



Company approaching breakeven with SEK 50 million in sales

“ We are pleased to report another successful year. We closed on a historically strong note with our best quarter ever. The high number of quotes that we sent out during the year proved successful, as our sales increased by 20% in the second half of the year. Total sales increased by 19% during the year, reaching nearly SEK 50 million, driven by strong demand for both our core platform, GARD®, and VitroScreen’s pre-clinical efficacy tests. In the second half of the year, we cut our loss in half and are now very close to breaking even. This shows that we are on track to reach the sales volumes and margins required for sustained profitable growth.”



Peter Nählstedt, President and CEO

Full year 1 January–31 December

- » Net sales totaled SEK 49.9 (41.8) million.
- » EBITDA amounted to SEK -10.9 (-15.7) million.
- » Earnings per share were SEK -0.91 (-1.03).
- » Cash and cash equivalents at 31 December amounted to SEK 17.6 (40.0) 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 26.3 (21.8) million.
- » EBITDA amounted to SEK -4.1 (-6.6) million.
- » Earnings per share were SEK -0.40 (-0.47).

Significant events during the second half year

- » SenzaGen received a SEK 1.7 million order from a new customer, a global biotech industry leader.
- » SenzaGen secured a strategically important order from a new customer, a world leader in fast-moving consumer goods (FMCG).
- » SenzaGen continued to collaborate with RIFM in non-animal photosensitization and fragrance safety – receiving a new grant worth SEK 1.6 million.
- » SenzaGen was ranked one of Sweden’s fastest-growing technology companies according to Deloitte’s annual ranking, Sweden Technology Fast 50.
- » SenzaGen strengthened its market presence with expanded distribution channels in France and India.

Significant events after the end of the year

- » SenzaGen received a follow-on order worth SEK 1.5 million for GARD®skin from a customer in the chemical industry.

Message from the CEO

We are pleased to report another successful year. We closed on a historically strong note with our best quarter ever. The high number of quotes that we sent out during the year proved successful, as our sales increased by 20% in the second half of the year. Total sales increased by 19% during the year, reaching nearly SEK 50 million, driven by strong demand for both our core platform, GARD®, and VitroScreen's pre-clinical efficacy tests. In the second half of the year, we cut our loss in half and are now very close to breaking even. This shows that we are on track to reach the sales volumes and margins required for sustained profitable growth.

GARD® customer base almost doubled

We have continued to scale up our GARD® business with both new and returning major global customers mainly in cosmetics, chemicals and medical devices. Sales increased by 18% during the year, with as many as 32 new customers gained by year-end, compared with 18 for full year 2022. Although we have not yet seen the full impact of the OECD approval of GARD®skin, we have never before seen as many GARD® tests sold as we do now. Our new customers include a world leader in FMGC and one of the largest agrochemical companies in the world.

GARD® customers have a high repeat purchase rate and follow-up orders are usually twice the size of initial ones. Returning customers accounted for 73% of total sales for the year, and the average order value for year 2 was about half a million Swedish kroner, including substantial test orders for a cosmetics world leader and the US Research Institute for Fragrance Materials (RIFM).

Thousands of toxicologists from across the world attended our webinars and we successfully presented at the top toxicology conferences in the world. By presenting new data and observations relating to GARD®, mostly in collaboration with thought leaders and key customers, we are establishing GARD® as the leading non-animal skin sensitization testing platform, which led to the increased sales volumes we have reported.

Very strong close of the year for VitroScreen

VitroScreen closed out the year very strongly with its best quarter ever. We saw strong growth in customer demand for tests in pharmaceuticals and cosmetics in 2023, driven by pre-clinical efficacy tests and a growing share of sales from the VitroScreen ORA® platform. Sales to Italian medical device customers were impacted by the deferred start of the new Medical Device Regulation (MDR), but there is still an underlying need for testing to comply with the regulation.

Cross selling of VitroScreen's offering within the Group also increased, with a record-high order at the end of the year from a global biotech player combining GARD® with other regulatory tests from VitroScreen.

ToxHub adds key expertise in regulatory consulting to the Group and has been well integrated commercially. Their consulting services complement the Group's test offering and are included in an increasing number of quotes with positive results already observed early on in the year. ToxHub, similar to VitroScreen, also experienced a decrease in demand from medical device customers in Italy, due to the deferred start of the MDR.

70% gross margin

In parallel with increased sales volumes, our work on pricing and increased efficiency in our testing operations resulted in an improved gross margin for both GARD® and VitroScreen tests. The gross margin during the year improved to 70% (65%).

