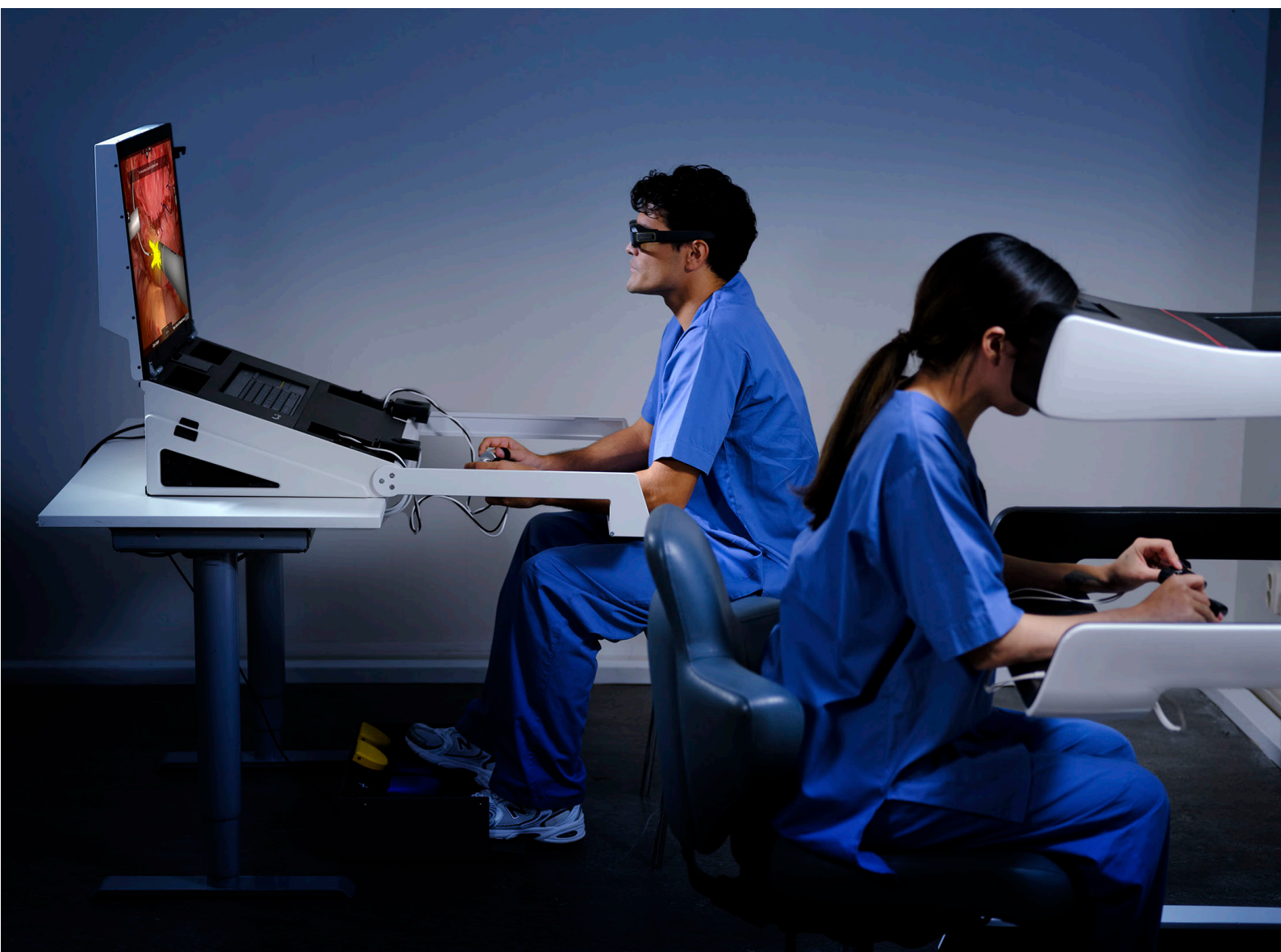


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# INTERIM REPORT JANUARY – SEPTEMBER 2023

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.

**surgicalscience**

# STRONG MARGINS DESPITE WEAKER GROWTH

## THIRD QUARTER 2023 (JULY – SEPTEMBER)

- Net sales amounted to SEK 210.2 million (205.1), an increase of 3 percent compared with the corresponding period in the preceding year. The previous year's revenue included the large US order which was received in the second quarter of 2022, of SEK 39.4 million.
- License revenue amounted to SEK 55.5 million (40.4) and accounted for 26 percent of net sales (20).
- Operating profit amounted to SEK 50.7 million (42.7).
- Net profit amounted to SEK 47.4 million (28.5), corresponding to earnings per share of SEK 0.93 (0.56).
- Cash flow from operating activities amounted to SEK 53.1 million (9.5). As at September 30, 2023, cash and cash equivalents amounted to SEK 606.1 million (370.1).

## FIRST NINE MONTHS OF 2023 (JANUARY – SEPTEMBER)

- Net sales amounted to SEK 655.6 million (552.4), an increase of 19 percent compared with the corresponding period in the preceding year.
- Operating profit amounted to SEK 151.5 million (101.3).
- Net profit amounted to SEK 136.0 million (71.5), corresponding to earnings per share of SEK 2.67 (1.41).
- Cash flow from operating activities amounted to SEK 198.7 million (50.9).

