

---

# INTERIM REPORT

## JANUARY – SEPTEMBER 2021

### SURGICAL SCIENCE SWEDEN AB (PUBL)



One of the biggest challenges within healthcare globally is how injuries during care can be reduced. Medical education and training are key, as a large part of the training today can be performed outside the operating room. Surgical Science is a world leader in the manufacture of virtual reality simulators for evidence-based laparoscopic and endoscopic training. The simulators enable surgeons and other medical specialists to train and improve their psycho-motor skills and instrument handling before entering the operating room. In parallel with its own products, Surgical Science works with simulation solutions for medical device companies that develop surgical instruments for clinical use, such as robotic surgery.

Surgical Science is headquartered in Gothenburg, Sweden and also has operations in Stockholm, Sweden, as well as in Tel Aviv, Israel and Seattle, US. Through sales offices in the US, France and China, as well as a global network of distributors, Surgical Science maintains a presence in most markets. Surgical Science Sweden AB (publ) is traded on Nasdaq First North Growth Market.

# A GOOD START TO THE MERGER WITH SIMBIONIX

## THIRD QUARTER 2021 (JUL – SEP)

- Net sales amounted to SEK 95.3 million (24.9), corresponding to an increase of 282 percent compared with the corresponding period in the preceding year. Symbionix is included in the amount of SEK 50.3 million.
- For comparable units, sales increased by 31 percent.
- Operating profit amounted to SEK 7.6 million (7.3). The outcome includes acquisition costs of SEK 21.8 million.
- Net profit amounted to SEK 14.4 million (5.9), corresponding to earnings per share of SEK 0.33 (0.17).
- Cash flow from operating activities amounted to SEK 51.6 million (9.2). As of September 30, 2021, cash and cash equivalents amounted to SEK 310.6 million (74.7).
- On July 28, it was announced that Surgical Science had entered into an agreement to acquire Symbionix. See also Note 6 on page 17. On August 16, an Extraordinary General Meeting was held, at which the directed share issue to finance the acquisition was approved. The transfer of ownership took place on August 24, and Symbionix is consolidated from that date.

## FIRST NINE MONTHS 2021 (JAN – SEP)

- Net sales amounted to SEK 169.1 million (65.2), corresponding to an increase of 159 percent compared with the corresponding period in the preceding year.
- For comparable units, sales increased by 36 percent.
- Operating profit amounted to SEK 12.0 million (7.3). The outcome includes acquisition costs of SEK 28.1 million.
- Net profit amounted to SEK 19.4 million (5.0), corresponding to earnings per share of SEK 0.49 (0.15).
- Cash flow from operating activities amounted to SEK 52.1 million (6.6).
- In January, Mimic Technologies Inc., was acquired, with operations in robotic surgery. The transfer of ownership took place on January 27. See also Note 5 on page 16.

### KEY FIGURES

	January – September		July – September		Full-year 2020
	2021	2020	2021	2020	
Net sales, SEK million	169.1	65.2	95.3	24.9	104.8
Operating profit, SEK million	12.0	7.3	7.6	7.3	20.0
Profit after financial items, SEK million	5.4	7.2	2.9	7.2	19.7
Net profit, SEK million	19.4	5.0	14.4	5.9	15.6
No. employees at end of period	211	61	211	61	61
Equity/assets ratio, %	89.5	90.8	89.5	90.8	90.4
Earnings per share, SEK	0.49	0.15	0.33	0.17	0.45
Shareholders' equity per share, SEK	66.94	12.07	66.94	12.07	12.38
Share price on the balance sheet date, SEK	240.50	80.50	240.50	80.50	93.50
Market cap. on balance sheet date, SEK million	12,217.7	2,776.8	12,217.7	2,776.8	3,225.3

For definitions, see page 19.

---

## A MESSAGE FROM THE CEO

"Keep the engine running" was our internal motto as we balanced our customer focus with our internal integration activities during the third quarter. We have succeeded with that. With Symbionix as part of Surgical Science during approximately one third of the quarter, we achieved sales of slightly more than SEK 95 million and an operating profit, before non-recurring costs from the acquisition, of fully SEK 29 million. This means an operating margin of 31 percent. All areas of Surgical Science are growing, while we have also had a very good start with our integration of Symbionix.

Within Industry/OEM, in which we license simulation technology to medical device companies, sales for the quarter amounted to SEK 38.0 million, compared with SEK 11.5 million in the corresponding period last year. The largest share of our sales derives from licensing software to customers in the robotic surgery segment. Shortly after the end of the quarter, Medtronic announced that its surgical robot Hugo has now gained CE approval and will start being sold in Europe. We are seeing increasing license revenues from several different customers as a result of regulatory approvals. Nonetheless, most of our ten-plus robotic surgery customers have yet to launch their products commercially. Having a broad portfolio makes us less vulnerable to individual launch delays, as long as the companies delivering on market growth use our simulation software. During the quarter, we also achieved one of our objectives for the year by expanding the scope of the content we deliver to some of our most important customers. In accordance with earlier thinking, the business model for this type of advanced simulation has been formulated such that we earn revenue over an extended period in relation to usage.

However, partnerships with medical technology companies are significantly broader than supplying simulations to robotic surgery companies. We have significant sales combining hardware and software for customers in vascular surgery and laparoscopy to name a couple of strong areas. These are important projects in which our simulation technology contributes to patient safety while also generating financial value for our customers. In pace with digitalization, we see the number of segments to which we increasingly deliver software solutions growing and the areas of use for our technology



**We have had a good start. Both feedback from customers and our internal energy are positive.**

expanding. We are in active discussions with some of the world's largest medical technology companies regarding how simulation software can, in simple terms, be used to train the intelligence of our customers' own applications without risk to patients. With a broad IP portfolio and our experience from our own simulators within Educational Products, we have a solid foundation on which the Industry/OEM business area will continue to achieve favorable growth.

Educational Products' sales for the quarter were very good. The business area's sales amounted to approximately 60 percent of total sales for the quarter. More markets than previously during the pandemic have acquired simulators to ensure the availability of new specialists, such as surgeons, in a manner that is secure for patients. Many customers face a pent-up need for technical training, while an increasing care deficit requires them to find training alternatives outside the operating room. Accordingly, simulation is playing a more prominent role than previously and customers are increasingly adopting new technologies. As most of our sales in the business area is made through local distributors, the acquisition of Symbionix has caused some turbulence among our partners. It has been positive to see, however, that the vast majority of partners are working constructively to continue their collaboration with Surgical Science. Our broad product portfolio with the best

simulators in the market makes us a very attractive supplier. We have also continued to bring new products to the market, in the beginning of September launching the new Symbionix ENDO Mentor Suite, a new generation of GI Mentor for training endoscopic procedures.

As the quarter only includes figures for Symbionix as of August 24, it is difficult to make comparisons as it is not a whole quarter. We tend to receive revenues towards the end of each quarter, while our costs are more evenly distributed. It is quite clear, however, that we had a good start. Both feedback from customers and our internal energy are positive. While it may be hard to discern the latter from a financial report, this is nonetheless extremely important in business operations. We enjoy working with our new colleagues quite simply. A new global management team has been appointed and the organization, now some 210 people strong, has begun working as one.

As we now enter the busiest period of the year, we do so maintaining our focus on our customers and combining this with internal efforts including a revision of Surgical Science's long-term financial targets. We will announce these prior to publishing the year-end report in February. Given the reshaping of our niche, I have received some questions regarding future growth. Those of you who know us well are, however, aware that we prefer to do our homework properly before sharing our thoughts. In an environment that increasingly values patient safety, the future for simulation is bright. At the same time, digitalization is driving up the value of Surgical Sciences' expertise and technology. First though, let's be sure we conclude 2021 on a good note. The trust of our customers is always our principal focus.

Gothenburg, November 2021



Gishi Hennermark, CEO

## THIRD QUARTER 2021 (JULY – SEPTEMBER)

### Net sales

Net sales for the third quarter of the year amounted to SEK 95.3 million (24.9), an increase of 282 percent compared with the same period in the preceding year. Calculated in local currencies, sales increased by 290 percent.

Mimic Technologies' net sales are included in sales for the third quarter of 2021 in the amount of SEK 8.6 million. For the corresponding period in 2020, the company's sales were SEK 4.8 million. Of the SEK 8.6 million, SEK 3.3 million corresponded to sales by the Educational Products business area and SEK 5.3 million corresponded to sales by the Industry/OEM business area.