We estimate that the Company has sufficient funding for its organic growth plan. During the year, we worked on a financing solution to continue growing after breaking even, and at the end of the year we secured an overdraft facility in the amount of SEK 7.5 million from SEB. SenzaGen meets the requirements of a sustainable growth company, and as a result, also qualified for funding via the European Investment Fund (EIF), resulting in favourable terms from SEB.

Driven by growth, the improved gross margin and effective cost controls, our loss is decreasing and we are approaching breakeven at record pace.

New development projects

We are engaged in several projects within the Group to both develop new non-animal tests and obtain regulatory approval for the tests that have already been developed. For instance, we are working on adapting GARD®skin to measure photosensitization and achieving the status of a standard skin sensitization method under ISO 10993-10.

To further broaden our test portfolio for our clients, we are also launching complementary regulatory tests in our labs.

The introduction of newly developed and additional regulatory tests will significantly increase the Group's market potential.

Looking ahead

We are continuing to successfully build our business and we are well positioned for the ongoing industry transition from animal to non-animal testing. It is clear that the market sees the benefits of our high-performance and ethically sustainable tests and that the aggressive growth strategy we launched several years ago is increasingly paying off.

With strong demand, a significantly broader customer base and several exciting R&D projects in our portfolio, SenzaGen has everything we need to become a profitable and fast-growing technology company.

To provide information about our progress regularly, we have decided to publish interim reports quarterly in 2024. Stay tuned for the latest on our growth journey in the Q1 report scheduled for 15 May.

Peter Nählstedt, President and CEO

SenzaGen at a glance

Vision

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

Business concept

SenzaGen is a corporate group that aims to be an *in vitro* testing leader, driving the transition from animal testing to methods better suited to reflect human biology. We provide high-performance, non-animal test methods and innovation and advisory services based on state-of-the-art technology. With non-animal methods that are more effective, more accurate and less expensive than traditional animal-based methods, we help to reduce the number of laboratory animals required.

Growth strategy

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

A market with great potential

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

Our contribution to a more sustainable world

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





Innovative *in vitro* offering.

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

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

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

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

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

Glossary

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

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

MDR: The EU Medical Device Regulation.

Sales, earnings and investments

Full year

Consolidated net sales for full year 2023 totaled SEK 49.9 (41.8) million, a 19% year-on-year increase. GARD sales accounted for SEK 25.4 (21.5) million, representing an 18% increase. Acquired sales from ToxHub accounted for 7% of total net sales.

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

Consolidated gross profit was SEK 34.9 (27.3) million, corresponding to a gross margin of 70% (65%). This improvement is attributable to both acquired and existing operations.

Operating expenses for the year totaled SEK 58.1 (53.6) million. The increase in costs is attributable to forward-looking investments in line with the Company's growth strategy, which includes the acquisition of ToxHub (Nov 2022).

Operating expenses include depreciation and amortization amounting to SEK 11.6 (9.4) million, and SEK 7.5 (4.9) million of this amount is for depreciation and amortization on acquired assets.

Excluding acquisitions, depreciation and amortization, operating expenses increased by SEK 2.8 million or 6.5% year-on-year while revenue increased by 19%.

Consolidated EBITDA amounted to SEK -10.9 (-15.7) 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 1.4 (2.0) million, with patents and trademarks accounting for SEK 1.4 (2.0) million of this amount.

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

Second half year

Consolidated net sales for the period amounted to SEK 26.3 (21.8) million, a 20 percent year-on-year increase. GARD sales accounted for SEK 13.8 (12.1) million, corresponding to a 14% increase, and acquired sales accounted for 5% of the half year's total net sales.

Consolidated gross profit was SEK 18.6 (14.7) million.

Operating expenses for the period totaled SEK 28.9 (26.6) million.

Consolidated EBITDA amounted to SEK -4.1 (-6.6) million.

Funding

The Group's cash and cash equivalents at the end of the year totaled SEK 17.6 (40.0) million.

Net cash from operating activities for the year was SEK 16.4 (-16.0) million. Cash flow was impacted by increased trade receivables amounting to SEK 10.6 (9.1) million due to deliveries at the end of the period.

Total net cash flow for the year amounted to SEK -22.4 (-29.5) million.

During the year, 720,000 stock options were subscribed by employees under the incentive program adopted by the 2023 AGM.

The 2023 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 2023 AGM.

At the end of the year SenzaGen secured an overdraft facility in the amount of SEK 7.5 million from SEB. The facility is backed by a guarantee commitment under the framework of the European Investment Fund (EIF).

Parent Company

The Parent Company's net sales for the January–December 2023 period totaled SEK 25.4 (21.5) million. The loss before tax was SEK -16.3 (-21.4) million.