### Key figures

	January – September		July – September		Full year
	2023	2022	2023	2022	2022
Net sales, SEK million	655.6	552.4	210.2	205.1	802.5
Operating profit (EBIT), SEK million	151.5	101.3	50.7	42.7	162.5
Adjusted EBIT, SEK million	169.8	118.7	56.9	48.8	186.0
Adjusted EBIT margin, %	25.9	21.5	27.1	23.8	23.2
Profit after financial items, SEK million	149.8	81.2	52.4	33.7	208.2
Net profit, SEK million	136.0	71.5	47.4	28.5	188.0
No. employees at end of period	260	233	260	233	243
Equity/assets ratio, %	91.9	90.3	91.9	90.3	91.1
Earnings per share, SEK	2.67	1.41	0.93	0.56	3.70
Equity per share, SEK	88.57	85.75	88.57	85.75	83.39
Share price on the balance sheet date, SEK	150.30	150.50	150.30	150.50	164.70
Market value on balance sheet date, SEK million	7,669.2	7,645.6	7,669.2	7,645.6	8,367.0

For definitions, see page 18.

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## A MESSAGE FROM THE CEO

**Our growth in the third quarter was modest compared to the very strong comparative period in 2022. The largest decrease (12%) was for simulators within Educational Products and the largest increase (38%) was seen in license revenue from robotic surgery customers. Compared to last year, profitability strengthened and cash flow increased sharply, which is positive in this challenging macroeconomic environment. Israel is at war after the terrorist attack that hit the country on October 7. Surgical Science's staff were unharmed and it's business as usual at the Tel Aviv office.**

It is with great humility that I can state that I've never been as proud during my time as CEO of Surgical Science as I am now. Israel was attacked in a way that is a tragedy for all the victims. In the midst of this, the whole of Surgical Science has come together and stubbornly stated "business as usual". The very day after the terrorist attack, the office was open and every week since we've shipped out more simulators than planned from the airport in Tel Aviv. The entire team in Israel is wishing for normality in an abnormal situation, and our staff at our other offices are covering when needed at congresses, installations, customer meetings, and the like. Surgical Science currently does not foresee anything that will affect the company's ability to maintain normal operations. The marginal impact so far consists of staff absence, due to primarily younger members of staff serving in the Israel Defence Forces, and slightly higher logistics costs.

Educational Products had an unusually tough comparative quarter as the third quarter of 2022 included sales of just



Despite all the challenges, we're having a strong quarter. I'm also very proud of how the whole company has come together after the terrorist attack in Israel.

under SEK 40 million to the large American hospital chain with which we announced a major deal in May 2022. In addition, the Chinese market, which is important to us, continued to be sluggish. Sales of simulators decreased in the quarter by approximately SEK 15 million compared to the same quarter last year. Excluding the large US order and China, all other markets combined are actually showing strong sales growth despite the challenging economic climate. Service revenue is also growing well, with 20% higher sales this year compared to the third quarter of 2022. In the first nine months of the year, Educational Products has grown by 12%, which is in line with our long-term financial goal of average growth of 10% to 15% per year. We're now seeing positive signs in China that



Surgical Science's assembly and quality control departments in Tel Aviv in mid-October.

procurement is picking up and hopefully we can begin to cater for the pent-up demand in that market.

The robotic surgery market continues to develop strongly for Surgical Science. In its third quarter, market leader Intuitive Surgical reported that the installed base of its Da Vinci surgical robot grew by 13% and the number of procedures performed grew by 19% compared to the same period a year ago. Surgical Science's combined license revenue grew by 38% in the same period. Our strong growth within this part of the Industry/OEM business area is thanks to the increased use of simulation and our ability to increase the content for our customer base of around 15 robotic surgery companies. Furthermore, several new players now have approval to sell their surgical robots. For those customers who have recently launched, there is some variance from quarter to quarter as they often buy a package of licenses on each occasion rather than our license revenue being strictly linked to the same time as the robot is sold and installed.

During the third quarter, development revenue within Industry/OEM increased sharply compared to the beginning of the year. These revenues are difficult to evaluate separately as we always assess a project as a whole with the adaptation of our software so that it can be embedded in, for example, a surgical robot. Our focus is on achieving healthy overall compensation, consisting of a combination of license revenue linked to future use/sale and the remuneration for the resources required to implement the project. Simulator sale within Industry/OEM, when we sell both hardware and software for product-specific simulation in, for example, vascular surgery, had revenue on a par with last year after the weak start in 2023.

The gross margin for the third quarter of 2023 was 69%, which is the same level as the previous quarter, despite the fact that license revenue was then a higher proportion of total

sales (35% instead of 26% for this quarter). The product mix with more development revenue, price increases, and some additional sales of software modules allowed the gross margin to be maintained. On the cost side, we're succeeding in continuing to build the company in a cost-effective manner. Our workforce has grown by just over 10% in the past year, which can be seen, for example, in increased sales costs. Research and development costs for the quarter were lower than last year, as the portion of accrued time attributable to development revenue is posted as cost of goods sold. We also capitalized more costs linked to investments in the simulation of the future.

In terms of profitability, the stable gross margin in combination with cost discipline means that profitability is increasing at all levels in the income statement. If we go all the way down to net profit per share, it increased by just over 65%. Cash flow is good, with SEK 53 million from operating activities, which led to an increase in cash of SEK 32 million after investments.

There are challenges in the form of instabilities in the world and deteriorating macroeconomics, which in the short term means greater uncertainty. We're having an emotionally challenging time with the war in Israel and we're constantly thinking of our colleagues who have been affected in various ways. We stand united and resolute as a company. We intend to reach our goals of SEK 1.5 billion in turnover and 40% adjusted EBIT margin in 2026. The use of simulation and the advance of robotic surgery continues relentlessly.