Symbionix' net sales are partly included in sales for the third quarter of 2021, the company being consolidated in the Surgical Science Group as of August 24, 2021. For the period July 1 – August 23, Symbionix' sales were SEK 52.7 million and for the third quarter they were SEK 103.0 million (85.5). Of the SEK 103.0 million, SEK 60.3 million corresponded to sales by the Educational Products business area and SEK 42.7 million corresponded to sales by the Industry/OEM business area.

For comparable units, sales increased by 31 percent. Taking exchange rate fluctuations into account, sales increased by 33 percent.

Of the sales for the quarter, SEK 57.3 million (13.4) consisted of sales within the Educational Products business area and SEK 38.0 million (11.5) of sales within the Industry/OEM business area.

In Educational Products, sales were particularly good in the US, China and Russia. At the SAGES gastro and endoscopy trade fair in Las Vegas in early September, the new Symbionix ENDO Mentor Suite product was launched, a new generation of the GI Mentor product, which has been received very favorably.

Within Industry/OEM, the largest source of income consisted of license revenues deriving from a number of customers. However, with the acquisition of Symbionix, the area now includes a greater hardware element, as Symbionix sells more of its own simulators to medical technology companies than Surgical Science did previously.

For revenues per segment, see Note 2 on page 16.

### Costs and results

The cost of goods sold amounted to SEK 26.4 million (3.4), corresponding to a gross margin of 72 percent (86). Symbionix has a lower gross margin than the earlier Surgical Science Group, mainly due to the following:

- larger proportion of sales in Educational Products than in Industry/OEM. Educational Products has a lower gross margin than Industry/OEM. Industry/OEM is the fastest growing business area, including for Symbionix.
- the numerous different products within Educational Products mean that some series are relatively small, causing a negative effect on the gross margin.
- with its wide product range in many different areas of application, Symbionix has been able to make larger bundle deals, allowing the gross margin to be reduced while still profiting well from the transaction.
- larger proportion of sales through distributors. Prior to the acquisition, Symbionix conducted direct sales in the US market, but through distributors elsewhere. Although selling



through distributors means relinquishing some gross margin, it does not require the same internal sales force and thus entails lower sales costs as a share of sales.

Sales costs amounted to SEK 16.3 million (7.8), corresponding to 17 percent (31) of sales. Sales costs include amortizations of surplus values classified as customer contracts in connection with the acquisitions of SenseGraphics and Mimic Technologies, see also below under amortization. Regarding the surplus value in the Group attributable to the acquisition of Symbionix (preliminarily SEK 2,587.0 million), the allocation to assets that can be amortized, such as customer contracts and technology, has not been completed. This allocation will be performed in the fourth quarter, at which time, the amortization as of the acquisition on August 24 will be reported.

Administration costs amounted to SEK 31.8 million (2.9), corresponding to 33 percent (11) of sales. Costs for the quarter included non-recurring costs of SEK 21.8 million attributable to the acquisition of Symbionix. Excluding this item, administrative expenses amounted to 11 of sales. In connection with the acquisition, it was communicated that structural investments in IT systems would be necessary as Symbionix was included in the IT environment of the seller, 3D Systems. While these projects, including new ERP and CRM systems, are ongoing, the accounts only include small amounts for the quarter.

Research and development costs for the quarter amounted to SEK 14.4 million (2.9), corresponding to 15 percent (12) of sales. Of the development costs, SEK 2.2 million (3.2) have been capitalized as an intangible asset in the Swedish companies.

To the extent that the development department works on projects invoiced as consulting revenues, the appurtenant costs are included under Cost of goods sold.

Other operating income and costs consist largely of exchange rate changes on external receivables and liabilities in foreign currency. Surgical Science is negatively affected by a stronger SEK, with higher revenue in foreign currencies than costs.

Operating profit for the third quarter amounted to SEK 7.6 million (7.3), corresponding to an operating margin of 8 percent (29). Excluding acquisition costs, operating profit for the third quarter amounted to SEK 29.4 million, corresponding to an operating margin of 31 percent.

On acquiring Mimic Technologies, Surgical Science stated its view that rationalizations and cost savings corresponding to approximately USD 0.5 – 1 million would be achieved on an annual basis following the acquisition. On an annual basis, savings of approximately USD 0.9 million have been implemented in relation to the cost structure that existed in the company at the time of the takeover, primarily in the form of personnel reductions in administration and, to a certain extent, in sales.

The full impact of these came in the third quarter. Since then, however, additional positions have been filled in software development and accounting.

Depreciation and amortization burdened profit by SEK 7.1 million (4.2) in total. Depreciation and amortization burdened the cost of goods sold by SEK 0.3 million (0.1), sales costs by SEK 3.2 million (1.3), administration costs by SEK 1.9 million (1.2) and research and development costs by SEK 1.8 million (1.6). Sales costs include amortization on those parts of the SenseGraphics and Mimic Technologies acquisitions that were classified as customer contracts, amounting to SEK 2.0 million (1.1) (for Symbionix, see above). Depreciation attributable to the application of IFRS 16 amounts to SEK 1.4 million (1.0), this being included in its entirety under Administration costs.

EBITDA amounted to SEK 14.7 million (11.5), corresponding to an EBITDA margin of 15 percent (46). Excluding acquisition costs, EBITDA for the third quarter amounted to SEK 36.5 million, corresponding to an EBITDA margin of 38 percent.

As Surgical Science has no loan financing, net financial items mainly comprise exchange rate fluctuations. A cost of SEK 4.4 million (-) has been booked that is attributable to the currency translation of the deferred contingent consideration for Mimic Technologies (USD 15.6 million) recognized as a liability in the Parent Company. The remainder of net financial items mainly consists of the revaluation of internal loan receivables on the US subsidiaries and the effect of IFRS 16.

Net profit for the quarter amounted to SEK 14.4 million (5.9). For the corresponding period in 2020, Mimic Technologies' net loss was USD 0.7 million (pro forma, not IFRS) and Symbionix net profit was USD 0.8 million (pro forma, not IFRS). The positive tax receivable for the quarter of SEK 11.5 million (tax expense 1.3) consists of estimated tax on profit for the period and a change in deferred tax assets. The cost of raising capital in connection with the acquisition of Symbionix totaled SEK 71.9 million. This has been booked directly against shareholders' equity and, being tax deductible, the tax calculation in the Parent Company is affected.

## Cash flow

During the period July – September 2021, cash flow from operating activities amounted to SEK 51.6 million, compared with SEK 9.2 million for the corresponding period in 2020. Cash flow from changes in working capital amounted to SEK 36.4 million (6.6). On the asset side, accounts receivable have increased, while accounts payable and other interim liabilities have also increased on the liability side.

Cash flow from investing activities amounted to an outflow of SEK 2,634.7 million (2.0). Of this, SEK 2,631.6 million was attributable to the acquisition of Symbionix, see also Note 6 on

page 17. The remainder mainly comprises development costs related to the company's software.

Cash flow from financing activities amounted to an inflow of SEK 2,626.4 million (outflow 1.0). During the quarter, a directed share issue of SEK 2,700.0 million was carried out. The transaction costs for the issue amounted to SEK 71.9 million.

## FIRST NINE MONTHS 2021 (JANUARY – SEPTEMBER)

### Net sales

Net sales for the first nine months of the year amounted to SEK 169.1 million (65.2), an increase of 159 percent compared with the same period in the preceding year. Calculated in local currencies, sales increased by 175 percent.

Mimic Technologies' net sales are included in sales for the period commencing January 27, 2021. For the period January 1 – 26, Mimic's sales were SEK 1.8 million and for the first nine months they were SEK 25.0 million (14.1). Of the SEK 25.0 million, SEK 8.7 million corresponded to sales by the Educational Products business area and SEK 16.3 million corresponded to sales by the Industry/OEM business area.

Simbionix' net sales are included in sales for the period commencing August 24, 2021. For the period January 1 – August 23, Simbionix' sales were SEK 225.9 million and for the first nine months they were SEK 276.2 million (270.4). Of the SEK 276.2 million, SEK 168.7 million corresponded to sales by the Educational Products business area and SEK 107.5 million corresponded to sales by the Industry/OEM business area.

For comparable units, sales increased by 36 percent. Taking exchange rate fluctuations into account, sales increased by 43 percent.

Of the sales for the period, SEK 84.9 million (28.9) consisted of sales within the Educational Products business area and SEK 84.2 million (36.3) of sales within the Industry/OEM business area.

