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# INTERIM REPORT

## JANUARY–MARCH 2023

### SURGICAL SCIENCE SWEDEN AB (PUBL)



One of the biggest challenges within healthcare globally is reducing injuries incurred during care. Medical education and training are key, especially as a large part of the training can now be performed outside the operating room. Surgical Science is a world leader in the development of virtual reality simulators for evidence-based training. The simulators enable surgeons and other medical specialists to train and improve their psycho-motor skills and instrument handling before entering the clinical environment. Alongside its own products, Surgical Science works with simulation solutions for medical device companies that develop 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 and Cleveland in the US. Through sales offices in the US and China, as well as a global network of distributors, a presence is maintained in most markets. Shares in Surgical Science Sweden AB (publ) are traded on Nasdaq First North Growth Market.

# 2023 STARTED VERY STRONGLY

## FIRST QUARTER 2023 (JAN-MAR)

- Net sales amounted to SEK 229.1 million (159.1), corresponding to an increase of 44 percent compared with the corresponding period in the preceding year.
- License revenues roughly doubled to SEK 70.6 million (35.7) and accounted for 31 percent of net sales (22).
- Operating profit amounted to SEK 53.3 million (20.0).
- Net profit amounted to SEK 49.8 million (16.5), corresponding to earnings per share of SEK 0.98 (0.32).
- Cash flow from operating activities amounted to SEK 60.5 million (11.1). As of March 31, 2023, cash and cash equivalents amounted to SEK 482.1 million (329.9).

### Key figures

	January–March		Full year
	2023	2022	2022
Net sales, SEK million	229.1	159.1	802.5
Operating profit (EBIT), SEK million	53.3	20.0	162.5
Adjusted EBIT, SEK million	59.3	25.5	186.0
Adjusted EBIT margin, %	25.9	16.0	23.2
Profit after financial items, SEK million	55.0	17.9	208.2
Net profit, SEK million	49.8	16.5	188.0
No. employees at end of period	252	224	243
Equity/assets ratio, %	91.1	89.9	91.1
Earnings per share, SEK	0.98	0.32	3.70
Equity per share, SEK	83.70	72.32	83.39
Share price on the balance sheet date, SEK	169.2	204.50	164.70
Market value on balance sheet date, SEK million	8,595.6	10,388.9	8,367.0

For definitions, see page 17.

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## A MESSAGE FROM THE CEO

**Surgical Science had a very strong start to 2023. Sales grew by more than 40 percent, which means SEK 70 million more in sales compared to the same period last year. From total sales of SEK 229 million, we are generating an operating profit of more than SEK 50 million, which is roughly 2.5 times more than the first quarter of 2022. Licensing revenue from our robotic surgery customers doubled compared to the first quarter of 2022. Other key figures also point in the right direction, including continued strong cash flow. Although the macro economy is giving rise to concerns about worse times ahead, we have so far not seen that it has affected our business to any great extent.**

Educational Products had a fantastic quarter with sales of SEK 143 million. The first quarter of the year is often characterized by a soft start, where customers who have just had their budgets approved wait until later in the year to make purchases. This year, however, the tailwind from 2022 has remained strong. The fact that the business area is growing by almost 50 percent compared to a year ago is an almost unbelievable result. Part of this growth is attributable to changes in the order backlog. Although we had a good order backlog at the end of the quarter, it was approximately SEK 17 million lower than at the beginning of the quarter. Adjusted for this effect, sales are still well over 30 percent higher than a year ago, which is an achievement. It shows that the strategy of fully integrated acquisitions is working.

Geographically, Asia was a strong contributor in Educational Products with good sales primarily to markets that recovered late from the pandemic, such as China, India and Japan. Product-wise, endoscopy had a strong quarter with our new flagship simulator ENDO Mentor Suite selling well. The gross margin was somewhat negatively affected by trade-in campaigns, which is common with new product launches. In February, we gathered around a hundred people in Stockholm for our annual meeting for sales partners. It was great to experience first-hand the strength of our distributor network and the community we have established among the participants who attended the meeting from more than 40



**We are generating an operating profit of more than SEK 50 million, which is roughly 2.5 times more than the first quarter of 2022.**

countries. This is an important asset for Surgical Science and enables rapid market penetration for newly developed, or acquired, products.

Within Industry/OEM, licensing revenue stands out as the key statement of strength in the report for the first quarter of the year. Robotic surgery is growing strongly in line with hospital demand and the introduction of new surgical robots from several medical device companies. License sales returned a record SEK 70 million for the quarter, which is twice as high as the same period a year ago. Initially, revenue from the license sales may be somewhat uneven between quarters, especially as customers who have just launched their robots tend to buy licenses in packages. However, what we know from our close partnerships with robotic surgery companies makes us feel confident in the trend that will deliver expected results for Surgical Science. Development revenue was at a low level in the first quarter, but that is not something that concerns us. We're continuing to see strong demand for simulation software adaptations, so it's more a question of prioritizing and timing efforts in respect of our most important customers. Simulators within Industry/OEM also had slightly lower sales in the quarter and we're facing some temporary challenges with regard to components.

We're continuing to increase the transparency of our financial reporting and are now starting, in connection with the first report of the year, to report revenue for service/support separately, and to divide revenue more clearly between our two business areas. Our operations within service/support are the backbone of the company. The most important goal for this part of the organization is to ensure that our customers get the maximum effect from our technology. With proactive support, which not only ensures that the products are always up-to-date and functional, but also supports users in how to best incorporate simulation training into their training programs, we ensure that our customers are satisfied and stay with us. In business terms, the majority of our sales revenue comes from service/support agreements, and to a lesser extent from billing of ongoing time and material. Most of the revenue relates to the US, where we conduct all sales in-house.