Gothenburg, November 2023



Göran Hennermark, CEO

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## THIRD QUARTER 2023 (JULY – SEPTEMBER)

### Net sales

Net sales for the third quarter of the year amounted to SEK 210.2 million (205.1), an increase of 3 percent compared with the same period in the preceding year. Calculated in local currencies, sales increased by 1 percent.

Of the sales for the quarter, SEK 125.6 million (137.8) consisted of sales within the Educational Products business area and SEK 84.6 million (67.2) within the Industry/OEM business area.

### *Educational Products*

Sales within Educational Products decreased by 9 percent. Simulator sales amounted to SEK 108.1 million (123.3) and service revenue to SEK 17.5 million (14.5).

The comparison period includes USD 3.9 million (around SEK 39.4 million) attributable to an order from a large American hospital chain totaling USD 6.7 million, which Surgical Science announced in May 2022.

Sales are on a par with the second quarter. For the different regions, Europe is at the same level, with natural variations between the different countries and France and Poland developing positively in this quarter. Although the USA continues to do well, it was down slightly compared to the previous

quarter. In respect of other markets within the North and South America region, Brazil did well.

Asia, where China is the largest market for Surgical Science, returned weaker sales also in this quarter. In the quarterly report for the second quarter, it was noted that China has not really gained the momentum the company had hoped for after the pandemic. Although customers still have significant untapped needs, the level of central funding is unclear, prompting customers to wait. This in itself is not unusual in China, as decisions can be both made and expedited with short notice, but it increases short-term uncertainty. India is a market within this region that has performed strongly throughout 2023 compared to the previous year.

The region "Other" returned higher sales compared to the previous quarter due to a number of large orders, such as from Pakistan.

### Industry/OEM

Industry/OEM showed growth of 26 percent.

License revenue for the third quarter amounted to SEK 55.5 million (40.4), which is an increase of 38 percent compared with the same period in the preceding year. Revenues were lower than in the second quarter. Customers who have just started selling the products from which Surgical Science earns license revenue buy the licenses in packages, which means that sales initially vary more between periods. License revenues that are tied to the installed base can also vary between quarters. Subscriptions are usually renewed once a year and the number of subscriptions to be renewed each quarter varies.

The financial goals for 2026 state that the company expects license revenue to increase progressively towards the end of the period.

Development revenue was higher in the third quarter than in the corresponding quarter in the previous year (SEK 12.0

million compared with SEK 9.6 million), and also substantially higher than in the other quarters of 2023. These revenues partly include revenue from robot projects, but also from the adaptation or development of software linked to the sale of simulators, see below.

Sales of simulators to medical device companies for product-specific training amounted to SEK 14.4 million (14.9). 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 2.8 million (2.4).

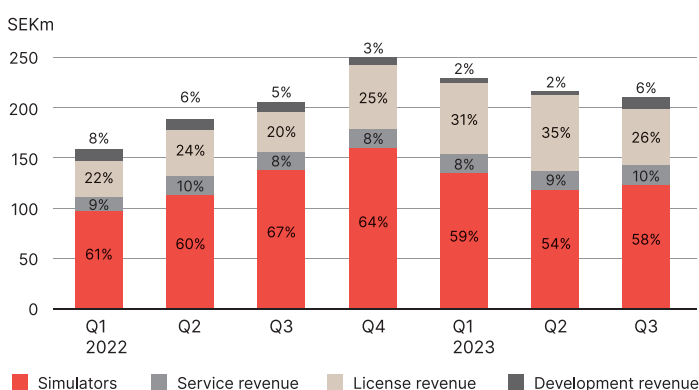
### Costs and results

The cost of goods sold amounted to SEK 65.2 million (67.7) corresponding to a gross margin of 69 percent (67). License revenue made up a larger share of total sales than the corresponding period in 2022, which had a positive effect on the margin. Compared to the second quarter, the product mix and average prices were more favorable and development projects had a good margin.

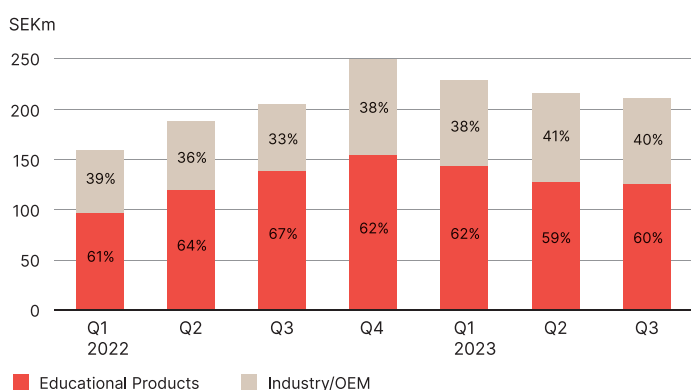
Sales costs amounted to SEK 37.0 million (33.7) corresponding to 18 percent (16) of sales. Costs were on a par with the second quarter. Costs in the second quarter included an item of SEK 2.4 million that was classified as a sales cost instead of an administration cost. This has been reversed in the third quarter. Excluding this effect, sales costs were SEK 38.6 million in the second quarter and SEK 39.4 million in the third quarter.

Administration costs amounted to SEK 20.6 million (16.8) corresponding to 10 percent (8) of sales. Taking into account the item described above, administration costs were SEK 17.8

### Revenue by revenue stream



### Revenue by business area



million in the second quarter and SEK 18.2 million in the third quarter.