For revenues per segment, see Note 2 on page 16.

### Costs and results

The cost of goods sold amounted to SEK 37.5 million (9.4), corresponding to a gross margin of 78 percent (86). The gross margin is affected by the distribution of revenues, where the different revenue streams "proprietary simulators containing hardware", "consulting revenues" and "license revenues" have different gross margins. A higher share of license revenues means a higher gross margin.

Sales costs amounted to SEK 39.2 million (26.2), corresponding to 23 percent (40) of sales. Administration costs amounted to SEK 50.0 million (9.7), corresponding to 30 percent (15) of sales. Costs for the first quarter included non-recurring costs of SEK 6.3 million attributable to the acquisition of Mimic Technologies. Costs for the third quarter included non-recurring costs of SEK 21.8 million attributable to the acquisition of Simbionix. Excluding these items, administrative expenses amounted to 13 percent of sales.

Research and development costs for the period amounted to SEK 32.7 million (12.1), corresponding to 19 percent (19) of sales. Over the period, SEK 7.4 million (9.9) in development costs were capitalized as an intangible asset in the Swedish companies.

Other operating income and costs consist largely of exchange rate changes on external receivables and liabilities in foreign currency. Surgical Science is negatively affected by a stronger SEK, with higher revenue in foreign currencies than costs. Operating profit for the first nine months amounted to SEK 12.0 million (7.3), corresponding to an operating margin of 7 percent (11). Excluding acquisition costs, operating profit for the period amounted to SEK 40.1 million, corresponding to an operating margin of 24 percent.

Depreciation and amortization burdened profit by SEK 18.3 million (12.8) in total. Depreciation and amortization burdened the cost of goods sold by SEK 0.4 million (0.2), sales costs by SEK 7.3 million (3.8), administration costs by SEK 5.2 million (3.6) and research and development costs by SEK 5.4 million (5.2). Sales costs include amortization on the part of the SenseGraphics acquisition that was classified as customer contracts, amounting to SEK 43.8 million. This amount will be amortized over a ten year-period, by an amount of SEK 4.4 million per year, with the total for the period being SEK 3.3 million (3.3). Sales costs also include amortization on the part of the Mimic Technologies acquisition that was classified as customer contracts, amounting to SEK 35.2 million. This amount will be amortized over a ten year-period, by an amount of SEK 3.5 million per year, with the total for the period being SEK 2.4 million (-). With regard to Simbionix, see above under the comments on the quarter.

Depreciation attributable to the application of IFRS 16 amounts to SEK 4.2 million (2.9), this being included in its entirety under Administration costs.

EBITDA amounted to SEK 30.3 million (20.1), corresponding to an EBITDA margin of 18 percent (31). Excluding acquisition costs of SEK 6.3 million for the first quarter and of SEK 21.8 million for the third quarter, the EBITDA margin was 35 percent.

As Surgical Science has no loan financing, net financial items mainly comprise exchange rate fluctuations. A cost of SEK 6.8 million (-) has been booked that is attributable to the currency translation of the deferred contingent consideration for Mimic Technologies (USD 15.6 million) recognized as a liability in the Parent Company. The remainder of net financial items mainly consists of the revaluation of internal loan receivables on the US subsidiaries and the effect of IFRS 16.

Net profit for the period amounted to SEK 19.4 million (5.0). The positive tax receivable for the period of SEK 14.0 million (tax expense 2.1) consists of estimated tax on profit for the period and a change in deferred tax assets. The costs for raising capital in connection with the acquisition of Mimic Technologies totaled SEK 13.0 million, and for Symbionix they totaled SEK 71.9 million. These have been booked directly against shareholders' equity and, as they are tax deductible, the tax calculation in the Parent Company is affected.

For the corresponding period in 2020, Mimic Technologies' net loss was USD 2.3 million (pro forma, not IFRS) and Symbionix net profit was USD 3.6 million (pro forma, not IFRS).

### Cash flow

During the first nine months of 2021, cash flow from operating activities amounted to SEK 52.1 million, compared with SEK 6.6 million for the corresponding period in 2020. Cash flow from changes in working capital amounted to SEK 23.1 million (outflow 4.7). Accounts payable of SEK 10.0 million in Mimic, attributable to the sellers' transaction costs, were paid off.

Cash flow from investing activities amounted to an outflow of SEK 2,754.4 million (7.6). Of this, SEK 113.7 million was attributable to the acquisition of Mimic Technologies, see also Note 5 on page 16, and SEK 2,631.6 million was attributable to the acquisition of Symbionix, see also Note 6 on page 17. The remainder mainly comprises development costs related to the company's software.

Cash flow from financing activities amounted to SEK 2,925.3 million (6.5). In the first quarter, two directed share issues were implemented totaling SEK 339.3 million and, in the third quarter, one directed share issue was implemented for SEK 2,700.0 million. The transaction costs for the issues amounted to SEK 84.9 million. Furthermore, following the acquisition of Mimic Technologies, SEK 24.3 million was repaid in interest-bearing loans in that company. During the first nine months of 2020, the Company's 2017/20 Warrants Program was redeemed, raising proceeds of SEK 7.9 million for Surgical Science. Also, the company's 2020/23 Warrants Program was implemented, raising proceeds of SEK 1.5 million (for options programs, see also Note 4).

An outflow of SEK 4.2 million (2.9) was attributable to depreciations of lease liabilities in accordance with IFRS 16.

### Financial standing

As of September 30, 2021, the Group's cash and cash equivalents amounted to SEK 310.6 million, shareholders' equity was SEK 3,400.5 million and the equity/assets ratio was 89 percent. As of September 30, 2020, the Group's cash and cash equivalents amounted to SEK 74.7 million, shareholders' equity was SEK 416.3 million and the equity/assets ratio was 91 percent. As of September 30, 2021, shareholders' equity per share amounted to SEK 66.94 (12.07).

### Parent Company

In the Parent Company, Surgical Science Sweden AB, the acquisition of the shares in Mimic Technologies and associated acquisition costs were booked during the first quarter. The initial purchase consideration amounted to USD 13.6 million, corresponding to SEK 113.7 million. In addition to this, a deferred contingent consideration of USD 15.6 million has been recognized as a liability. This is the maximum deferred contingent consideration that may be payable. The deferred contingent consideration is tied to certain sales results for 2021, 2022 and 2023.

The liability corresponding to the deferred contingent consideration is currency translated on a quarterly basis, with the effect being found under net financial items (see above under "Costs and results").

In the Parent Company, acquisition costs of SEK 6.3 million have been booked as shares in subsidiaries. These have been reversed in the Group and are included there as an administrative expense during the first quarter.

The costs of raising capital in connection with the acquisition totaled SEK 13.0 million. These have been booked directly against shareholders' equity and, as they are tax deductible, the tax calculation in the Parent Company is affected.

The acquisition of the shares in Symbionix and the associated acquisition costs were booked in the third quarter. The preliminary purchase consideration amounted to USD 305.1 million, corresponding to SEK 2,670.0 million.

In the Parent Company, acquisition costs of SEK 21.8 million have been booked as shares in subsidiaries. These have been reversed in the Group and are included there as an administrative expense during the third quarter.

The costs of raising capital in connection with the acquisition totaled SEK 71.9 million. These have been booked directly against shareholders' equity and, as they are tax deductible, the tax calculation in the Parent Company is affected.

## OUTLOOK

Surgical Science's strategy is to have two separate business areas. Educational Products focuses on customers in education and training, who use the company's in-house-developed simulators to increase patient safety through effective training, the results of which can be measured objectively. Customers have validated the simulators over many years through clinical studies. The other business area, Industry/OEM, mainly makes use of Surgical Science's software resources, which allow medical device companies to integrate simulation into their clinical products. This makes it possible to generate a return on Surgical Science's development work over more than 20 years, and this is the area in which the company perceives the strongest future growth. The business model comprises a development fee for adaptation/integration with the customer's products (surgical robots, for example) and subsequently a software license per unit. Surgical Science retains full copyright on its product.

Underlying growth in the market for medical simulation is favorable. The largest market for medical simulation is the US, followed by Europe and Asia. Over the next few years, growth is expected to be strongest in countries where driving forces include economic development, an increased focus on patient safety and a large population, such as China and India. The market for robot-assisted surgery is expected to grow faster than other parts of the market.