Gross margin, adjusted EBIT margin and cash flow are three important key figures that we monitor closely. The gross margin has been strengthened during the first quarter of 2023 to just over 69 percent, as a result of an increased share of license revenue within Industry/OEM. The adjusted EBIT margin was 26%, which is very good for the first quarter. Selling costs were somewhat higher than previously as a result of major activities such as the annual distributor meeting, several trade shows and an expanded sales organization, especially within Industry/OEM. In the US alone, we had our own booth at 12 trade shows during the first quarter, which is a new record. We're continuing to equip the company for growth and ensuring that shared functions can support increased sales and also be ready to incorporate any future

acquisitions. In summary, things are going according to plan and we have good control over our costs. Cash flow was good during the period. Accounts receivable are continuing to decrease in relation to sales, and our cash and cash equivalents were strengthened by SEK 48 million to a cash balance of SEK 482 million at the end of the period.

Like everyone else, we are concerned about the state of the global economy. A troublesome rate of inflation with rising costs, a prolonged war in Europe, and cost savings by our customers are putting pressure on budgets. However, the value of simulation in the health sector weighs more heavily. Hospitals are struggling with the supply of qualified staff, and the experience from the pandemic has made simulation an obvious element in ensuring both patient safety and improved efficiency at hospitals. Medical device companies are increasing the use of simulation in step with digitalization, while robotic surgery is growing strongly despite a grim economic climate. If there is a deep and prolonged economic downturn, Surgical Science will undoubtedly be affected as well. So far, however, we're seeing that the strength of our company and simulation is prevailing. We're continuing to grow with good profitability and we're building the company the way we want. Unity among the company's 250 employees is strong and we're looking forward to the rest of 2023.

Gothenburg, May 2023



Gösta Hennermark, CEO

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## FIRST QUARTER 2023 (JANUARY–MARCH)

### **Net sales**

Net sales for the first quarter of the year amounted to SEK 229.1 million (159.1), an increase of 44 percent compared with the same period in the preceding year. Calculated in local currencies, sales increased by 38 percent.

Of the sales for the quarter, SEK 143.1 million (96.5) consisted of sales within the Educational Products business area and SEK 86.0 million (62.6) within the Industry/OEM business area.

As of this quarter, note 2 on page 16 has been revised and expanded. Service revenue is reported separately and the respective revenue stream is also broken down by business area.

### *Educational Products*

Educational Products returned growth of 48 percent. Simulator sales amounted to SEK 126.4 million (84.1) and service revenue to SEK 16.7 million (12.5). The US continued to perform strongly, while Asia with countries such as China, India and Japan showed good sales, alongside some markets in Europe such as Poland and the UK. The order backlog was high at the start of the quarter, i.e. the sum of orders received where the goods were not shipped (nor recognized as revenue) during the fourth quarter of 2022. Approximately SEK 17 million of sales is attributable to the difference in the incoming and outgoing order backlog for the quarter.

### *Industry/OEM*

License revenue for the first quarter amounted to SEK 70.6 million (35.7), which is an increase of 98 percent compared with the same period in the preceding year. The customers who have just started selling products from which Surgical Science earns licensing income buy these licenses in

packages. This means that sales initially vary more between periods.

Development revenue was lower in the first quarter than in the corresponding quarter in the previous year. This was due in part to final deliveries being made in some projects during the fourth quarter of 2022 and lower levels of activity in some projects. Larger projects are conducted in several phases, with the assignment possibly needing to be reformulated in between, entailing a lower level of activity until this work has been completed.

Sales of simulators to medical device companies for product-specific training amounted to SEK 8.4 million (12.8). These sales vary significantly more between quarters than the corresponding sales within Educational Products. Sales consist of projects that usually include a number of simulators where adaptations for product-specific training of, for example, an OEM company's specific instrument is included. Service revenue for the installed base, which is mainly linked to longer agreements with specific customers where Surgical Science takes care of the shipping and servicing of these simulators for the OEM company (currently almost exclusively in the US), amounted to SEK 2.4 million (1.7).

## Costs and results

The cost of goods sold amounted to SEK 70.4 million (56.4) corresponding to a gross margin of 69 percent (65). The improved gross margin is due to a higher proportion of license revenue.

Sales costs amounted to SEK 46.9 million (29.1) corresponding to 20 percent (18) of sales. The company's annual distributor meeting was held during the quarter, this time in Stockholm, where around a hundred people from 40 different countries participated. The quarter was also more intense in terms of the number of trade shows and congresses that Surgical Science participated in when compared to the corresponding period last year, which was still influenced by

COVID-19 restrictions.

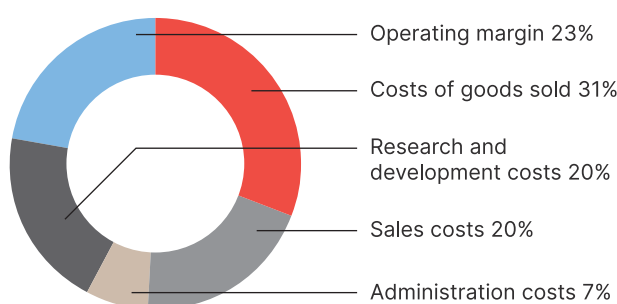
Administration costs amounted to SEK 16.7 million (15.2) corresponding to 7 percent (10) of sales. On February 22, Surgical Science's first capital market day was held. The presentations that were made are available on the company's website.