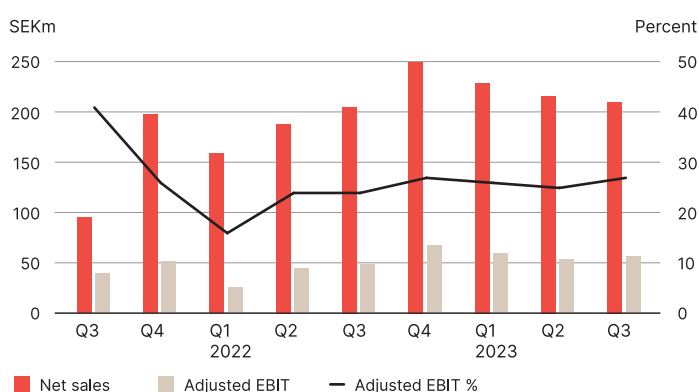
Research and development costs for the quarter amounted to SEK 40.8 million (44.1), corresponding to 19 percent (22) of sales. The costs on this line were lower than in previous quarters of 2023 partly because the capitalization of development costs was higher (SEK 5.5 million higher than in the second quarter). Of the development costs, SEK 12.1 million (7.1) has been capitalized as an intangible asset. Also, income from development projects was higher. As staff in the development department work on projects that generate development revenue, these costs are moved to cost of goods sold, see the description under "General comments on the accounts" on page 8.

The warrants program that was approved by the Annual General Meeting in May burdened the profit for the quarter by SEK 3.0 million, of which SEK 0.8 million pertains to social security contributions on the Swedish participants' premiums, which were received free of charge. This cost is included on the relevant line in the income statement, based on the function in which the recipient of the premium is employed. The remainder of the cost, SEK 2.2 million, is attributable to the calculation of IFRS2 and is posted under other operating costs. The amount comprises the entire IFRS2 cost for the Swedish portion of the program (SEK 1.5 million), the remainder is attributable to Israel and the US and is distributed across the term of the program until July 2026.

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 (1.7). 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.

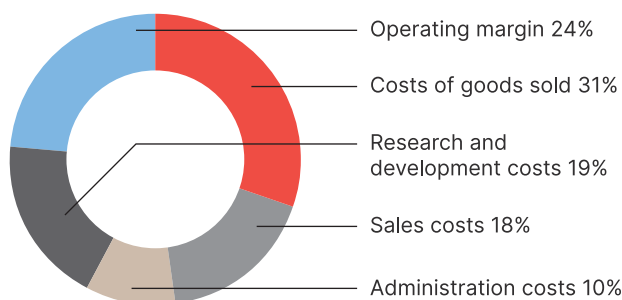
Other items under Other operating income and costs are mainly attributable to the revaluation of operating receivables and liabilities in foreign currencies.

### Adjusted EBIT



Operating profit for the third quarter amounted to SEK 50.7 million (42.7), corresponding to an operating margin of 24 percent (21).

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



\*Other revenue/costs -2%

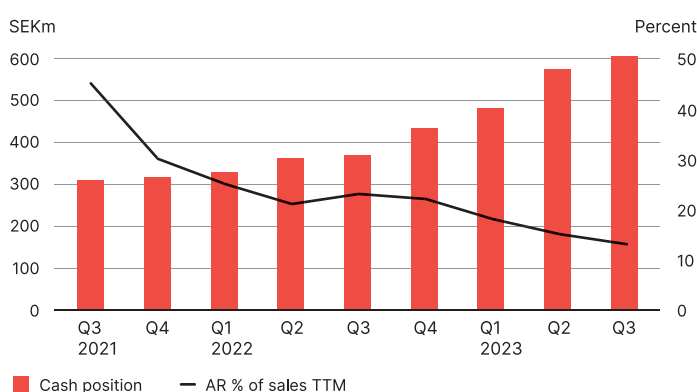
Depreciation and amortization burdened profit by SEK 14.2 million (13.1) in total. Depreciation and amortization burdened the cost of goods sold by SEK 0.4 million (0.4), sales costs by SEK 4.8 million (4.5), administration costs by SEK 4.5 million (4.2), and research and development costs by SEK 4.5 million (4.0). Sales costs include amortization of SEK 4.0 million (4.0) on those parts of the company's acquisitions that are classified as customer contracts, while research and development costs include amortization of SEK 2.2 million (2.1) on those parts of the company's acquisitions that are classified as technology. Depreciation attributable to the application of IFRS 16 amounts to SEK 4.0 million (3.7), this being included in its entirety under administration costs.

Adjusted EBIT amounted to SEK 56.9 million (48.8), corresponding to a margin of 27 percent (24).

EBITDA amounted to SEK 64.9 million (55.8), corresponding to a margin of 31 percent (27).

Surgical Science has no loan financing, net financial items for the quarter consist mainly of interest income on bank balances. Other items are revaluations of internal loan liabilities

### Cash position/Accounts receivable



in respect of subsidiaries, the effects of IFRS 16, and the revaluation of the remaining contingent consideration (recognized in liabilities) attributable to the acquisition of Mimic Technologies. The USD exchange rate was largely unchanged compared to June 30.

Net profit for the quarter amounted to SEK 47.4 million (28.5). The tax expense for the quarter of SEK 5.0 million (5.2) consists of estimated tax on profit for the period and a change in deferred tax assets.

