acquisitions to thus create a leading position in non-animal testing, a market that is currently experiencing strong growth driven by regulatory, ethical and technical factors. For example, the European Parliament recently adopted a new resolution calling on the Member States to accelerate the transition to non-animal chemical testing. SenzaGen has an active

acquisition agenda and is currently in dialogue with commercially interesting companies.

Growth by acquisition

- Acquire profitable and growing companies in non-animal testing
- Realize sales synergies with cross-selling and a joint sales force
- Realize efficiency improvements with test collaboration, sharing of certain resources and strategic procurement activities

Organic growth

- Drive direct and distributor sales by attracting new, international, leading companies in the medical devices, chemicals, cosmetics and pharmaceuticals industries and by building existing customer loyalty. In certain geographical regions, the Company's own sales forces is supplemented by distributors and agents.
- Secure regulatory status for GARD®skin. By achieving Test Guideline status, the GARD® results can be used to register products in all OECD member countries, which will significantly increase demand for the method.
- Broaden and supplement our in vitro offering. Develop new non-animal solutions. There is great potential to broaden our offering of existing standard non-animal tests, which we already started doing in 2021. Additionally, the company will continue developing its unique GARD® technology for new markets and combining knowledge from acquired businesses, which creates new test opportunities on the global market.

Looking ahead

We see an intensive and exciting future ahead of us at SenzaGen. Sales activities and growth will remain our highest priority in 2022 while we will gradually expand our operations to include more tests. The increased sales are also expected to lead to a decrease in operating losses, and we estimate that the Company has sufficient funding to complete its organic growth plan.

In the first half year, we will continue working on integrating VitroScreen as we now combine our offerings to create strong sales synergies in industries such as medical devices. We will also actively continue to work on our acquisition agenda.

Additionally, we will continue working with great intensity on the Test Guideline process for GARD®skin, which is in the final phase with the OECD.

Peter Nählstedt, CEO

SenzaGen at a glance

Vision

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

Business concept

SenzaGen aims to be an *in vitro* testing leader, driving the transition from animal testing to methods better suited to reflect human biology. The Company provides high-performance, non-animal test methods and innovation and consulting services based on the latest technology. Non-animal methods are more effective, more accurate and less expensive than traditional animal-based methods while also helping to reduce the number of laboratory animals.

Growth strategy

SenzaGen's growth strategy combines organic growth with acquisition activities and can be summarized as follows:

- Continued commercialization of proprietary test platforms GARD® and ORA®.
- Expansion of test portfolio.
- Active acquisition agenda with a focus on profitable and growing companies with complementary offerings.

A market with great potential

The *in vitro* toxicology testing market is global and growing strongly. Considering the expanded test offering and the acquisition of VitroScreen, SenzaGen estimates its addressable market at approximately SEK 30 billion. The majority of the Company's sales are direct sales supplemented by sales via distributors and license partners.

Our contribution

SenzaGen's non-animal tests and services help product development companies in several industries to provide significantly safer products and also create better production environments for their employees while drastically decreasing the number of animal tests.

Innovative *in vitro* offering.

SenzaGen became an operating company in 2014. Prior to its founding, the EU had decided to no longer allow sales of cosmetic products tested on animals. This ban then spread to other countries and there are also processes in other industries in which there is an aim to avoid animal testing. Since then, the Company's innovative GARD® test platform, based on genomics and machine learning, has been developed to determine whether substances can cause allergic reactions, and more complementary tests and services have been added.

VitroScreen, a recently acquired company, has vast expertise in human 3D tissue models. Its patent-protected organoid platform (ORA®), which is uniquely produced by allowing human cells to self-organize without the need for artificial scaffolding, makes it possible to test the efficacy and safety of substances. The platform can be customized based on customer needs and constitutes a growing share of the company's sales. The combination and availability of the Group's unique technologies opens up new commercial opportunities.

OFFERING

Innovative patented tests

- The GARD® platform
- The ORA® platform

Regulatory toxicology testing

Pre-clinical testing

Innovation and consultancy services GLP

Glossary

EURL ECVAM: European Union Reference Laboratory for alternatives to animal testing.

ESAC: The EURL ECVAM Scientific Advisory Committee.

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

In vivo: Latin for "in a living organism". *In vivo* tests are done on animals.

Sales, earnings and investments

Full year

Consolidated net sales for full year 2021 totaled SEK 15.4 (8.0) thousand, a 94% year-on-year increase. VitroScreen contributed SEK 3.3 million in the November–December period.

Consolidated gross profit was SEK 9.5 (5.6) million.

Operating expenses for the year totaled SEK 41.0 (32.7) million. The increased expenses are attributable to investments in R&D, sales and the organizational structure in line with the Company's growth strategy along with SEK 3.8 million in one-off expenses associated with the acquisition and change in CEOs.