Research and development costs for the quarter amounted to SEK 46.1 million (40.0), corresponding to 20 percent (25) of sales. Of the development costs, SEK 6.4 million (1.1) have been capitalized as an intangible asset.

The warrant program approved by the Annual General Meeting in May 2022 was charged against other operating costs for the quarter in the amount of SEK 0.4 million (-). The amount represents a calculation of IFRS2 regarding the parts of the program attributable to Israel and the US and is allocated across the term of the program until July 2025.

Operating profit for the fourth quarter amounted to SEK 53.3 million (20.0), corresponding to an operating margin of 23 percent (13).

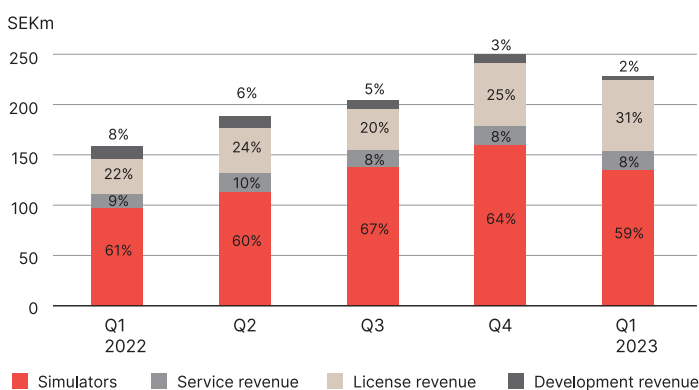
## Costs/margin as a percentage of sales\*



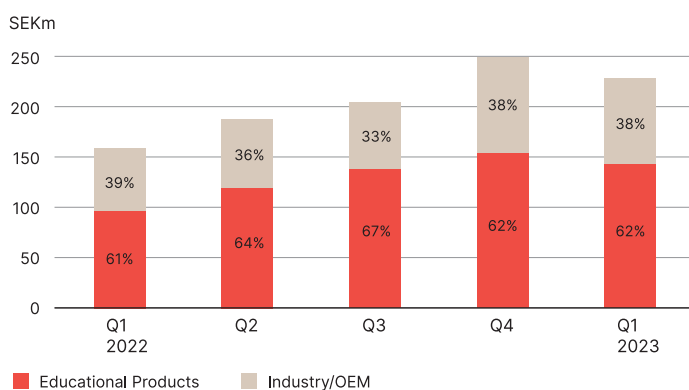
\* Other revenue/costs -1%

Depreciation and amortization burdened profit by SEK 13.6 million (12.4) in total. Depreciation and amortization burdened

## Revenue by revenue stream



## Revenue by business area



the cost of goods sold by SEK 0.4 million (0.4), sales costs by SEK 4.6 million (4.1), administration costs by SEK 4.3 million (3.9) and research and development costs by SEK 4.3 million (4.0). Sales costs include amortization of SEK 4.0 million (3.7) on those parts of the company's acquisitions that are classified as customer contracts, while research and development costs include amortization of SEK 2.1 million (1.8) on those parts of the company's acquisitions that are classified as technology. Depreciation attributable to the application of IFRS 16 amounts to SEK 3.8 million (3.5), this being included in its entirety under administration costs.

Adjusted EBIT amounted to SEK 59.3 million (25.5), corresponding to a margin of 26 percent (16).

EBITDA amounted to SEK 66.8 million (32.4), corresponding to a margin of 29 percent (20).

As Surgical Science has no loan financing, other net financial items consist mainly of revaluations of internal loan receivables from subsidiaries, the effects of IFRS 16, and the revaluation of the remaining contingent consideration (recognized in liabilities) attributable to the acquisition of Mimic Technologies.

Net profit for the quarter amounted to SEK 49.8 million (16.5). The tax expense for the quarter of SEK 5.2 million (1.4) consists of estimated tax on profit for the period and a change in deferred tax assets.

## Cash flow

During the period January–March 2023, cash flow from operating activities amounted to SEK 60.5 million compared to SEK 11.1 million for the corresponding period in 2022. Cash flow from changes in working capital amounted to SEK -6.1 million (-13.2). Inventory has increased during the quarter in order to support the increase in production and the replenishment of stock of components with a longer delivery time. Accounts receivable have decreased, while accrued income

has increased to roughly the same degree. Current liabilities have increased.

Cash flow from investing activities amounted to SEK -6.9 million (-2.2), mainly comprising investments in development costs related to the company's software.

Cash flow from financing activities amounted to SEK -2.8 million (1.6), where SEK -3.4 million (-3.4) was attributable to changes in lease liabilities in accordance with IFRS 16.

## General comments on the accounts

Surgical Science's operations are structured into two business areas; Educational Products and Industry/OEM.

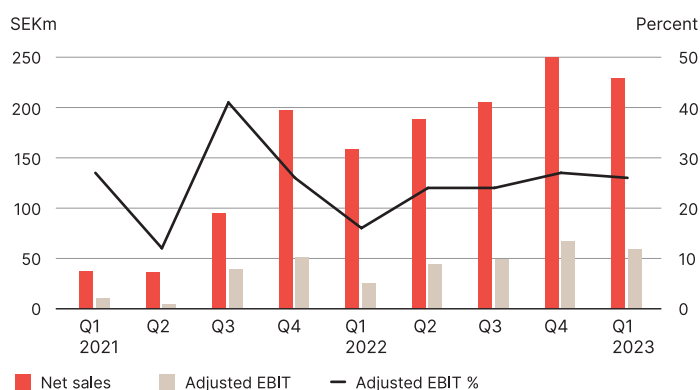
Sales within Educational Products consist of sales of the company's own simulators (hardware and software) to the hospital market, as well as of service revenue related to the installed base of these simulators.