### Cash flow

During the period July to September 2023, cash flow from operating activities amounted to SEK 53.1 million compared to SEK 9.5 million for the corresponding period in 2022. Cash flow from changes in working capital amounted to SEK -15.0 million (-41.2). Both inventory and accounts receivable have decreased during the quarter, however accounts payable and other current liabilities have also decreased.

Cash flow from investing activities amounted to SEK -16.1 million (-10.0), mainly comprising investments in development related to the company's software.

Cash flow from financing activities amounted to SEK -5.1 million (10.9), where SEK -4.4 million (-3.3) was attributable to changes in lease liabilities in accordance with IFRS 16.

Net cash flow for the quarter, including currency effects in liquid assets, was SEK 31.6 million (7.9).

## FIRST NINE MONTHS OF 2023 (JANUARY – SEPTEMBER)

### Net sales

Net sales for the first nine months of the year amounted to SEK 655.6 million (552.4), an increase of 19 percent compared with the same period in the preceding year. Calculated in local currencies, sales increased by 13 percent.

Of the sales for the period, SEK 395.7 million (354.1) consisted of sales within the Educational Products business area, an increase of 12 percent. Sales within the Industry/OEM business area amounted to SEK 259.8 million (198.4), an increase of 31 percent.

For revenues per segment, see Note 2 on page 17.

### Costs and results

The cost of goods sold amounted to SEK 205.1 million (185.2) corresponding to a gross margin of 69 percent (66).

Sales costs amounted to SEK 125.0 million (96.8) corresponding to 19 percent (18) of sales. Administration costs amounted

to SEK 52.8 million (47.3) corresponding to 8 percent (9) of sales.

Research and development costs for the period amounted to SEK 135.3 million (126.2), corresponding to 21 percent (23) of sales. Over the period, development costs of SEK 25.1 million (15.2) were capitalized as an intangible asset.

Operating profit for the first nine months of the year amounted to SEK 151.5 million (101.3), corresponding to an operating margin of 23 percent (18).

Depreciation and amortization burdened profit by SEK 41.5 million (37.9) in total. Depreciation and amortization burdened the cost of goods sold by SEK 1.2 million (1.1), sales costs by SEK 14.0 million (12.9), administration costs by SEK 13.1 million (12.0), and research and development costs by SEK 13.2 million (11.9). Sales costs include amortization of SEK 12.0 million (11.5) on those parts of the company's acquisitions that are classified as customer contracts, while research and development costs include amortization of SEK 6.3 million (5.9) on those parts of the company's acquisitions that are classified as technology. Depreciation attributable to the application of IFRS 16 amounts to SEK 11.6 million (10.8), this being included in its entirety under administration costs.

Adjusted EBIT amounted to SEK 169.8 million (118.7), corresponding to a margin of 26 percent (21).

EBITDA amounted to SEK 193.0 million (139.2), corresponding to a margin of 29 percent (25).

Net financial items amounted to SEK -1.7 million (-20.1). For more information on what the net financial items consist of, see the comments on the quarter.

Net profit for the period amounted to SEK 136.0 million (71.5). The tax expense for the period of SEK 13.8 million (9.7) consists of estimated tax on profit for the period and a change in deferred tax assets.

### Cash flow

During the first nine months of 2023, cash flow from operating activities amounted to SEK 198.7 million compared to SEK 50.9 million for the corresponding period in 2022. Cash flow from changes in working capital amounted to SEK 9.1 million (-60.8). Inventory has increased to support a general increase in production, while accounts receivable have decreased.

Cash flow from investing activities amounted to SEK -32.3 million (-21.1), mainly comprising investments in development related to the company's software.

Cash flow from financing activities amounted to SEK 6.9 million (18.4), where SEK -9.9 million (-9.9) was attributable to

the amortization of lease liabilities in accordance with IFRS 16. The warrant program 2020\_23 was redeemed by the warrant holders during the second quarter, which meant that the company received SEK 19.1 million.

Net cash flow for the period, including currency effects in liquid assets, was SEK 172.3 million (53.4).

### 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" and "license revenue", have different gross margins. A higher share of license revenue affects the gross margin positively.

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 operating receivables and liabilities in foreign currencies.

As Surgical Science has no loan financing, net financial items consist mainly of interest income on bank balances, revaluations of internal loan receivables/liabilities in respect of subsidiaries, the effect of IFRS 16, and the revaluation of the contingent consideration (recognized in liabilities) attributable to the acquisition of Mimic Technologies.

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 September 30, 2023, the group's cash and cash equivalents amounted to SEK 606.1 million, equity to SEK 4,519.5 million, and the equity/assets ratio was 92 percent. As at September 30, 2022, the group's cash and cash equivalents amounted to SEK 370.1 million, equity to SEK 4,356.1 million, and the equity/assets ratio was 90 percent. As at September 30, 2023, equity per share amounted to SEK 88.57 (85.75).

### 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 interest income on bank balances, revaluations of internal loan receivables/liabilities in respect of subsidiaries and the revaluation of the contingent consideration (recognized in liabilities) attributable to the acquisition of Mimic Technologies.

## 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 260 (233) employees, of whom 74 (61) were women and 186 (172) were men. Of these, 57 (55) were employed in Sweden, 134 (117) in Israel, 54 (48) in the US, and the remaining 15 (13) mainly in Germany and China.

### Information on transactions with related parties

In addition to his board fees, board member Thomas Eklund received consultancy fees of SEK 248 thousand in the second quarter for his work on the company's strategies during 2023.

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 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.