The consolidated operating loss was SEK -31.5 (-27.1) million.

SenzaGen capitalizes new development expenditure and recognizes patents in the balance sheet on an ongoing basis. Total investments in intangible assets for the year were SEK 2.3 (2.4) million, with patents and trademarks accounting for SEK 2.3 (2.1) million of this amount.

Capitalized expenditure for in-house development projects totaled SEK 31 (334) thousand.

Second half year

Consolidated net sales for the period amounted to SEK 10.4 (4.1) million, a 152 percent year-on-year increase. VitroScreen contributed SEK 3.3 million in November and December.

Consolidated gross profit was SEK 6.5 (2.8) million.

Operating expenses for the period totaled SEK 24.1 (16.9) million. These expenses included SEK 3.8 million in non-comparable items such as acquisition expenses and the change in CEOs.

The consolidated operating loss was SEK -17.5 (-14.2) million.

Acquisition of VitroScreen s.r.l.

On 1 November 2021, SenzaGen acquired VitroScreen s.r.l., an Italian company. VitroScreen is active in preclinical testing and innovation. The company commands cutting-edge expertise in human 3D tissue models and has a patented method for producing and performing tests on organoids. The company has 11 employees.

VitroScreen reported EUR 1.6 million in sales for 2020.

The price for 100% of the shares in VitroScreen comprises initial consideration of EUR 2.6 million and multiple components of additional consideration of up to EUR 1.4 million in 2022–2024. These additional consideration components are contingent on achieving certain financial targets. The initial consideration consists of EUR 2 million in cash and EUR 0.6 million in consideration shares.

In 2021, the target was reached for the first additional consideration component of EUR 0.5 million.

The total consideration paid including the first additional consideration component totaled SEK 31.0 million. SEK 13.0 million of this consideration is attributable to goodwill, while the other SEK 18.0 million is attributable to intellectual property rights, equity and deferred tax on surplus values.

Funding

The Group's cash and cash equivalents at the end of the year totaled SEK 69.2 (89.3) million.

Net cash from operating activities for the year was SEK -21,0 (-29.4) million.

Total net cash flow for the year amounted to SEK -20.2 (-31.1) million.

During the year, 25,000 stock options were subscribed and paid under the incentive program for the board adopted by the extraordinary general meeting in December 2019.

During the year, 372,000 stock options were subscribed by employees under the incentive program adopted by the 2021 AGM.

The 2021 Annual General Meeting (AGM) resolved to authorize the board to resolve to issue new shares, of which the combined total results in no more than a 20% increase in share capital based on the total share capital at the time of the 2021 AGM.

To finance the acquisition of VitroScreen, approximately SEK 30 million in capital was raised with a directed share issue.

Under the 2021 AGM authorization, a directed issue of 2,290,694 new shares and a non-cash issue of 416,586 shares were conducted, which increased the share capital by SEK 135,364. The total number of shares at year-end was 24,064,916.

Parent Company

The Parent Company's net sales for the January–December 2021 period totaled SEK 12.2 (8.0) million. The loss before tax was SEK -31.1 (-27.3) million.

The Parent Company's net investments in both property, plant and equipment and intangible assets for the year amounted to SEK 2.5 (2.4) million, and its total cash flow was SEK -21.6 (-31.0) million.

Acquisition-related expenses and costs associated with the change in CEOs amounted to SEK 3.8 million in the second half year and are recognized as administrative expenses in the income statement.

For further information, see the disclosures for the Group.

Other information

Group consolidation

SenzaGen AB (publ) (reg. no. 556821-9207), based in Lund, is the parent company of subsidiary SenzaGen North America Inc, based in North Carolina, USA (reg. no. C3870650) and subsidiary VitroScreen s.r.l. (reg. no. 13454040158) based in Milan, Italy.

Segment reporting

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

Accounting policies

The accounting policies applied are in compliance with the Swedish Annual Accounts Act (1995:1554) and the general advice of the Swedish Accounting Standards Board in BFNAR 2012:1 Annual Reports and Consolidated Financial Statements ("K3"). The same accounting policies and calculation bases were applied as those in the 2020 Annual Report.

Operating activities are conducted in the parent company and subsidiary VitroScreen.

Information about risks and uncertainties

SenzaGen's business is exposed to several risks, including both operational and financial risks. The operational risks mainly comprise uncertainty concerning product development, supplier agreements, product liability and distribution. For a more detailed description of the risks and uncertainties to which SenzaGen is exposed, see the risk and sensitivity analysis in the 2020 Annual Report.