The overarching objectives for Surgical Science in 2021 are to:

- expand the value content for existing customers in Industry/OEM who license the company's technology
- achieving the growth target for Educational Products with a continued local presence, increased efficiency in sales processes, as well as distributor support and management
- being prepared to make further acquisitions when the time is right.

Uncertainty remains regarding the impact of the pandemic on Surgical Science's revenues. With most of the world's healthcare having been focused on handling Covid-19, a large proportion of educational and training activities have been placed on hold, which has impacted Educational Products. The implementation of previously planned healthcare measures has also been affected by the pandemic, which could, as a consequence, affect Surgical Sciences' license revenues in the Industry/OEM business area. As markets have opened up following a period of lock-down, Surgical Science has seen a pent-up need translating into sales. Depending on how the pandemic develops, it cannot be ruled out that new restrictions to reduce contagion will again hamper demand, causing sales discrepancies between quarters.

## THE COMPANY IN BRIEF

### Operations

Surgical Science was founded in 1999 and works with simulation technologies. The company's core is its proprietary software and hardware for simulating interactions between instruments and anatomy. Based on its proprietary technologies, Surgical Science develops and sells turnkey simulation systems used to train surgeons and other medical specialists. The operations are conducted within the framework of the Educational Products business area. Since 2017, Surgical Science has also been working with simulation solutions for medical device companies that develop surgical instruments for clinical applications (such as robot-assisted surgery) – this work is conducted in the Industry/OEM business area. In 2019, Surgical Science acquired the company SenseGraphics (founded in 2004), which has worked with medical simulation sales to medical device companies for many years. In early 2021, Mimic Technologies was acquired, a US-based company with operations in both Educational Products and Industry/OEM and that has worked in the area of robotic surgery for almost 20 years. In August 2021, the acquisition was completed of Symbionix, whose principal operations are located in Tel Aviv, Israel. Symbionix, which was founded in 1998, operates in simulations for the training of surgeons and other medical specialists in a wide range of areas. The business partly generates revenue through its own simulators in areas including general surgery, endovascular procedures, endoscopy, urology, orthopedics, ultrasound and robotic surgery, and partly through partnerships with medical technology companies in robotic surgery, for example. Symbionix has some 120 employees, of which about 100 are employed in Israel. About 20 people are employed in the US, mainly in sales.

### Vision

Surgical Science's vision is that all patients on their way to the operating room should feel reassured that their surgeon has been trained and objectively certified in a secure, simulated environment before commencing the procedure.

### Financial targets

The target applied by Surgical Science since the end of 2019 has been to achieve annual sales of SEK 400 million by the end of 2024. Achieving this target may entail supplementary acquisitions.

The Educational Products business area is expected to grow by an average 15 percent annually over the period. The Industry/OEM business area is expected to grow more unevenly depending on when new assignments are received and license payments commence. The target also presupposes that customers in the area release their products (mainly surgical robots but also other complicated medical device products) to the market and start generating sales.



EBITDA shall amount to at least 40 percent. During individual quarters, the margin may fluctuate, as a consequence of the sales mix, and costs, in order to enhance the organization's capacity to achieve the sales target.

In connection with the acquisition of Symbionix being announced on July 28, 2021, it was also announced that the financial targets would be revised and communicated when the process of integrating the company has begun and the review has been completed.

Surgical Sciences' new financial targets will be announced prior to the publication of the year-end report in February.

## Strategy

Surgical Science will continue to develop its proprietary educational products as the obvious choices for customers in a world where training and certification are mandatory. From the outset, Surgical Science has worked closely with leading university hospitals in developing the company's products. Surgical Science's simulators have also been validated in a number of published studies demonstrating that the knowledge acquired by the surgeon through training with the company's products also transfers to the actual operating room. Surgical Science advocates mandatory simulations in surgeon training and for future surgeons to be certified before performing their first operation on a human patient.

Besides developing proprietary products, a strategic priority is to work with simulation solutions for medical device companies that develop surgical instruments for clinical use. As a result of the more than 20 years of research and development behind the world's most advanced, computer-based simulations for the training of surgeons and other medical specialists in a wide range of areas, Surgical Science's software resources can be applied beyond the proprietary products.

One of the macro trends in healthcare driving this development is digitalization, which allows simulation software to be applied directly in medical device products without separate hardware. Another macro trend is increasing patient safety awareness, especially for new technologies, which is reflected in, among other things, regulatory authorities' demands for verified surgeon training solutions when approving clinical uses for new surgical robots, for example.

## OTHER INFORMATION

### Organization and personnel

At the end of the period, there were 211 (61) employees, of whom 49 (15) were women and 162 (46) men. Of these, 51 (47) were employed in Sweden, 101 in Israel (-), 49 (4) in the US and the remainder in China, Germany, France, Poland and the UK.

Following the acquisition of Symbionix, a new management team has been appointed, comprising:

Gisli Hennermark, CEO

Anna Ahlberg, CFO

Ran Bronstein, President Simulation

Anders Larsson, CTO

Inbal Mazor, VP Product Management and Marketing

Boaz Tal, COO

Doron Zilberman, VP International Sales Educational Products

Jan Östman, President North America

### Information on transactions with related parties

In addition to his Board fees, Board Member Thomas Eklund received consulting fees of SEK 248 thousand in the second quarter for his work on acquisition strategies during 2021.

No other transactions, materially impacting the company's earnings or financial position were conducted with related parties during the quarter or the period.

### Risk management

Surgical Science works continuously to identify, assess and manage risks in various systems and processes. Risk analyses of the regular operations are performed continuously and in connection with major events.

The most significant strategic and operational risks affecting Surgical Science's operations and sector are described on page 39 of the company's 2020 Annual Report. The principal risks and uncertainties include IP, market risks, competitors and technological development, industrial partnerships, employees, acquisitions and access to capital. To all intents and purposes, the risks reported by the company and outlined in the Annual Report, are judged to have remained unchanged.

### Seasonal effects

Surgical Science's sales within the Educational Products business area can fluctuate considerably between quarters, with a large portion of the sales for a particular year usually occurring the fourth quarter. This is due to most major hospitals using the calendar year as their budget year and holding off on purchases until they can see what funds remain in the budget towards the end of the year. With the acquisition of Symbionix, this effect diminishes as, historically, sales in Educational Products in that company have not experienced an equally strong fourth-quarter seasonal effect.

In the Industry/OEM business area too, the fourth quarter usually generates more sales than other quarters, with license revenues from customers increasing for the same reason as for Educational Products. This effect is less pronounced for Industry/OEM, however, as clinical products in the area of robotic surgery, for example, are less dependent on budget funds remaining towards the end of the year.

## Nomination Committee

The following people have been appointed as members of Surgical Sciences' Nomination Committee ahead of the 2022 Annual General Meeting:

Åsa Hedin, appointed by Marknadspotential AB  
Anna Sundberg, appointed by Handelsbanken Fonder  
Tommy Forsell, appointed by Landsnora AB  
Roland Bengtsson, Chairman of the Board

The appointment was made in accordance with the instructions regarding the principles for appointing the Company's Nomination Committee, adopted by the Annual General Meeting of Surgical Science on May 6, 2020. In total, the shareholders appointing the members of the Nomination Committee represented slightly more than 31 percent of all shares in the Company as of September 30, 2021.

The Nomination Committee shall prepare proposals on the following to be submitted to the Annual General Meeting for resolution: (i) a proposal regarding a chairman for the Meeting, (ii) a proposal regarding the composition of the Board of Directors, (iii) a proposal regarding the Chairman of the Board, (iv) a proposal regarding Board fees and how these are to be divided between the Chairman and the other members of the Board, (v) a proposal regarding fees for the members of the Remuneration and Audit Committees (if applicable), (vi) a proposal regarding an auditor, (vii) a proposal regarding the

remuneration of the auditor, and (viii) to the extent deemed necessary, proposals regarding changes to the rules applicable for the Nomination Committee.

The Annual General Meeting of Surgical Science Sweden AB (publ) will be held on Thursday, May 12, 2022 in Gothenburg, Sweden. Shareholders wishing to submit proposals to the Nomination Committee are welcome to do so in good time prior to the 2022 Annual General Meeting, affording the Nomination Committee sufficient time to consider the proposal. Proposals should be sent to Surgical Science Sweden AB (publ), Att.: Nomination Committee, Drakegatan 7A, SE-412 50 Gothenburg, Sweden.

## Events after the balance sheet date

There have been no significant events to report following the end of the period.