## 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 may face.

Gothenburg, November 9, 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:**

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

Interim report January-March 2024: Wednesday, May 15

Interim report January-June 2024: Thursday, August 22

Interim report January-September 2024: Thursday, November 14

Year-end report 2024: Wednesday, February 19, 2025

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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 November 9, 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 – September		July – September		Full year
	2023	2022	2023	2022	2022
Net sales	655,561	552,432	210,246	205,079	802,540
Cost of goods sold	-205,111	-185,164	-65,221	-67,743	-271,023
<b>Gross profit</b>	<b>450,450</b>	<b>367,268</b>	<b>145,025</b>	<b>137,336</b>	<b>531,517</b>
Sales costs	-125,012	-96,793	-37,042	-33,691	-138,223
Administration costs	-52,758	-47,306	-20,649	-16,840	-63,652
Research and development costs	-135,321	-126,188	-40,810	-44,096	-172,786
Other operating income and costs	14,140	4,338	4,169	0	5,681
<b>Operating profit</b>	<b>151,498</b>	<b>101,319</b>	<b>50,693</b>	<b>42,709</b>	<b>162,537</b>
Financial income and costs	-1,673	-20,133	1,741	-9,030	45,636
<b>Profit after financial items</b>	<b>149,825</b>	<b>81,186</b>	<b>52,434</b>	<b>33,679</b>	<b>208,173</b>
Taxes	-13,814	-9,732	-5,031	-5,176	-20,199
<b>Net profit</b>	<b>136,011</b>	<b>71,454</b>	<b>47,403</b>	<b>28,503</b>	<b>187,974</b>
<b>Attributable to</b>					
Parent company shareholders	136,011	71,454	47,403	28,503	187,974
Earnings per share, SEK	2.67	1.41	0.93	0.56	3.70
Earnings per share, SEK*	2.67	1.40	0.93	0.56	3.69
Amortization of intangible assets	-25,396	-23,745	-8,565	-8,104	-31,931
Depreciation of tangible assets	-16,088	-14,154	-5,592	-4,975	-19,654

\* 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
	2023	2022	2023	2022	2022
<b>Net profit</b>	<b>136,011</b>	<b>71,454</b>	<b>47,403</b>	<b>28,503</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	124,615	697,906	-8,535	308,606	461,391
<b>Total other comprehensive income</b>	<b>124,615</b>	<b>697,906</b>	<b>-8,535</b>	<b>308,606</b>	<b>461,391</b>
<b>Comprehensive income</b>	<b>260,626</b>	<b>769,360</b>	<b>38,868</b>	<b>337,109</b>	<b>649,365</b>
<b>Comprehensive income attributable to</b>					
Parent company shareholders	260,626	769,360	38,868	337,109	649,365

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
<b>ASSETS</b>			
<b>Fixed assets</b>			
Capitalized expenditure for product development	60,967	38,555	42,887
Patents, trademarks, and concessions	61,480	63,969	59,939
Customer contracts	112,005	130,544	125,690
Technology	66,920	77,421	70,593
Goodwill	3,572,770	3,659,067	3,444,289
Other intangible fixed assets	2,749	–	1,912
Tangible fixed assets	43,275	40,597	51,357
Deferred tax assets	22,755	27,390	22,158
Other financial fixed assets	4,900	4,518	4,367
<b>Total non-current assets</b>	<b>3,947,823</b>	<b>4,042,061</b>	<b>3,823,192</b>
<b>Current assets</b>			
Inventories	171,247	143,375	134,883
Accounts receivable	122,179	170,592	176,311
Other current receivables	18,174	30,384	17,798
Prepaid expenses and accrued income	54,720	67,214	63,646
Cash and cash equivalents	606,060	370,106	433,733
<b>Total current assets</b>	<b>972,380</b>	<b>781,671</b>	<b>826,371</b>
<b>TOTAL ASSETS</b>	<b>4,920,203</b>	<b>4,823,732</b>	<b>4,649,563</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to parent company shareholders</b>	<b>4,519,457</b>	<b>4,356,087</b>	<b>4,236,451</b>
Non-current liabilities	99,110	194,581	107,204
Current liabilities	301,636	273,064	305,908
<b>Total liabilities</b>	<b>400,746</b>	<b>467,645</b>	<b>413,112</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,920,203</b>	<b>4,823,732</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–Sep				71,454	71,454
Other comprehensive income for the period			697,906		697,906
Warrants program			1,653		1,653
<b>Closing balance September 30, 2022</b>	<b>2,540</b>	<b>3,378,985</b>	<b>817,291</b>	<b>157,271</b>	<b>4,356,087</b>
Profit for the period Oct–Dec				116,520	145,023
Other comprehensive income for the period			-236,515		72,091
Warrants program			359		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–Sep				136,011	136,011
Other comprehensive income for the period			124,615		124,615
Warrants program			3,232		3,232
Redemption warrants program	11	19,136			19,147
<b>Closing balance September 30, 2023</b>	<b>2,551</b>	<b>3,398,121</b>	<b>708,982</b>	<b>409,802</b>	<b>4,519,457</b>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