Research and development

SenzaGen conducts research projects to strengthen its product portfolio. The foundation of the Group's product development is the GARD® technology platform, which is broadly applicable in all of the Company's relevant industries and for difficult-to-test substances. The GARD® technology platform also has potential for use in several more testing and application domains. With the help of VitroScreen's proprietary organoid model ORA®, the Group can also provide

customers with tailored solutions for a specific test method, cell or organ type.

Employees

At the end of the period, the Group had 31 (17) employees, 19 (10) of which were women and 12 (7) were men. At the end of the period, the Parent Company had 20 (17) employees, 11 (10) of which were women and 9 (7) were men.

Significant events after the end of the year

On 3 February, SenzaGen announced that the Company provides an expanded and more complete in-vitro toxicology test offering for the medical devices market. This broadening is a result of SenzaGen's acquisition of Italian company VitroScreen, which took place in November 2021. Combining collective expertise and sales activities for both companies' non-animal test and service offerings enables faster and more cost-effective expansion in the medical devices market, whose interest in non-animal solutions is growing as regulatory changes come into effect.

Proposed dividend

The board proposes that no dividend be paid to the Company's shareholders.

Audit

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

2022 AGM

SenzaGen's 2022 Annual General Meeting (AGM) will be held on 5 May at 4 PM in Medicon Village's conference rooms at Scheeletorget 1, Lund, Sweden. Shareholders who wish to have an item deliberated on at the AGM may send a written request by email to ir@senzagen.com or by regular mail to: Styrelsen, SenzaGen AB, Medicon Village, 223 81 Lund. Such requests must be received no later than seven weeks prior to the AGM to be eligible for inclusion in the meeting notice and, consequently, the AGM agenda.

Certified Adviser

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Financial calendar

2021 Annual Report week 12-13 2022
2022 AGM 5 May 2022
January-June 2022 Interim Report 18 August 2022

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

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

Lund, 11 February 2022

Carl Borrebaeck
Chairman

Laura Chirica
Director

Anki Malmborg Hager
Director

Ian Kimber
Director

Paul Yianni
Director

Paula Zeilon
Director

Peter Nählstedt
CEO

For questions about this report, contact:

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Publication

This information constitutes the type of information SenzaGen AB is required to publish under the EU Market Abuse Regulation. This information was released for publication by the contact person set out above on 11 February 2022 at 08:30 AM CET.

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

Condensed consolidated statement of comprehensive income (SEK thousand)	Jul-Dec 2021	Jul-Dec 2020	Full year 2021	Full year 2020
Operating income				
Net sales	10,407	4,128	15,422	7,958
Cost of goods sold	-3,877	-1,375	-5,969	-2,380
Gross profit/loss	6,530	2,753	9,453	5,578
Selling expenses	-11,189	-10,703	-21,234	-20,841
Administrative expenses	-9,892	-3,736	-15,550	-8,357
Research and development expenditure	-2,613	-1,657	-3,874	-2,626
Other operating income	321	202	542	249
Other operating expenses	-695	-1,028	-870	-1,101
Operating profit/loss	-17,538	-14,169	-31,533	-27,098
Profit/loss from financial items				
Interest income and similar items	90	35	187	76
Interest expenses and similar items	-17	-146	-19	-146
Profit/loss after financial items	-17,465	-14,280	-31,365	-27,168
Tax expenses	19	-	19	-
Profit/loss for the period	-17,446	-14,280	-31,346	-27,168
Share of profit/loss to Parent Company shareholders	-17,446	-14,280	-31,346	-27,168

Per share data	Jul-Dec 2021	Jul-Dec 2020	Full year 2021	Full year 2020
Earnings per share (SEK)	-0,78	-0,67	-1,35	-1,27
Fully diluted earnings per share (SEK)	-0,78	-0,67	-1,35	-1,27
Equity per share (SEK)	4,58	5,05	4,58	5,05
Equity ratio (%)	82%	97%	82%	97%
Number of outstanding shares at end of period (thousands)	24,065	21,358	24,065	21,358
Average number of outstanding shares (thousands)	22,260	21,358	23,162	21,358
Share price at end of period (SEK)	10,00	13,10	10,00	13,10

Definitions of financial ratios

Earnings per share

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

Equity per share

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

Equity ratio

Equity as a percentage of total assets.