## Assurance

The Board of Directors and the CEO provide their assurance that this interim report provides a fair overview of the company's operations, position and earnings and describes any significant risks and uncertainties that the company might face.

Gothenburg, November 10, 2021

Board of Directors

---

**This report has not been subject to review by the company's auditors.**

---

## Financial reports

Interim reports and other financial reports are available at [www.surgicalscience.com](http://www.surgicalscience.com).

## The following reports are planned for release:

Year-end Report 2021: Wednesday, February 16, 2022  
Interim Report, January – March 2022: Wednesday, May 11, 2022  
Interim Report, January – June 2022: Thursday, August 25, 2022  
Interim Report, January – September 2022: Thursday, November 10, 2022  
Year-end Report 2022: Wednesday, February 22, 2023

## Other dates:

Annual General Meeting 2022: Thursday, May 12, 2022

---

## Marketplace and Certified Adviser

Shares in Surgical Science Sweden AB (publ) have been traded on Nasdaq First North Growth Market since June 19, 2017. The company's Certified Adviser is Erik Penser Bank (phone: +46 8-463 83 00, e-mail: [certifiedadviser@penser.se](mailto:certifiedadviser@penser.se)).

---

## Please address any questions to

Gisli Hennermark, CEO  
Phone: +46 70-420 83 00  
[gisli.hennermark@surgicalscience.com](mailto:gisli.hennermark@surgicalscience.com)

Anna Ahlberg, CFO  
Phone: +46 70-855 38 35  
[anna.ahlberg@surgicalscience.com](mailto:anna.ahlberg@surgicalscience.com)

---

*This is information that Surgical Science Sweden AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons above, on November 10, 2021 at 8:30 a.m. (CET).*

This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording prevails.

## CONSOLIDATED INCOME STATEMENTS

SEK thousands	January – September		July – September		Full-year 2020
	2021	2020	2021	2020	
Net sales	169,084	65,204	95,319	24,929	104,799
Cost of goods sold	-37,482	-9,365	-26,410	-3,418	-16,435
<b>Gross profit</b>	<b>131,602</b>	<b>55,839</b>	<b>68,909</b>	<b>21,511</b>	<b>88,364</b>
Sales costs	-39,229	-26,224	-16,272	-7,765	-36,658
Administration costs	-49,966	-9,663	-31,842	-2,864	-13,771
Research and development costs	-32,662	-12,110	-14,378	-2,899	-16,567
Other operating income and costs	2,299	-511	1,154	-682	-1,394
<b>Operating profit</b>	<b>12,044</b>	<b>7,331</b>	<b>7,571</b>	<b>7,300</b>	<b>19,974</b>
Financial income and costs	-6,668	-142	-4,699	-62	-315
<b>Profit after financial items</b>	<b>5,376</b>	<b>7,189</b>	<b>2,872</b>	<b>7,238</b>	<b>19,659</b>
Taxes	13,979	-2,143	11,496	-1,295	-4,053
<b>Net profit</b>	<b>19,355</b>	<b>5,046</b>	<b>14,368</b>	<b>5,943</b>	<b>15,606</b>
<b>Attributable to</b>					
Parent Company shareholders	19,355	5,046	14,368	5,943	15,606
Earnings per share, SEK	0.49	0.15	0.33	0.17	0.45
Earnings per share, SEK*	0.49	0.15	0.32	0.17	0.45
Amortization of intangible assets	-12,503	-9,150	-4,765	-2,911	-12,086
Depreciation of tangible assets	-5,748	-3,664	-2,364	-1,252	-4,890

\* After dilution. See Note 4 for information regarding warrant programs.

## CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

SEK thousands	January – September		July – September		Full-year 2020
	2021	2020	2021	2020	
<b>Net profit</b>	<b>19,355</b>	<b>5,046</b>	<b>14,368</b>	<b>5,943</b>	<b>15,606</b>
<b>Other comprehensive income</b>					
<i>Items that have been or can be reclassified to net profit</i>					
Translation differences on translation of foreign operations	-132	274	293	179	425
<b>Total other comprehensive income</b>	<b>-132</b>	<b>274</b>	<b>293</b>	<b>179</b>	<b>425</b>
<b>Comprehensive income</b>	<b>19,223</b>	<b>5,320</b>	<b>14,661</b>	<b>6,122</b>	<b>16,031</b>
<b>Comprehensive income attributable to</b>					
Parent Company shareholders	19,223	5,320	14,661	6,122	16,031

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Sep 30, 2021	Sep 30, 2020	Dec 31, 2020
<b>ASSETS</b>			
<b>Fixed assets</b>			
Capitalized expenditure for product development	27,456	25,524	24,787
Patents, trademarks, concessions	2,688	1,097	870
Customer contracts	66,774	38,343	37,247
Goodwill	3,084,235	260,492	260,492
Tangible fixed assets	37,872	6,560	8,548
Deferred tax assets	31,991	8,730	6,724
Other financial fixed assets	4,280	211	211
<b>Total fixed assets</b>	<b>3,255,296</b>	<b>340,957</b>	<b>338,879</b>
<b>Current assets</b>			
Inventories	120,629	15,904	12,459
Accounts receivable	78,482	9,913	18,590
Other current receivables	13,080	6,195	4,535
Prepaid expenses and accrued income	21,916	10,880	10,653
Cash and cash equivalents	310,599	74,652	87,157
<b>Total current assets</b>	<b>544,706</b>	<b>117,544</b>	<b>133,394</b>
<b>TOTAL ASSETS</b>	<b>3,800,002</b>	<b>458,504</b>	<b>472,273</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity, attributable to Parent Company shareholders	3,400,457	416,338	427,049
Long-term liabilities	176,919	11,198	13,946
Current liabilities	222,626	30,965	31,278
<b>Total liabilities</b>	<b>399,545</b>	<b>42,162</b>	<b>45,224</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>3,800,002</b>	<b>458,501</b>	<b>472,273</b>

## CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

SEK thousands	Attributable to Parent Company shareholders				Total shareholders' equity
	Share capital	Other capital contributions	Provisions	Profit and loss carried forward, incl. profit for the period	
<b>Opening balance, January 1, 2020</b>	<b>1,681</b>	<b>416,317</b>	<b>-285</b>	<b>-16,037</b>	<b>401,676</b>
Profit for the period, Jan - Sep				5,046	5,046
Other comprehensive income for the period			274		274
Redemption of options	44	7,813			7,857
Warrant premiums received		1,485			1,485
<b>Closing balance, June 30, 2020</b>	<b>1,725</b>	<b>425,615</b>	<b>-11</b>	<b>-10,991</b>	<b>416,338</b>
Profit for the period, Oct - Dec				10,560	10,560
Other comprehensive income for the period			151		330
<b>Closing balance, December 31, 2020</b>	<b>1,725</b>	<b>425,615</b>	<b>140</b>	<b>-431</b>	<b>427,049</b>
<b>Opening balance, January 1, 2021</b>	<b>1,725</b>	<b>425,615</b>	<b>140</b>	<b>-431</b>	<b>427,049</b>
Profit for the period, Jan - Sep				19,355	19,355
Other comprehensive income for the period			-132		-132
Cash issues	807	3,021,555			3,022,362
Private placement	8	16,683			16,691
Issue costs		-84,868			-84,868
<b>Closing balance, September 30, 2021</b>	<b>2,540</b>	<b>3,378,985</b>	<b>8</b>	<b>18,924</b>	<b>3,400,457</b>



# CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

SEK thousands	January – September		July – September		Full-year
	2021	2020	2021	2020	2020
<b>Operating activities</b>					
Profit before financial items	12,044	7,331	7,571	7,300	19,974
Adjustment for non-cash items, etc.	18,235	13,131	7,691	4,395	18,270
Interest paid/received	-4	-108	-1	-26	-108
Tax paid	-1,290	-9,070	-	-9,070	-9,070
<b>Cash flow from operating activities before changes in working capital</b>	<b>28,985</b>	<b>11,284</b>	<b>15,261</b>	<b>2,599</b>	<b>29,066</b>
<b>Changes in working capital</b>					
Increase (-)/Decrease (+) in inventories	-1,063	-8,716	-1,247	-980	-5,271
Increase (-)/Decrease (+) in operating receivables	-20,816	9,424	-20,370	7,890	1,861
Increase (+)/Decrease (-) in operating liabilities	45,013	-5,421	57,968	-299	-2,431
<b>Cash flow from changes in working capital</b>	<b>23,134</b>	<b>-4,713</b>	<b>36,351</b>	<b>6,611</b>	<b>-5,841</b>
<b>Cash flow from operating activities</b>	<b>52,119</b>	<b>6,571</b>	<b>51,612</b>	<b>9,210</b>	<b>23,225</b>
<b>Investing activities</b>					
Investments in tangible fixed assets	-969	-165	-547	-84	-399
Investments in intangible fixed assets	-8,057	-7,419	-2,525	-1,876	-8,295
Investment in business	-2,745,334	-	-2,631,617	-	-
<b>Cash flow from investing activities</b>	<b>-2,754,360</b>	<b>-7,584</b>	<b>-2,634,689</b>	<b>-1,960</b>	<b>-8,694</b>
<b>Financing activities</b>					
Changes in long-term debts	-24,717	-	-220	-	-1,321
Amortization of lease liabilities	-4,205	-2,851	-1,440	-987	-3,816
New share issues	3,039,053	-	2,699,970	-	-
Cost of new share issues	-84,868	-	-71,899	-	-
Redemption of options	-	-	-	-	7,857
Warrant premiums received	-	9,342	-	-	1,485
<b>Cash flow from financing activities</b>	<b>2,925,263</b>	<b>6,491</b>	<b>2,626,411</b>	<b>-987</b>	<b>4,205</b>
<b>Cash flow for the period</b>	<b>223,022</b>	<b>5,478</b>	<b>43,334</b>	<b>6,263</b>	<b>18,736</b>
Opening cash and cash equivalents	87,157	69,217	267,341	68,441	69,217
Exchange-rate difference in cash and cash equivalents	420	-43	-76	-52	-796
<b>Closing cash and cash equivalents</b>	<b>310,599</b>	<b>74,652</b>	<b>310,599</b>	<b>74,652</b>	<b>87,157</b>

## KEY FIGURES, GROUP

	January – September		July – September		Full-year 2020
	2021	2020	2021	2020	
Net sales growth, %	159.3	4.7	282.4	-22.8	3.2
Gross margin, %	77.8	85.6	72.3	86.3	84.3
EBITDA margin, %	17.9	30.9	15.4	46.0	35.3
Operating margin, %	7.1	11.2	7.9	29.3	19.1
Profit margin, %	11.4	7.7	15.1	23.8	14.9
Equity/assets ratio, %	89.5	90.8	89.5	90.8	90.4
Shares outstanding at end of period	50,801,236	34,494,760	50,801,236	34,494,760	34,494,760
Shares outstanding at end of period*	50,994,903	34,494,760	50,994,903	34,494,760	34,521,049
Average shares outstanding	39,717,251	34,243,953	44,093,249	34,494,760	34,370,387
Average shares outstanding*	39,852,773	34,243,953	44,288,101	34,494,760	34,370,387
Shareholders' equity per share, SEK	66.94	12.07	66.94	12.07	12.38
Shareholders' equity per share, SEK*	66.68	12.07	66.68	12.07	12.37
Dividend per share, SEK	0.00	0.00	0.00	0.00	0.00
Share price on the balance sheet date, SEK*	240.50	80.50	240.50	80.50	93.50
Average number of employees	93	57	124	58	57

\* After dilution. See Note 4 for information regarding warrant programs. | See page 19 for definitions of key figures.

## CONSOLIDATED INCOME STATEMENTS BY QUARTER

SEK thousands	Jul – Sep 2021	Apr – Jun 2021	Jan – Mar 2021	Oct – Dec 2020	Jul – Sep 2020	Apr – Jun 2020	Jan – Mar 2020	Oct – Dec 2019
Net sales	95,319	36,562	37,203	39,595	24,929	20,621	19,654	39,254
Cost of goods sold	-26,410	-5,032	-6,040	-7,070	-3,418	-2,755	-3,192	-6,302
<b>Gross profit</b>	<b>68,909</b>	<b>31,530</b>	<b>31,163</b>	<b>32,525</b>	<b>21,511</b>	<b>17,866</b>	<b>16,462</b>	<b>32,952</b>
Sales costs	-16,272	-12,362	-10,595	-10,434	-7,765	-8,565	-9,894	-11,694
Administration costs	-31,842	-7,230	-10,894	-4,108	-2,864	-3,839	-2,960	-3,026
Research and development costs	-14,378	-9,470	-8,814	-4,457	-2,899	-3,888	-5,323	-5,607
Other operating income and costs	1,154	-238	1,383	-883	-682	-737	908	-205
<b>Operating profit/loss</b>	<b>7,571</b>	<b>2,230</b>	<b>2,243</b>	<b>12,643</b>	<b>7,300</b>	<b>838</b>	<b>-807</b>	<b>12,420</b>
Financial income and costs	-4,699	2,268	-4,237	-173	-62	-621	541	-362
<b>Profit/loss after financial items</b>	<b>2,872</b>	<b>4,498</b>	<b>-1,994</b>	<b>12,470</b>	<b>7,238</b>	<b>217</b>	<b>-266</b>	<b>12,058</b>
Taxes	11,496	-1,035	3,518	-1,910	-1,295	-430	-418	-2,817
<b>Net profit/loss</b>	<b>14,368</b>	<b>3,463</b>	<b>1,524</b>	<b>10,560</b>	<b>5,943</b>	<b>-213</b>	<b>-684</b>	<b>9,241</b>
<b>Attributable to</b>								
Parent Company shareholders	14,368	3,463	1,524	10,560	5,943	-213	-684	9,241
Earnings per share, SEK	0.33	0.09	0.04	0.31	0.17	-0.01	-0.02	0.27
Earnings per share, SEK*	0.32	0.09	0.04	0.31	0.17	-0.01	-0.02	0.27
Average shares outstanding	44,093,249	37,944,236	37,120,492	34,494,760	34,494,760	34,494,760	33,995,905	33,621,760
Average shares outstanding*	44,288,101	38,058,730	37,200,475	34,507,403	34,494,760	34,494,760	33,995,905	34,500,770
Shares outstanding at end of period	50,801,236	37,944,236	37,944,236	34,494,760	34,494,760	34,494,760	34,494,760	33,621,760
Shares outstanding at end of period*	50,994,903	38,090,143	38,022,523	34,521,049	34,494,760	34,494,760	34,494,760	34,515,695

\* After dilution. See Note 4 for information regarding warrant programs. | 5:1 share split implemented in May 2020. Share data comparison figures have been recalculated.

## PARENT COMPANY INCOME STATEMENTS

SEK thousands	January – September		July – September		Full-year 2020
	2021	2020	2021	2020	
Net sales	47,624	25,646	21,093	10,913	49,449
Cost of goods sold	-10,332	-6,586	-4,478	-2,423	-12,694
<b>Gross profit</b>	<b>37,292</b>	<b>19,060</b>	<b>16,615</b>	<b>8,490</b>	<b>36,755</b>
Sales costs	-13,116	-11,312	-4,376	-3,516	-17,537
Administration costs	-11,565	-7,578	-4,793	-2,176	-11,058
Research and development costs	-11,298	-9,249	-2,696	-2,314	-12,944
Other operating income and costs	1,263	147	574	-234	-484
<b>Operating profit/loss</b>	<b>2,575</b>	<b>-8,932</b>	<b>5,324</b>	<b>250</b>	<b>-5,268</b>
Impairment of shares in subsidiaries	-	-14,599	-	-14,599	-14,700
Financial income and costs	-5,077	-9	-3,230	-8	-493
<b>Profit/loss after financial items</b>	<b>-2,502</b>	<b>-23,540</b>	<b>2,094</b>	<b>-14,357</b>	<b>-20,461</b>
Appropriations (Group contributions)	-	-	-	-	5,921
Taxes	13,402	1,836	9,795	-77	-103
<b>Net profit/loss</b>	<b>10,900</b>	<b>-21,704</b>	<b>11,889</b>	<b>-14,434</b>	<b>-14,643</b>
Amortization of intangible assets	-5,525	-5,744	-1,842	-1,775	-7,545
Depreciation of tangible assets	-711	-711	-236	-239	-948

Because the Parent Company has no items to report under Other comprehensive income, no statement of comprehensive income has been prepared.