SEK thousands	January – September		July – September		Full year
	2023	2022	2023	2022	2022
<b>Operating activities</b>					
Profit before financial items	151,498	101,319	50,693	42,709	162,537
Adjustment for non-cash items, etc.	41,068	13,962	19,737	7,936	40,500
Interest paid/received	1,961	–	-620	–	536
Tax paid	-4,942	-3,520	-1,721	18	-8,477
<b>Cash flow from operating activities before changes in working capital</b>	<b>189,586</b>	<b>111,761</b>	<b>68,088</b>	<b>50,663</b>	<b>195,096</b>
<b>Changes in working capital</b>					
Increase (-)/Decrease (+) in inventories	-39,585	-24,884	2,733	-5,492	-21,720
Increase (-)/Decrease (+) in operating receivables	65,220	-65,858	25,466	-43,522	-70,760
Increase (+)/Decrease (-) in operating liabilities	-16,524	29,919	-43,167	7,810	26,871
<b>Cash flow from changes in working capital</b>	<b>9,110</b>	<b>-60,823</b>	<b>-14,967</b>	<b>-41,204</b>	<b>-65,609</b>
<b>Cash flow from operating activities</b>	<b>198,696</b>	<b>50,938</b>	<b>53,121</b>	<b>9,459</b>	<b>129,487</b>
<b>Investing activities</b>					
Investments in tangible fixed assets	-7,014	-5,637	-3,579	-2,697	-9,352
Investments in intangible fixed assets	-25,363	-15,446	-12,498	-7,345	-25,196
<b>Cash flow from investing activities</b>	<b>-32,377</b>	<b>-21,083</b>	<b>-16,078</b>	<b>-10,042</b>	<b>-34,548</b>
<b>Financing activities</b>					
Change in non-current liabilities	-2,312	28,239	-645	14,223	12,194
Change in lease liabilities	-9,955	-9,858	-4,433	-3,285	4,899
Redemption warrants program	19,148	–	–	–	–
<b>Cash flow from financing activities</b>	<b>6,880</b>	<b>18,381</b>	<b>-5,077</b>	<b>10,938</b>	<b>17,093</b>
<b>Cash flow for the period</b>	<b>173,199</b>	<b>48,236</b>	<b>31,966</b>	<b>10,355</b>	<b>112,032</b>
Opening cash and cash equivalents	433,733	316,680	574,421	362,253	316,680
Exchange-rate difference in cash and cash equivalents	-872	5,190	-327	-2,502	5,021
<b>Closing cash and cash equivalents</b>	<b>606,060</b>	<b>370,106</b>	<b>606,060</b>	<b>370,106</b>	<b>433,733</b>

## KEY FIGURES, GROUP

	January – September		July – September		Full year
	2023	2022	2023	2022	2022
Net sales growth, %	18.7	226.7	2.5	115.2	118.8
Gross margin, %	68.7	66.5	69.0	67.0	66.2
EBITDA margin, %	29.4	25.2	30.8	27.2	26.7
Operating margin, %	23.1	18.3	24.1	20.8	20.3
Profit margin, %	20.7	12.9	22.5	13.9	23.4
Equity/assets ratio, %	91.9	90.3	91.9	90.3	91.1
Shares outstanding at end of period	51,026,236	50,801,236	51,026,236	50,801,236	50,801,236
Shares outstanding at end of period*	51,026,236	50,900,327	51,026,236	50,900,327	50,910,759
Average shares outstanding	50,897,069	50,801,236	51,026,236	50,801,236	50,801,236
Average shares outstanding*	50,907,937	50,932,866	51,026,236	50,904,414	50,913,936
Equity per share, SEK	88.57	85.75	88.57	85.75	83.39
Equity per share, SEK*	88.57	85.58	88.57	85.58	83.21
Dividend per share, SEK	0.00	0.00	0.00	0.00	0.00
Share price on the balance sheet date, SEK	150.30	150.50	150.30	150.50	164.70
Average number of employees	248	224	252	226	227

\* After dilution. See Note 4 for information regarding warrant programs. | See page 18 for definitions of key figures.

## CONSOLIDATED INCOME STATEMENTS BY QUARTER

SEK thousands	Jul-Sep 2023	Apr-Jun 2023	Jan-Mar 2023	Oct-Dec 2022	Jul-Sep 2022	Apr-Jun 2022	Jan-Mar 2022	Oct-Dec 2021
Net sales	210,246	216,237	229,077	250,108	205,079	188,216	159,137	197,694
Cost of goods sold	-65,221	-69,498	-70,392	-85,859	-67,743	-61,055	-56,366	-63,354
<b>Gross profit</b>	<b>145,025</b>	<b>146,740</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>
Sales costs	-37,042	-41,022	-46,949	-41,430	-33,691	-33,954	-29,148	-40,688
Administration costs	-20,649	-15,444	-16,665	-16,346	-16,840	-15,268	-15,198	-16,077
Research and development costs	-40,810	-48,452	-46,059	-46,598	-44,096	-42,090	-40,002	-33,045
Other operating income and costs	4,169	5,716	4,255	1,343	0	2,743	1,595	-51
<b>Operating profit</b>	<b>50,693</b>	<b>47,538</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>
Financial income and costs	1,741	-5,176	1,761	65,769	-9,030	-8,990	-2,113	15,949
<b>Profit after financial items</b>	<b>52,434</b>	<b>42,362</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>
Taxes	-5,031	-3,573	-5,210	-10,467	-5,176	-3,130	-1,426	6,465
<b>Net profit</b>	<b>47,403</b>	<b>38,789</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>Attributable to</b>								
Parent company shareholders	47,403	38,789	49,819	116,520	28,503	26,472	16,479	66,893
Earnings per share, SEK	0.93	0.76	0.98	2.29	0.56	0.52	0.32	1.32
Earnings per share, SEK*	0.93	0.76	0.98	2.29	0.56	0.52	0.32	1.32
Average shares outstanding	51,026,236	50,863,736	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236
Average shares outstanding*	51,026,236	50,912,736	50,908,441	50,899,171	50,904,414	50,912,107	50,972,916	51,008,175
Shares outstanding at end of period	51,026,236	51,026,236	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236
Shares outstanding at end of period*	51,026,236	51,089,265	50,913,801	50,910,759	50,900,327	50,901,538	50,977,120	51,010,413