Condensed consolidated statement of financial position (SEK thousand)	31 Dec 2021	30 June 2021	31 Dec 2020
Assets			
Goodwill	13,109	-	-
Intangible assets	36,061	14,741	15,367
Property, plant and equipment	3,230	1,669	2,097
Inventories	3,201	1,284	1,065
Trade receivables	6,269	1,795	1,521
Other receivables	2,771	2,783	2,155
Cash and cash equivalents	69,164	75,571	89,343
Total assets	133,805	97,843	111,548
Equity and liabilities			
Equity	110,243	93,874	107,792
Non-interest-bearing current liabilities	3,910	1,465	1,164
Interest-bearing current liabilities	726	-	-
Trade payables	3,135	686	1,306
Other liabilities	15,791	1,818	1,286
Total equity and liabilities	133,805	97,843	111,548
Statement of changes in equity (SEK thousand)	31 Dec 2021	30 June 2021	31 Dec 2020
Opening balance	107,792	107,792	134,211
New shares issue	30,008	-	-
Non-cash issue	6,126	-	-
Costs new shares issue	-2,307	-	-
Effect of employee stock option plan	-344	8	698
Profit/loss for the period	-31,346	-13,900	-27,168
Foreign currency effect	314	-26	51
Equity at end of period	110,243	93,874	107,792

Condensed consolidated statement of cash flows (SEK thousand)	Jul-Dec 2021	Jul-Dec 2020	Full year 2021	Full year 2020
Operating profit/loss after tax	-17,446	-14,280	-31,346	-27,168
Adjustments for non-cash items	2,349	2,502	4,236	4,385
Net cash from operating activities before changes in working capital	-15,097	-11,778	-27,110	-22,783
Changes in working capital	7,038	325	6,130	-6,593
Net cash from operating activities	-8,059	-11,453	-20,980	-29,376
Acquisitions/disposals of intangible assets	-1,571	-740	-2,334	-2,425
Acquisitions/disposals of property, plant and equipment	-235	-	-331	-21
Acquisitions/disposals of subsidiaries	-23,890	-	-23,890	-
Net cash from investing activities	-25,696	-740	-26,555	-2,446
New share issue	30,008	-	30,008	-
Transaction expenses attributable to new share issue	-2,306	-	2,306	-
Option premium	-	-	8	698
Repurchase of options	-352	-	-352	-
Change in long term debt to credit institutions	-68	-	-68	-
Net cash from financing activities	27,282	0	27,290	698
Total cash flow for the period	-6,473	-12,193	-20,245	-31,124
Cash and cash equivalents at start of period	75,571	101,536	89,343	120,467
Translation difference on cash and cash equivalents	66	-	66	-
Cash and cash equivalents at end of period	69,164	89,343	69,164	89,343

Parent Company income statement (SEK thousand)	Jul-Dec 2021	Jul-Dec 2020	Full year 2021	Full year 2020
Operating income				
Net sales	7,149	4,128	12,164	7,958
Cost of goods sold	-2,478	-1,375	-4,570	-2,380
Gross profit/loss	4,671	2,753	7,594	5,578
Selling expenses	-11,053	-10,746	-21,143	-20,941
Administrative expenses	-8,974	-3,736	-14,632	-8,357
Research and development expenditure	-1,774	-1,657	-3,035	-2,626
Other operating income	233	202	454	249
Other operating expenses	-402	-1,028	-577	-1,101
Operating profit/loss	-17,299	-14,212	-31,339	-27,198
Profit/loss from financial items				
Interest income and similar items	93	46	190	87
Interest expenses and similar items	2	-146	-	-146
Profit/loss after financial items	-17,204	-14,312	-31,149	-27,257
Tax expenses	-	-	-	-
Profit/loss for the period	-17,204	-14,312	-31,149	-27,257

Parent Company balance sheet (SEK thousand)	31 Dec 2021	30 June 2021	31 Dec 2020
Assets			
Intangible assets	14,761	14,741	15,367
Property, plant and equipment	1,370	1,669	2,097
Financial assets	31,101	84	84
Intentories	1,185	1,284	1,065
Trade receivables	3,144	1,795	1,532
Receivables from Group companies	1,085	1,021	1,076
Other receivables	1,376	1,458	931
Prepaid expenses and accrued income	1,361	1,324	1,215
Cash and bank balances	67,332	75,158	88,961
Total assets	122,715	98,534	112,328
Equity and liabilities			
Equity	110,513	94,243	108,179
Non-interest-bearing current liabilities	1,212	1,465	1,164
Trade payables	1,598	1,008	1,699
Other liabilities	3,139	1,216	741
Accrued expenses and deferred income	6,253	602	545
Total equity and liabilities	122,715	98,534	112,328

Acquisition analysis VitroScreen s.r.l. (SEK thousand)	2021
Fair value of acquired assets and assumed liabilities	
Intangible assets, excluding goodwill	20,800
Goodwill	13,035
Property, plant and equipment	1,895
Current assets, excluding cash and cash equivalents	5,493
Cash and cash equivalents	1,000
Provisions	-6,106
Non-current liabilities	-1,189
Current liabilities	-3,912
Total fair value of acquired net assets	31,017
Acquisition paid for with:	
Cash	24,891
Non-cash issue of shares in SenzaGen AB	6,126
Total	31,017