Sales within Industry/OEM consist of license revenue from the company's software and are primarily attributable to the robotic surgery area. Development income is also included, which is obtained when Surgical Science works to adapt the company's software to the customer's hardware platform. Sales of simulators to OEM customers, primarily in the vascular and laparoscopy areas, as well as service revenue related to the installed base of these simulators, are also included in this area.

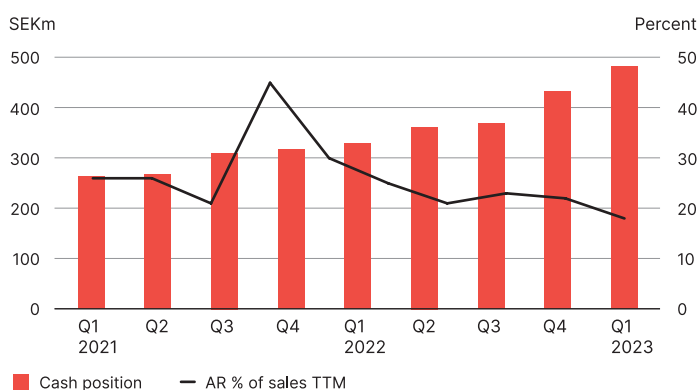
In percentage terms, Surgical Science's revenues are distributed between the stated currencies roughly as follows: USD 82%, EUR 12%, SEK 3%, other (e.g. GBP) 3%. This distribution is calculated based on 2022 revenues but is expected to vary marginally over time.

The gross margin is affected by the distribution of revenues, as the different revenue streams, "proprietary simulators containing hardware", "service revenue", "development revenue"

## Adjusted EBIT



## Cash position/Accounts receivable



and “license revenue”, have different gross margins. A higher share of license revenue means a higher gross margin.

Surgical Science applies a functionally arranged income statement in which the gross margin also includes the salaries of employees working with production, quality control, quality assurance and support, in addition to direct materials and spare parts. In addition, the salaries of development department employees working on development revenue-generating projects are included. Shared costs, such as premises and IT, are distributed in accordance with an allocation template for all the different functions.

In percentage terms, Surgical Science’s costs are distributed between the stated currencies roughly as follows: USD 40%, ILS 40%, SEK 15%, others (e.g. EUR, GBP) 5%. This distribution is calculated based on 2022 costs but is expected to vary marginally over time.

Other operating income and costs consist predominantly of exchange rate fluctuations on external receivables and liabilities in foreign currencies.

In Sweden and the US, tax-loss carry-forwards from previous years exist that can be utilized, to some extent affecting the tax expense for 2023.

## Financial position

As at March 31, 2023, the group’s cash and cash equivalents amounted to SEK 482.1 million, equity to SEK 4,252.1 million, and the equity/assets ratio was 91 percent. As at March 31, 2022, the group’s cash and cash equivalents amounted to SEK 329.9 million, equity to SEK 3,674.0 million, and the equity/assets ratio was 90 percent. As at March 31, 2023 equity per share amounted to SEK 83.70 (72.32).

## Parent company

The parent company, Surgical Science Sweden AB, holds shares in subsidiaries and the portion of Surgical Sciences’ Swedish operations that are primarily conducted in Gothenburg. Several group-wide functions are also organized within the parent company. Due to internal transactions between the various group companies, it is not possible to draw general conclusions from the parent company’s figures regarding sales and operating costs.

As Surgical Science has no loan financing, net financial items consist mainly of revaluations of internal loan receivables from subsidiaries and the revaluation of the contingent consideration (recognized in liabilities) attributable to the acquisition of Mimic Technologies.

As the parent company has tax-loss carry-forwards to be utilized, no tax expense has been calculated for the profit for the quarter.

## OUTLOOK

Surgical Science’s strategy is to have two separate business areas. The focus of Educational Products is on customers in education and training, who use the company’s proprietary simulators to increase patient safety through effective, generic training, the results of which can be measured objectively. Customers have validated the simulators over many years by way of clinical studies. The other business area, Industry/OEM, primarily makes use of Surgical Science’s software resources, which enable medical device companies to integrate product-specific simulation into their clinical products. This makes it possible to generate a return on Surgical Science’s development work, which has been ongoing for more than 20 years. The company perceives the strongest future growth to be in this area. In robotic surgery, the principal business model involves a development fee for customization/integration with the customer’s products and then a software license for each unit or based on the installed base or on usage. Surgical Science retains full copyright over 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 in China and India. The market for robot-assisted surgery is expected to grow quicker than other parts of the market.

The overarching objectives for Surgical Science in 2023 are to:

- Continue expanding the value content for existing customers in robotic surgery who license the company’s technology.
- Establish broader collaborations in several product areas with major key customers within Industry/OEM.
- Grow sales within Educational Products by at least 10 percent and continue to expand the product portfolio through further product launches.
- Improve the cost of goods sold by streamlining production and procurement so that it has a positive effect on the gross margin.
- Be prepared to make further acquisitions when the time is right.

Surgical Science has an organization where a large portion of its employees are global leaders in software development for medical simulation. This gives the company the capacity to work with the development of the core technology for future simulation, with on-time delivery of adaptations of simulation software to customers in Industry/OEM, and to continue to launch new applications for its own products within Educational Products. To remain a world leader in realistic real-time simulations of medical procedures, improving the core technology is critical. In 2023, Surgical Science is continuing to invest more than ever in this area.