The Parent Company's net investments in both property, plant and equipment and intangible assets for the year amounted to SEK 1.4 (2.3) million, and its total cash flow was SEK -20.1 (-31.1) million.

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

For further information, see the disclosures for the Group.

Other information

Group

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

Segment reporting

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

Accounting policies

The accounting policies applied are in compliance with the Swedish Annual Accounts Act (1995:1554) and the general advice of the Swedish Accounting Standards Board in BFNAR 2012:1 Annual Reports and Consolidated Financial Statements ("K3"). The same accounting policies and calculation bases were applied as those in the 2022 Annual Report.

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

Information about risks and uncertainties

SenzaGen's business is exposed to several risks, including both operational and financial risks. The operational risks mainly comprise uncertainty concerning product development, supplier agreements, product liability and distribution. For a more detailed description of the risks and uncertainties to which SenzaGen is exposed, see the risk and sensitivity analysis in the 2022 Annual Report.

Research and development

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

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

Employees

At the end of the period, the Group had 34 (35) employees, 22 (24) of which were women and 12 (11) were men. At the end of the period, the Parent Company had 20 (21) employees, 11 (13) of which were women and 9 (8) were men.

Significant events after the end of the year

On 10 January, SenzaGen received a follow-on order worth SEK 1.5 million from a global chemicals leader. The order includes testing with SenzaGen's innovative non-animal skin sensitization test method, GARD®skin, covering both pure chemicals and complex formulations. Testing will commence immediately and is expected to be completed in the first quarter of 2024.

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.

2024 AGM

SenzaGen's 2024 Annual General Meeting (AGM) will be held on 15 May at 3 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

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

Financial calendar

2023 Annual Report	week 12-13 2024	Interim reports and annual reports are available on SenzaGen's website.
Jan-Mar 2024 Interim Report	15 May 2024	
2024 AGM	15 May 2024	
Jan-Jun 2024 Half-Yearly Report	15 Aug 2024	
Jan-Sep 2024 Interim Report	8 Nov 2024	

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

Lund, 14 February 2024

Carl Borrebaeck
Chairman

Ian Kimber
Director

Anki Malmborg Hager
Director

Paul Yianni
Director

Paula Zeilon
Director

Peter Nählstedt
President and CEO

For questions about this report, contact:

Peter Nählstedt, CEO, SenzaGen AB

Tel: +46 700-23 44 31 | Email: peter.nahlstedt@senzagen.com

Marianne Olsson, VP Finance, SenzaGen AB

Tel: +46 706-36 73 18 | Email: marianne.olsson@senzagen.com

Publication

This information constitutes the type of information SenzaGen AB is required to publish under the EU Market Abuse Regulation. This information was released for publication by the contact person set out above on 14 February 2024 at 08:30 AM CET.

Address

SenzaGen AB (publ) | Company registration number: 556821-9207

Bldg 401, Medicon Village, 223 81 LUND, SWEDEN

Phone: +46 46-275 60 00 | info@Senzagen.se | www.senzagen.com

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

Condensed consolidated statement of comprehensive income (SEK thousand)	Jul-Dec 2023	Jul-Dec 2022	Full year 2023	Full year 2022
Operating income				
Net sales	26,278	21,848	49,870	41,770
Cost of goods sold	-7,652	-7,186	-14,938	-14,434
Gross profit/loss	18,626	14,662	34,932	27,336
Selling expenses	-13,027	-10,929	-26,787	-21,609
Administrative expenses	-9,550	-8,528	-19,138	-17,418
Research and development expenditure	-1,812	-4,202	-3,747	-8,985
Acquisition-related costs	-3,847	-2,584	-7,518	-4,921
Other operating income	325	495	689	1,189
Other operating expenses	-698	-350	-917	-703
Operating profit/loss	-9,983	-11,436	-22,486	-25,111
Profit/loss from financial items				
Interest income and similar items	385	61	764	338
Interest expenses and similar items	-32	-143	-254	-189
Profit/loss after financial items	-9,630	-11,518	-21,976	-24,962
Tax expenses	-164	101	-121	50
Profit/loss for the period	-9,794	-11,417	-22,097	-24,912
Share of profit/loss to Parent Company shareholders	-9,794	-11,417	-22,097	-24,912

Per share data	Jul-Dec 2023	Jul-Dec 2022	Full year 2023	Full year 2022
Earnings per share (SEK)	-0,40	-0,47	0,91	1,03
Fully diluted earnings per share (SEK)	-0,40	-0,47	0,91	1,03
Equity per share (SEK)	2,80	3,71	2,80	3,71
Equity ratio (%)	70%	75%	70%	75%
Number of outstanding shares at end of period (thousands)	24,188	24,188	24,188	24,188
Average number of outstanding shares (thousands)	24,106	24,106	24,188	24,085
Share price at end of period (SEK)	7,28	12,05	7,28	12,05

Definitions of financial ratios

Earnings per share

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

Equity per share

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

Equity ratio

Equity as a percentage of total assets.