## CONDENSED PARENT COMPANY BALANCE SHEETS

SEK thousands	Sep 30, 2021	Sep 30, 2020	Dec 31, 2020
<b>ASSETS</b>			
<b>Fixed assets</b>			
Capitalized expenditure for product development	22,026	20,477	21,106
Patents, trademarks, concessions	273	1,097	870
Tangible fixed assets	1,796	2,310	2,174
Participations in Group companies	3,280,852	338,551	338,449
Deferred tax assets	20,062	8,599	6,660
<b>Total fixed assets</b>	<b>3,325,009</b>	<b>371,034</b>	<b>369,259</b>
<b>Current assets</b>			
Inventories	11,782	15,409	11,988
Accounts receivable	9,056	4,824	13,251
Current receivables from Group companies	54,282	9,687	14,086
Other current receivables	2,097	2,084	831
Prepaid expenses and accrued income	5,425	1,504	1,387
Cash and bank balances	134,348	13,543	14,849
<b>Total current assets</b>	<b>216,990</b>	<b>47,050</b>	<b>56,392</b>
<b>TOTAL ASSETS</b>	<b>3,541,999</b>	<b>418,084</b>	<b>425,651</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	<b>3,373,307</b>	<b>401,161</b>	<b>408,222</b>
Long-term provisions	116,807	-	-
Other long-term liabilities	1,965	2,265	1,965
Current provisions	20,615	-	-
Other current liabilities	29,305	14,658	15,464
<b>Total liabilities</b>	<b>168,692</b>	<b>16,923</b>	<b>17,429</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>3,541,999</b>	<b>418,084</b>	<b>425,651</b>

## NOTE 1 ACCOUNTING PRINCIPLES

As regards the Group, this interim report has been prepared in accordance with the Annual Accounts Act and IAS 34 Interim Financial Reporting and, as regards the Parent Company, in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Unless stated otherwise below, the accounting principles applied for the Group and the Parent Company are the same as those applied in preparing the most recent annual report.

Disclosures in accordance with IAS 34.16A appear not only in the financial statements and the accompanying notes, but also in other parts of the interim report.

## NOTE 2 GROUP OPERATING SEGMENTS

SEK thousands	January – September		July – September		Full-year 2020
	2021	2020	2021	2020	
Educational Products	84,886	28,922	57,352	13,370	47,668
Industry/OEM	84,198	36,282	37,967	11,559	57,131
<b>Net sales</b>	<b>169,084</b>	<b>65,204</b>	<b>95,319</b>	<b>24,929</b>	<b>104,799</b>

SEK thousands	January – September		July – September		Full-year 2020
	2021	2020	2021	2020	
Nordic Region	5,572	2,177	3,971	413	4,888
Rest of Europe	32,205	14,352	20,025	4,295	27,662
North and South America	99,985	40,267	49,987	14,946	58,813
Asia	28,819	5,904	19,442	5,275	7,829
Other	2,503	2,504	1,894	-	5,607
<b>Net sales</b>	<b>169,084</b>	<b>65,204</b>	<b>95,319</b>	<b>24,929</b>	<b>104,799</b>

## NOTE 3 FINANCIAL INSTRUMENTS

SEK thousands	Sep 30,	Sep 30,	Dec 31,
	2021	2020	2020
Financial assets	401,871	93,901	114,972
Financial liabilities	357,312	12,225	15,336

The Group's financial assets and liabilities are valued at amortized cost, with the exception of the deferred contingent consideration recognized as a liability and measured at fair value. The carrying amount is considered to be a reasonable approximation of the fair value of the Group's assets and liabilities in the balance sheet.

## NOTE 4 WARRANT PROGRAM

Surgical Science's Annual General Meeting on May 6, 2020 resolved to establish a new incentive program for company employees. The incentive program allowed company employees to acquire warrants for a premium of SEK 6.60 each. Each warrant entitles the holder to subscribe for one share in the company for SEK 85.10 during the period May 15 – July 15, 2023. Within the warrants program, 225,000 warrants were subscribed.

The incentive program includes 300,000 warrants at most. During the period January – September 2021, both the average share price for the period and the closing price as of the balance sheet date exceeded the exercise price for the warrants program. The dilution effect for the rolling 12-month period has been calculated at 135,522 shares, for the quarter July-September 2021 at 194,852 shares and for the balance sheet date at 193,667 shares. Fully ex-

ercised, the incentive program will increase Surgical Science's share capital by SEK 15,000 and the number of shares by 300,000, corresponding to the dilution of the total number of shares and votes by about 0.6 percent.

## NOTE 5 ACQUISITION OF BUSINESS – MIMIC

On January 20, 2021, a conditional agreement was entered into to acquire all of the shares in Mimic Technologies Inc. ("Mimic") for an initial purchase consideration of USD 18 million (approximately SEK 150 million) on a cash and debt-free basis. In addition, a maximum USD 15.6 million (approximately SEK 130 million) may be paid as a deferred contingent consideration linked to predetermined sales levels in 2021, 2022 and 2023. Accordingly, the total purchase consideration that may be payable if all of the conditions are met, amounts to a maximum of USD 33.6 million (approximately SEK 281 million). The acquisition provides Surgical Science with an additional customer base in robotic surgery, contributes data collection/analysis technology and significantly strengthens the presence in the important US market. Mimic has offices in Seattle, Washington in the US and had 24 employees at the end of September.

In 2019, Mimic generated sales of USD 6.0 million with a marginally positive operating profit and net profit. In 2020, sales fell sharply, mainly due to Covid-19, which affected Mimic's hardware sales, but also due to the lack of license sales to the former largest customer, Intuitive. At the same time, new customers, such as Medtronic and Medtronic, had yet to commence sales of their robots. Sales for 2020 amounted to USD 2.0 million, with a net loss of approximately USD 3.4 million.

To finance the acquisition, a private placement was conducted, in which a number of new and existing Swedish and international institutional investors subscribed for shares. The new share issue amounted to approximately SEK 322 million before transaction-related costs. The net proceeds from the private placement will be used to finance the purchase consideration in connection with the acquisition of Mimic and for strategic corporate purposes.

The subscription price for the new share issue was SEK 98.30 per share, corresponding to a premium of approximately 1 percent at the closing price of SEK 97.40 per share that day, which was determined through an accelerated book building procedure.

In accordance with, and as an integral part of the acquisition, Mimic's largest shareholder, Jeff Berkley, received shares in Surgical Science corresponding to SEK 16.7 million of the initial purchase consideration. Because the acquisition was structured as a merger, technicalities required this to be achieved through a cash reinvestment in which Jeff Berkley acquired shares in Surgical Science. For this purpose, 169,800 shares were issued. The subscription price was SEK 98.30 per share.

The Annual General Meeting of Surgical Science on May 6, 2020 authorized the Board of Directors, for the period until the end of the next Annual General Meeting, to approve, on one or more occasions, new share issues of shares corresponding to at most 10 percent of the company's share capital, with or without deviating from the preferential rights of existing shareholders. This authorization was exercised to implement the aforementioned new share issues.

For further information, please refer to the company's press releases of January 20 and January 27, 2021.

The transfer of ownership took place on January 27, 2021, once all of the terms of transfer had been met. In addition to Mimic Technologies, Inc., a dormant company, Mimic Medical Education and Development LLC, was included in the acquisition. The companies are consolidated into Surgical Science's



accounts as of the closing date. The acquisition has had the following effect on the Group's assets and liabilities. Final settlement in accordance with the purchase agreement took place on April 21, 2021 when USD 205 thousand was repaid to Surgical Science.

#### Carrying amount of identifiable assets and liabilities

SEK thousands	Recognized value in Mimic as of January 26, 2021	Fair value adjustment	Fair value recognized in the Group
Intangible assets	1,134	35,188	36,322
Tangible fixed assets	206		206
Long-term receivables	141		141
Deferred tax assets	9,671		9,671
Inventories	8,711	-2,508	6,202
Current receivables	5,249		5,249
Prepaid expenses and accrued income	1,547		1,547
Cash and cash equivalents	2,276		2,276
Interest-bearing liabilities	-24,340		-24,340
Non-interest-bearing liabilities	-1,197		-1,197
Deferred tax liability		-7,249	-7,249
Accounts payable	-11,296		-11,296
Other current liabilities	-4,504		-4,504
Prepaid income and accrued costs	-2,450	-2,994	-5,445
<b>Net identifiable assets and liabilities</b>	<b>-14,852</b>	<b>22,437</b>	<b>7,584</b>
Group goodwill			106,133
<b>Purchase consideration paid</b>			<b>113,717</b>
Contingent consideration, Group goodwill			130,655
<b>Total Group goodwill</b>			<b>236,788</b>

The total transferred consideration of USD 13.6 million (SEK 113.7 million) was paid in cash. The surplus value attributable to the acquisition amounted to SEK 272.0 million. The portion of the surplus value classified as intangible assets amounted to SEK 35.2 million with an amortization period of ten years and was attributable to customer contracts. The remainder of the surplus value is attributable to goodwill, mainly reflecting synergy effects in the form of increased potential sales value per customer and increased sales potential for new customers.