## THE COMPANY IN BRIEF

### Operations

Surgical Science was founded in 1999 and works with simulation technologies. The foundation of the company is its proprietary software and hardware for simulating interactions between instruments and anatomy. Based on its proprietary technology, 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 worked with simulation solutions for medical device companies that develop surgical instruments for clinical applications (such as robot-assisted surgery) – this work is conducted within 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, the US-based company Mimic Technologies was acquired. Mimic had operations in both Educational Products and Industry/OEM and has operated in the field of robotic surgery for almost 20 years. The acquisition of Symbionix, which primarily operates in Tel Aviv, Israel was completed in August 2021. Symbionix was founded in 1998 and is involved in simulation for training surgeons and other medical specialists in a wide range of areas. The business generates revenue through its own simulators in areas including general surgery, endovascular procedures, endoscopy, urology, orthopedics, ultrasound and robotic surgery, and also through partnerships with medical device companies in robotic surgery, for example.

### Mission and vision

Surgical Science's overall purpose is to improve patient safety and outcomes in healthcare through validated, customized medical simulation training. The vision is that all patients who are on their way to the operating room should feel reassured that their surgeon has been trained and objectively certified in a safe, simulated environment before the procedure.

### Financial targets

The target is for Surgical Science to generate sales of SEK 1,500 million by 2026. Achieving this target may entail supplementary acquisitions. The Educational Products business area is expected to grow by an average of 10 to 15 percent annually over the period. With an extended and broadened product portfolio, the products will have different growth rates. For example, Surgical Science offers certain niche products in order to be able to submit complete tenders, although these are sold individually to a lesser extent. The Industry/OEM business area is expected to experience increasing growth during the period as robotic surgery products containing technology from Surgical Science are launched onto the market. During the period, other application areas are also expected to be digitalized which, alongside expanded application areas for simulation, will result in increased revenues.

At the end of the period, adjusted EBIT shall amount to 40 percent. Adjusted EBIT is calculated as EBIT excluding depreciation, amortization and impairment on surplus values related to acquisitions.

### Strategy

Surgical Science will continue to develop its proprietary educational products to be 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 the development of 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 by way of training with the company's products also transfers to the actual operating room. Surgical Science advocates mandatory simulations in surgeon training and for the certification of future surgeons 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 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 with regard to new technologies. This is evident in, for example, regulatory authorities' requirements



for verified training solutions for surgeons when granting approval for the clinical use of new surgical robots, for instance.

## OTHER INFORMATION

### Organization and personnel

At the end of the period, there were 252 (224) employees, of whom 69 (57) were women and 183 (167) were men. Of these, 58 (49) people were employed in Sweden, 126 (111) in Israel, 53 (53) in the US, and the remaining 15 (11) people mainly in Germany and China.

### Information on transactions with related parties

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

### Proposed appropriation of profits

The board and CEO have proposed to the Annual General Meeting held on May 17, 2023 that no dividend should be paid for the 2022 financial year, i.e. SEK 0.00 per share.

### Risk management

Surgical Science works on an ongoing basis to identify, assess and manage risks in various systems and processes. Risk analyses of day-to-day operations are performed on an ongoing basis and in connection with major activities.

The most significant strategic and operational risks affecting Surgical Science's operations and industry are described on pages 54 and 55 of the company's 2022 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 between quarters, with the fourth quarter of the year usually being the strongest. This is because many major hospitals use the calendar year as their budget year and hold off on purchases until they can see what funds remain in the budget towards the end of the year.

Also in the Industry/OEM business area, the fourth quarter usually generates more sales than other quarters, with license revenue 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 there being remaining budget funds towards the end of the year.

### Annual General Meeting and annual report

The Annual General Meeting of Surgical Science Sweden AB (publ) will be held on May 17, 2023. For more information, see [www.surgicalscience.com](http://www.surgicalscience.com).

Surgical Science's 2022 annual report is available for download from Surgical Science's website and is sent on request to shareholders who provide their postal address. The annual report is available in Swedish and English.

### Events after the balance sheet date

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

### Assurance

The board and 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, May 16, 2023  
Board of directors

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

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**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:**

Interim report January–June 2023: Thursday, August 24, 2023

Interim report January–September 2023: Thursday, November 9, 2023

Year-end report 2023: Wednesday, February 21, 2024

**Other dates:**

Annual General Meeting 2023: Wednesday, May 17, 2023

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**Stock market 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.

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**Please address any questions to:**

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*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 May 16, 2023 at 7:30 a.m. (CET).*

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

## CONDENSED CONSOLIDATED INCOME STATEMENTS

SEK thousands	January–March		Full year
	2023	2022	2022
Net sales	229,077	159,137	802,540
Cost of goods sold	-70,392	-56,366	-271,023
<b>Gross profit</b>	<b>158,685</b>	<b>102,771</b>	<b>531,517</b>
Sales costs	-46,949	-29,148	-138,223
Administration costs	-16,665	-15,198	-63,652
Research and development costs	-46,059	-40,002	-172,786
Other operating income and costs	4,255	1,595	5,681
<b>Operating profit</b>	<b>53,267</b>	<b>20,018</b>	<b>162,537</b>
Financial income and costs	1,761	-2,113	45,636
<b>Profit after financial items</b>	<b>55,029</b>	<b>17,905</b>	<b>208,173</b>
Taxes	-5,210	-1,426	-20,199
<b>Net profit</b>	<b>49,819</b>	<b>16,479</b>	<b>187,974</b>
<b>Attributable to</b>			
Parent company shareholders	49,819	16,479	187,974
Earnings per share, SEK	0.98	0.32	3.70
Earnings per share, SEK*	0.98	0.32	3.69
Amortization of intangible assets	-8,381	-7,830	-31,931
Depreciation of tangible assets	-5,179	-4,524	-19,654