Condensed consolidated statement of financial position (SEK thousand)	31 Dec 2023	31 Dec 2022
Assets		
Goodwill	20,993	21,647
Intangible assets	34,016	38,107
Property, plant and equipment	1,811	2,575
Inventories	6,228	3,614
Trade receivables	10,589	9,094
Other receivables	1,769	554
Prepaid expenses and accrued income	4,146	4,387
Cash and cash equivalents	17,624	39,976
Total assets	97,176	119,954
Equity and liabilities		
Equity	67,608	89,701
Liabilities to credit institutions	1,673	1,207
Trade payables	5,691	4,420
Other provisions	6,571	7,321
Current tax liabilities	421	411
Other liabilities	2,916	3,506
Accrued expenses and deferred income	12,296	13,388
Total equity and liabilities	97,176	119,954
Statement of changes in equity (SEK thousand)	31 Dec 2023	31 Dec 2022
Opening balance	89,701	110,243
Non-cash issue	-	1,629
Costs new shares issue	-	-42
Profit/loss for the period	-22,097	-24,912
Foreign currency effect	4	2,783
Equity at end of period	67,608	89,701

Condensed consolidated statement of cash flows (SEK thousand)	Jul-Dec 2023	Jul-Dec 2022	Full year 2023	Full year 2022
Operating profit/loss after tax	-9,794	-11,417	-22,097	-24,912
Adjustments for non-cash items	5,357	4,748	10,828	9,145
Paid tax	-	-	-	-
Net cash from operating activities	-4,437	-6,669	-11,269	-15,767
Changes in working capital	1,398	9,638	-5,184	-304
Net cash from operating activities	-3,039	2,969	-16,453	-16,071
Acquisitions/disposals of intangible assets	-2,937	-1,311	-3,679	-1,982
Acquisitions/disposals of property, plant and equipment	-43	-447	-129	-607
Acquisitions/disposals of subsidiaries	-2,295	-13,041	-2,295	-13,041
Acquisitions/disposals of financial assets	8	2,193	21	2,193
Net cash from investing activities	5,267	-12,606	-6,082	-13,437
Transaction expenses attributable to new share issue	42	-42	-	-42
Change in long term debt to credit institutions	918	469	147	73
Net cash from financing activities	960	427	147	31
Total cash flow for the period	-7,346	-9,210	-22,388	-29,477
Cash and cash equivalents at start of period	25,104	49,034	39,976	69,164
Translation difference on cash and cash equivalents	-134	152	36	289
Cash and cash equivalents at end of period	17,624	39,976	17,624	39,976

Parent Company income statement (SEK thousand)	Jul-Dec 2023	Jul-Dec 2022	Full year 2023	Full year 2022
Operating income				
Net sales	13,826	12,122	25,350	21,501
Cost of goods sold	-4,124	-4,120	-7,612	-7,430
Gross profit/loss	9,702	8,002	17,738	14,071
Selling expenses	-8,825	-10,579	-18,300	-20,534
Administrative expenses	-6,501	-5,551	-13,081	-12,041
Research and development expenditure	-1,545	-1,485	-3,034	-3,543
Other operating income	309	487	670	1,150
Other operating expenses	-702	-349	-921	-699
Operating profit/loss	-7,562	-9,475	-16,928	-21,596
Profit/loss from financial items				
Interest income and similar items	385	97	776	356
Interest expenses and similar items	6	-110	-196	-117
Profit/loss after financial items	-7,171	-9,488	-16,348	-21,357
Tax expenses	-	-	-	-
Profit/loss for the period	-7,171	-9,488	-16,348	-21,357

Parent Company balance sheet	31 Dec	31 Dec
(SEK thousand)	2023	2022
Assets		
Intangible assets	11,936	-13,715
Property, plant and equipment	548	861
Financial assets	48,378	46,103
Inventories	3,559	973
Trade receivables	3,790	3,396
Receivables from Group companies	2,334	1,261
Other liabilities	1,139	1,343
Prepaid expenses and accrued income	3,992	4,180
Cash and bank balances	16,096	36,242
Total assets	91,772	108,074
Equity and liabilities		
Equity	74,396	90,744
Trade payables	3,979	2,584
Current tax liabilities	421	411
Liabilities to Group companies	142	405
Other liabilities	829	751
Accrued expenses and deferred income	12,005	13,179
Total equity and liabilities	91,772	108,074