The fair value of the acquired receivables is estimated to correspond to the carrying amount. It is expected that the total amount will be received.

Acquisition-related costs of SEK 6.3 million, not directly attributable to the share issue, are included in the income statement under the Group's administration costs and in the cash flow statement under operating activities. In the Parent Company, these costs have been booked against shares in subsidiaries. Costs attributable to the cash issue of SEK 13.0 million have been recognized in Shareholders' equity.

Over the slightly more than eight months between the acquisition date and September 30, 2021, the acquired subsidiaries contributed SEK 23.2 million to the Group's revenues and a negative SEK 4.0 million to the Group's profit after tax. Had the acquisition occurred on January 1, 2021, management estimates that the contribution to the Group's revenues for the period January – September 2021 would have been SEK 25.0 million and the contribution to the Group's profit after tax for the same period would have been a negative SEK 5.6 million.

## NOTE 6 ACQUISITION OF BUSINESS – SIMBIONIX

On July 28, 2021, a conditional agreement was entered into to acquire all of the shares in Symbionix USA Corp. for a purchase consideration of USD 305 million (approximately SEK 2,670 million) on a cash and debt-free basis. The acquisition further strengthens Surgical Science's position in simulation for robotic surgery and broadens the operations with new application areas. Following the acquisition, the Group has approximately 210 employees.

Symbionix generated sales of USD 45.6 million in 2019, with an operating profit of USD 8.1 million. In 2020, sales were affected by Covid-19, primarily with regard to sales of proprietary simulators. Sales for 2020 amounted to USD 40.8 million, with an operating profit of USD 5.8 million.

To finance the acquisition, a private placement was conducted, with several new and existing Swedish and international institutional investors, including: DNCA Investments, Fjärde AP-fonden, Handelsbanken Fonder, Joh. Berenberg, Gossler & Co. KG, Montanaro Asset Management and TIN Fonder, subscribing for shares. The new share issue amounted to approximately SEK 2.7 billion before transaction-related costs. The subscription price was SEK 210.00 per share.

On August 16, 2021, an Extraordinary General Meeting was held, at which the directed share issue was approved.

For further information, please refer to the company's press releases of July 28 and 29, and of August 16, 2021.

The transfer of ownership of the shares in Symbionix USA Corp. and its subsidiary Symbionix Ltd took place on August 24, 2021 once all of the terms of the transfer had been met. The companies are consolidated into Surgical Science's accounts as of the closing date. The acquisition has had the following effect on the Group's assets and liabilities. Final settlement in accordance with the purchase agreement will take place during the fourth quarter of 2021.

#### Carrying amount of identifiable assets and liabilities

SEK thousands	Recognized value in Symbionix as of August 23, 2021	Fair value adjustment	Fair value recognized in the Group
Intangible assets	2,092		2,092
Tangible fixed assets	10,284		10,284
Deferred tax assets	1,838		1,838
Deposits	3,667		3,667
Inventories	100,905		100,905
Accounts receivable	32,506		32,506
Other current receivables	3,527		3,527
Prepaid expenses and accrued income	12,568		12,568
Cash and cash equivalents	38,361		38,361
Non-interest-bearing liabilities	-7,623		-7,623
Deferred tax liability	-61		-61
Accounts payable	-23,579		-23,579
Other current liabilities	-26,861		-26,861
Prepaid income and accrued costs	-64,600		-64,600
<b>Net identifiable assets and liabilities</b>	<b>83,024</b>		<b>83,024</b>
Group goodwill			2,586,955
<b>Purchase consideration paid</b>			<b>2,669,979</b>

The total transferred consideration of USD 305.1 million (SEK 2,670.0

million) was paid in cash. The surplus value attributable to the acquisition amounted to SEK 2,587.0 million. The analysis to determine the proportion of the surplus value to be classified as other intangible assets is ongoing. The portion of the surplus value attributable to goodwill, primarily comprises synergy effects in the form of increased potential sales value per customer and increased sales potential for new customers.

The fair value of the acquired receivables is estimated to correspond to the carrying amount. It is expected that the total amount will be received.

Acquisition-related costs of SEK 21.8 million, not directly attributable to the share issue, are included in the income statement under the Group's administration costs and in the cash flow statement under operating activities. In the Parent Company, these costs have been booked against shares in subsidiaries. Costs attributable to the cash issue of SEK 71.9 million have been recognized in Shareholders' equity.

Over the slightly more than one month between the acquisition date and September 30, 2021, the acquired subsidiaries contributed SEK 50.3 million to the Group's revenues and SEK 15.2 million to the Group's profit after tax. Had the acquisition occurred on January 1, 2021, management estimates that the contribution to the Group's revenues for the period January – September 2021 would have been SEK 276.2 million and the contribution to the Group's profit after tax for the same period would have been SEK 38.6 million.

## NOTE 7 GOODWILL

### Reconciliation of goodwill in the Group

SEK thousands	Jan 1 – Sep 30, 2021	Jan 1 – Dec 31, 2020
Opening cost	260,492	260,492
Acquisitions for the year attributable to investment in business*	2,823,743	-
Closing accumulated cost	3,084,235	260,492
Closing carrying amount	3,084,235	260,492

\* The allocation of the surplus value in the Simbionix acquisition to other intangible assets is ongoing.

---

## DEFINITIONS OF KEY FIGURES

Surgical Science believes that the key figures reported facilitate an understanding of the company's financial trends.

### **Net sales growth**

Percentage change in net sales between two periods. This key figure conveys a view of the sales trend between periods.

### **Gross margin**

Gross profit for the period divided by net sales for the period. Over time, this key figure conveys a deeper understanding of the company's profitability.

### **EBITDA**

Operating profit for the period less depreciation, amortization, and impairment of tangible and intangible assets, divided by net sales for the period. Over time, this key figure conveys a deeper understanding of the company's profitability.

### **Operating margin**

Operating profit for the period divided by net sales for the period. Over time, this key figure conveys a deeper understanding of the company's profitability.

### **Profit margin**

Profit for the period divided by net sales for the period. Over time, this key figure conveys a deeper understanding of the company's profitability.

### **Equity/assets ratio**

Shareholders' equity as a percentage of total assets. This key figure conveys a view of the extent to which the total assets have been financed by shareholders.

### **Shareholders' equity per share**

Shareholders' equity in relation to the number of shares outstanding on the balance sheet date.

### **Earnings per share**

Profit for the period in relation to the average number of shares outstanding for the period.

### **Average number of shares**

The weighted average number of shares outstanding during the period.

### **Average number of shares after dilution**

The weighted average number of shares outstanding during the period, adjusted for any dilution effect from warrants.

## ADDRESSES

### Head office

Surgical Science Sweden AB (publ)  
Drakegatan 7A  
SE-412 50 Gothenburg  
Sweden  
Phone: +46 31 741 65 60  
e-mail: [info@surgicalscience.com](mailto:info@surgicalscience.com)

SenseGraphics AB  
Borgarfjordsgatan 6B  
SE-164 55 Kista  
Sweden  
Phone: +46 31 741 65 60

Mimic Technologies, Inc.  
811 First Ave, Suite 408  
Seattle, WA 98104  
USA  
Phone: +1 800 918 1670

Simbionix Ltd.  
3 Golan Street  
Airport City, 7019900  
Israel  
Phone: +972-3-911 44 44

### Sales Office USA

Surgical Science, Inc.  
7831 E Bush Lake RD, Suite 100  
Minneapolis, MN 55439  
USA  
Phone: +1 952 457 8704

Simbionix, Corp.  
811 First Ave, Suite 408  
Seattle, WA 98104  
USA  
Phone: +1 800 918 1670

### Sales Office China

Surgical Science  
906, Excellence Century Center Tower 3  
2030 Jintian Road, Futian District, Shenzhen  
China 518026  
Tel: +86 755 23985994

[www.surgicalscience.com](http://www.surgicalscience.com)

**surgicalscience**

VIRTUAL TRAINING, REAL SKILLS