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

## CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

SEK thousands	January–March		Full year
	2023	2022	2022
<b>Net profit</b>	<b>49,819</b>	<b>16,479</b>	<b>187,974</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	-34,206	72,484	461,391
<b>Total other comprehensive income</b>	<b>-34,206</b>	<b>72,484</b>	<b>461,391</b>
<b>Comprehensive income</b>	<b>15,613</b>	<b>88,963</b>	<b>649,365</b>
<b>Comprehensive income attributable to</b>			
Parent company shareholders	15,613	88,963	649,365

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
<b>ASSETS</b>			
<b>Fixed assets</b>			
Capitalized expenditure for product development	46,599	26,867	42,887
Patents, trademarks and concessions	59,380	53,356	59,939
Customer contracts	115,764	122,265	125,690
Technology	67,991	66,486	70,593
Goodwill	3,424,121	3,091,767	3,444,289
Other intangible fixed assets	1,992	–	1,912
Tangible fixed assets	46,224	38,551	51,357
Deferred tax assets	22,107	24,797	22,158
Other financial fixed assets	4,256	4,379	4,367
<b>Total fixed assets</b>	<b>3,788,435</b>	<b>3,428,468</b>	<b>3,823,192</b>
<b>Current assets</b>			
Inventories	145,663	117,310	134,883
Accounts receivable	160,288	120,630	176,311
Other current receivables	20,503	39,039	17,798
Prepaid costs and accrued income	71,546	52,712	63,646
Cash and cash equivalents	482,079	329,915	433,733
<b>Total current assets</b>	<b>880,079</b>	<b>659,606</b>	<b>826,371</b>
<b>TOTAL ASSETS</b>	<b>4,668,513</b>	<b>4,088,074</b>	<b>4,649,563</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to parent company shareholders</b>	<b>4,252,064</b>	<b>3,674,037</b>	<b>4,236,451</b>
Non-current liabilities	103,802	165,694	107,204
Current liabilities	312,647	248,343	305,908
<b>Total liabilities</b>	<b>416,449</b>	<b>414,037</b>	<b>413,112</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,668,513</b>	<b>4,088,074</b>	<b>4,649,563</b>

## CONSOLIDATED CHANGES IN EQUITY

SEK thousands	Attributable to parent company shareholders				Total equity
	Share capital	Other capital contributions	Provisions	Profit and loss carried forward, incl. profit for the period	
<b>Opening balance January 1, 2022</b>	<b>2,540</b>	<b>3,378,985</b>	<b>117,732</b>	<b>85,817</b>	<b>3,585,074</b>
Profit for the period Jan–Mar				16,479	16,479
Other comprehensive income for the period			72,484		72,484
<b>Closing balance March 31, 2022</b>	<b>2,540</b>	<b>3,378,985</b>	<b>190,216</b>	<b>102,296</b>	<b>3,674,037</b>
Profit for the period Apr–Dec				171,495	171,495
Other comprehensive income for the period			388,907		388,907
Warrants program			2,012		2,012
<b>Closing balance December 31, 2022</b>	<b>2,540</b>	<b>3,378,985</b>	<b>581,135</b>	<b>273,791</b>	<b>4,236,451</b>
<b>Opening balance January 1, 2023</b>	<b>2,540</b>	<b>3,378,985</b>	<b>581,135</b>	<b>273,791</b>	<b>4,236,451</b>
Profit for the period Jan–Mar				49,819	49,819
Other comprehensive income for the period			-34,206		-34,206
<b>Closing balance March 31, 2023</b>	<b>2,540</b>	<b>3,378,985</b>	<b>546,929</b>	<b>323,610</b>	<b>4,252,064</b>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

SEK thousands	January–March		Full year
	2023	2022	2022
<b>Operating activities</b>			
Profit before financial items	53,267	20,018	162,537
Adjustment for non-cash items, etc.	12,296	7,569	40,500
Interest paid/received	1,028	–	536
Tax paid	–	-3,328	-8,477
<b>Cash flow from operating activities before changes in working capital</b>	<b>66,591</b>	<b>24,259</b>	<b>195,096</b>
<b>Changes in working capital</b>			
Increase (-)/Decrease (+) in inventories	-14,050	-4,203	-21,720
Increase (-)/Decrease (+) in operating receivables	-1,467	-26,190	-70,760
Increase (+)/Decrease (-) in operating liabilities	9,402	17,198	26,871
<b>Cash flow from changes in working capital</b>	<b>-6,114</b>	<b>-13,195</b>	<b>-65,609</b>
<b>Cash flow from operating activities</b>	<b>60,477</b>	<b>11,064</b>	<b>129,487</b>
<b>Investing activities</b>			
Investments in tangible fixed assets	-502	-1,150	-9,352
Investments in intangible fixed assets	-6,406	-1,055	-25,196
<b>Cash flow from investing activities</b>	<b>-6,908</b>	<b>-2,205</b>	<b>-34,548</b>
<b>Financing activities</b>			
Change in non-current liabilities	617	4,917	12,194
Change in lease liabilities	-3,419	-3,363	4,899
<b>Cash flow from financing activities</b>	<b>-2,802</b>	<b>1,554</b>	<b>17,093</b>
<b>Cash flow for the period</b>	<b>50,767</b>	<b>10,413</b>	<b>112,032</b>
Opening cash and cash equivalents	433,733	316,680	316,680
Exchange-rate difference in cash and cash equivalents	-2,421	2,822	5,021
<b>Closing cash and cash equivalents</b>	<b>482,079</b>	<b>329,915</b>	<b>433,733</b>

## KEY FIGURES, GROUP

	January–March		Full year
	2023	2022	2022
Net sales growth, %	44.0	327.8	118.8
Gross margin, %	69.3	64.6	66.2
EBITDA margin, %	29.2	20.3	26.7
Operating margin, %	23.3	12.6	20.3
Profit margin, %	21.7	10.4	23.4
Equity/assets ratio, %	91.1	89.9	91.1
Shares outstanding at end of period	50,801,236	50,801,236	50,801,236
Shares outstanding at end of period*	50,913,801	50,977,120	50,910,759
Average shares outstanding	50,801,236	50,801,236	50,801,236
Average shares outstanding*	50,908,441	50,972,916	50,913,936
Equity per share, SEK	83.70	72.32	83.39
Equity per share, SEK*	83.52	72.07	83.21
Dividend per share, SEK	0.00	0.00	0.00**
Share price on the balance sheet date, SEK*	169.20	204.5	164.70
Average number of employees	243	220	227

\* After dilution. See Note 4 for information regarding warrant programs. | \*\* Proposal by the board to the 2023 Annual General Meeting. | See page 17 for definitions of key figures.

## CONSOLIDATED INCOME STATEMENTS BY QUARTER

	Jan–Mar 2023	Oct–Dec 2022	Jul–Sep 2022	Apr–Jun 2022	Jan–Mar 2022	Oct–Dec 2021	Jul–Sep 2021	Apr–Jun 2021
SEK thousands								
Net sales	229,077	250,108	205,079	188,216	159,137	197,694	95,319	36,562
Cost of goods sold	-70,392	-85,859	-67,743	-61,055	-56,366	-63,354	-26,410	-5,032
<b>Gross profit</b>	<b>158,685</b>	<b>164,249</b>	<b>137,336</b>	<b>127,161</b>	<b>102,771</b>	<b>134,340</b>	<b>68,909</b>	<b>31,530</b>
Sales costs	-46,949	-41,430	-33,691	-33,954	-29,148	-40,688	-16,272	-12,362
Administration costs	-16,665	-16,346	-16,840	-15,268	-15,198	-16,077	-31,842	-7,230
Research and development costs	-46,059	-46,598	-44,096	-42,090	-40,002	-33,045	-14,378	-9,470
Other operating income and costs	4,255	1,343	0	2,743	1,595	-51	1,154	-238
<b>Operating profit</b>	<b>53,267</b>	<b>61,218</b>	<b>42,709</b>	<b>38,592</b>	<b>20,018</b>	<b>44,479</b>	<b>7,571</b>	<b>2,230</b>
Financial income and costs	1,761	65,769	-9,030	-8,990	-2,113	15,949	-4,699	2,268
<b>Profit after financial items</b>	<b>55,029</b>	<b>126,987</b>	<b>33,679</b>	<b>29,602</b>	<b>17,905</b>	<b>60,428</b>	<b>2,872</b>	<b>4,498</b>
Taxes	-5,210	-10,467	-5,176	-3,130	-1,426	6,465	11,496	-1,035
<b>Net profit</b>	<b>49,819</b>	<b>116,520</b>	<b>28,503</b>	<b>26,472</b>	<b>16,479</b>	<b>66,893</b>	<b>14,368</b>	<b>3,463</b>
<b>Attributable to</b>								
Parent company shareholders	49,819	116,520	28,503	26,472	16,479	66,893	14,368	3,463
Earnings per share, SEK	0.98	2.29	0.56	0.52	0.32	1.32	0.33	0.09
Earnings per share, SEK*	0.98	2.29	0.56	0.52	0.32	1.32	0.32	0.09
Average shares outstanding	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236	44,093,249	37,944,236
Average shares outstanding*	50,908,441	50,899,171	50,904,414	50,912,107	50,972,916	51,008,175	44,288,101	38,058,730
Shares outstanding at end of period	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236	37,944,236
Shares outstanding at end of period*	50,913,801	50,910,759	50,900,327	50,901,538	50,977,120	51,010,413	50,994,903	38,090,143

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

## PARENT COMPANY INCOME STATEMENTS

SEK thousands	January–March		Full year
	2023	2022	2022
Net sales	25,845	21,759	87,015
Cost of goods sold	-10,454	-6,935	-28,562
<b>Gross profit</b>	<b>15,390</b>	<b>14,824</b>	<b>58,453</b>
Sales costs	-11,875	-5,603	-30,375
Administration costs	-7,865	-6,111	-26,653
Research and development costs	-5,938	-4,168	-19,935
Other operating income and costs	-551	1,224	796
<b>Operating profit</b>	<b>-10,838</b>	<b>166</b>	<b>-17,714</b>
Impairment of shares in subsidiaries	–	–	-480
Financial income and costs	1,912	-2,408	-2,001
<b>Profit after financial items</b>	<b>-8,926</b>	<b>-2,242</b>	<b>-20,195</b>
Appropriations (group contributions)	–	–	40,118
Taxes	–	-3	-4,388
<b>Net profit</b>	<b>-8,926</b>	<b>-2,245</b>	<b>15,535</b>
Amortization of intangible assets	-1,626	-1,971	-6,953
Depreciation of tangible assets	-193	-165	-765

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	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
<b>ASSETS</b>			
<b>Fixed assets</b>			
Capitalized expenditure for product development	21,464	21,313	20,494
Patents, trademarks and concessions	–	46	3
Other intangible fixed assets	1,053	–	1,022
Tangible fixed assets	1,888	2,059	2,023
Participations in group companies	3,188,957	3,234,685	3,188,957
Deferred tax assets	7,844	12,229	7,844
<b>Total fixed assets</b>	<b>3,221,206</b>	<b>3,270,332</b>	<b>3,220,343</b>
<b>Current assets</b>			
Inventories	12,645	8,399	12,172
Accounts receivable	15,272	13,139	19,039
Current receivables from group companies	3,319	80,038	41,122
Other current receivables	1,559	1,198	1,560
Prepaid costs and accrued income	3,713	5,311	3,159
Cash and bank balances	288,834	160,148	234,887
<b>Total current assets</b>	<b>325,343</b>	<b>268,233</b>	<b>311,939</b>
<b>TOTAL ASSETS</b>	<b>3,546,549</b>	<b>3,538,565</b>	<b>3,532,282</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>3,400,965</b>	<b>3,389,740</b>	<b>3,409,532</b>
Long-term provisions	–	72,408	–
Other non-current liabilities	150	450	150
Current provisions	80,926	50,684	81,576
Current receivables from group companies	39,829	–	12,637
Other current liabilities	24,678	25,283	28,387
<b>Total liabilities and provisions</b>	<b>145,584</b>	<b>148,825</b>	<b>122,750</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,546,549</b>	<b>3,538,565</b>	<b>3,532,282</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 concepts 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

### Revenue by business area and revenue stream

SEK thousands	January–March		Full year
	2023	2022	2022
<b>Educational Products</b>	<b>143,055</b>	<b>96,568</b>	<b>507,949</b>
- Simulators, hardware and software	126,359	84,104	449,859
- Service and support revenue	16,696	12,464	58,090
<b>Industry/OEM</b>	<b>86,022</b>	<b>62,569</b>	<b>294,591</b>
- Simulators, hardware and software	8,389	12,777	58,524
- Service and support revenue	2,384	1,657	10,147
- License revenue	70,603	35,683	184,549
- Development revenue	4,646	12,452	41,371
<b>Net sales</b>	<b>229,077</b>	<b>159,137</b>	<b>802,540</b>

### Revenue by geographic area

SEK thousands	January–March		Full year
	2023	2022	2022
Europe	41,843	36,706	130,856
North and South America	134,754	87,324	504,949
Asia	39,328	33,007	140,788
Other	13,152	2,100	25,947
<b>Net sales</b>	<b>229,077</b>	<b>159,137</b>	<b>802,540</b>

## NOTE 3 FINANCIAL INSTRUMENTS

SEK thousands	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Financial assets	651,330	474,449	619,537
Financial liabilities	221,657	286,829	231,731

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 PROGRAMS

### Warrants 2020\_23

Surgical Science's Annual General Meeting on May 6, 2020 resolved to establish an 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 to July 15, 2023. Of the initial 300,000 warrants in the program, 225,000 were subscribed for. The remaining 75,000 warrants were canceled in May 2022.

During the period January to March 2023, 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 104,549 shares, for the quarter January to March 2023 at 107,205 shares, and for the balance sheet date at 112,565 shares. Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 11,250 and the number of shares by 225,000, corresponding to the dilution of the total number of shares and votes by about 0.4 percent.

### Warrants 2022\_25

Surgical Science's Annual General Meeting on May 12, 2022 resolved to establish an incentive program for company employees. Each warrant entitles the holder to subscribe for one share in the company for SEK 175.70 during the period June 10 to July 10, 2025. The company subsidizes the warrants program, with participants receiving warrants as a benefit. Participants are required to pay tax on this benefit, with the premium being calculated at SEK 28.74 per warrant.

The board is authorized to adjust the program in response to organizational changes and to specific rules or market conditions in other countries. Most of the company's employees are employed outside Sweden, in the US and in Israel. For tax reasons, these employees are contractually entitled to subscribe for shares (Non-Qualified Stock Options) rather than warrants. In accordance with generally accepted practices in these markets, participants receive these shares free of charge.

Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 10,000 and the number of shares by 200,000, corresponding to the dilution of the total number of shares and votes by slightly less than 0.4 percent. As of the balance sheet date of March 31, 2023, the warrants program entailed no dilution.

### Incentive program costs

Preliminarily, the incentive program is estimated to entail social security contributions of SEK 0.9 million, as well as costs of SEK 5.8 million in accordance with the accounting rules under IFRS2. For the first quarter of 2023, the program has impacted profits negatively by SEK 0.4 million. The amount comprises the IFRS2 cost attributable to Israel and the US and is distributed across the term of the program until July 2025.



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## 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.

### **Adjusted EBIT margin**

Operating profit less depreciation, amortization, and impairment of surplus values related to acquisitions as a percentage of net sales. Over time, this key figure conveys a deeper understanding of the company's profitability.

### **EBITDA margin**

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

### **Operating profit**

Profit before financial items and tax. This key figure shows the operating profit regardless of the financing structure and tax rate.

### **Operating margin**

Operating profit as a percentage of net sales. Over time, this key figure conveys a deeper understanding of the company's profitability.

### **Profit margin**

Profit for the year as a percentage of net sales. Over time, this key figure conveys a deeper understanding of the company's profitability.

### **Equity/assets ratio**

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 the owners.

### **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.

### **Earnings per share**

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

### **Earnings per share after dilution**

Earnings after tax per share adjusted for any dilution effect from warrants.

### **Equity per share**

Reported equity divided by the number of shares outstanding at the end of the period. The key figure gives an idea of how much capital per share is attributable to shareholders.

### **Dividend per share**

Dividend for the year divided by the number of shares outstanding on the date of payment of the dividend. Provides a picture of the value per share transferred to shareholders.

### **Average number of employees**

The number of employees recalculated as full-time positions per month divided by the number of months in the period.

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