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

## PARENT COMPANY INCOME STATEMENTS

SEK thousands	January – September		July – September		Full year
	2023	2022	2023	2022	2022
Net sales	51,810	69,367	13,001	28,403	87,015
Cost of goods sold	-16,870	-24,160	-2,601	-11,738	-28,562
<b>Gross profit</b>	<b>34,940</b>	<b>45,207</b>	<b>10,399</b>	<b>16,665</b>	<b>58,453</b>
Sales costs	-27,745	-21,435	-7,563	-8,450	-30,375
Administration costs	-24,604	-18,778	-7,793	-6,095	-26,653
Research and development costs	-16,664	-14,136	-3,654	-4,390	-19,935
Other operating income and costs	-2,820	1,554	-2,933	-809	796
<b>Operating profit</b>	<b>-36,893</b>	<b>-7,588</b>	<b>-11,545</b>	<b>-3,080</b>	<b>-17,714</b>
Impairment of shares in subsidiaries	-	-	-	-	-480
Financial income and costs	-1,177	-22,076	1,955	-9,858	-2,001
<b>Profit after financial items</b>	<b>-38,070</b>	<b>-29,665</b>	<b>-9,589</b>	<b>-12,938</b>	<b>-20,195</b>
Appropriations (group contributions)	-	-	-	-	40,118
Taxes	-	-10	-	-3	-4,388
<b>Net profit</b>	<b>-38,070</b>	<b>-29,675</b>	<b>-9,589</b>	<b>-12,941</b>	<b>15,535</b>
Amortization of intangible assets	-4,801	-5,316	-1,574	-1,626	-6,953
Depreciation of tangible assets	-631	-561	-244	-190	-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	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
<b>ASSETS</b>			
<b>Fixed assets</b>			
Capitalized expenditure for product development	25,377	20,227	20,494
Patents, trademarks, and concessions	-	10	3
Other intangible fixed assets	1,215	-	1,022
Tangible fixed assets	2,749	2,719	2,023
Participations in group companies	3,188,957	3,234,685	3,188,957
Deferred tax assets	7,844	12,222	7,844
<b>Total non-current assets</b>	<b>3,226,142</b>	<b>3,269,863</b>	<b>3,220,343</b>
<b>Current assets</b>			
Inventories	11,551	10,791	12,172
Accounts receivable	8,504	20,918	19,039
Current receivables from group companies	3,001	21,825	41,122
Other current receivables	1,958	1,892	1,560
Prepaid expenses and accrued income	4,340	1,619	3,159
Cash and bank position	314,425	227,524	234,887
<b>Total current assets</b>	<b>343,780</b>	<b>284,569</b>	<b>311,939</b>
<b>TOTAL ASSETS</b>	<b>3,569,922</b>	<b>3,554,432</b>	<b>3,532,282</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>3,393,841</b>	<b>3,363,963</b>	<b>3,409,532</b>
Long-term provisions	-	86,935	-
Other non-current liabilities	150	450	150
Current provisions	84,736	60,852	81,576
Current receivables from group companies	69,338	22,220	12,637
Other current liabilities	16,846	20,012	28,387
<b>Total liabilities and provisions</b>	<b>176,081</b>	<b>190,469</b>	<b>122,750</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,569,922</b>	<b>3,554,432</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 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

### Revenue by business area and revenue stream

SEK thousands	January – September		July – September		Full year 2022
	2023	2022	2023	2022	
<b>Educational Products</b>	<b>395,720</b>	<b>354,054</b>	<b>125,643</b>	<b>137,842</b>	<b>507,949</b>
- Simulators, hardware, and software	344,952	312,140	108,083	123,266	449,859
- Service and support revenue	50,768	41,914	17,560	14,576	58,090
<b>Industry/OEM</b>	<b>259,841</b>	<b>198,378</b>	<b>84,603</b>	<b>67,237</b>	<b>294,591</b>
- Simulators, hardware, and software	29,775	36,182	14,366	14,927	58,524
- Service and support revenue	7,870	7,705	2,759	2,391	10,147
- License revenue	201,841	121,408	55,528	40,352	184,549
- Development revenue	20,355	33,083	11,950	9,567	41,371
<b>Net sales</b>	<b>655,561</b>	<b>552,432</b>	<b>210,246</b>	<b>205,079</b>	<b>802,540</b>

### Revenue by geographic area

SEK thousands	January – September		July – September		Full year 2022
	2023	2022	2023	2022	
Europe	114,119	91,715	37,241	23,826	130,856
North and South America	407,960	352,862	132,641	141,485	504,949
Asia	100,518	94,921	28,099	33,154	140,788
Other	32,964	12,934	12,265	6,614	25,947
<b>Net sales</b>	<b>655,561</b>	<b>552,432</b>	<b>210,246</b>	<b>205,079</b>	<b>802,540</b>

## NOTE 3 FINANCIAL INSTRUMENTS

SEK thousands	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Financial assets	736,385	553,039	619,537
Financial liabilities	205,516	281,370	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.

In June 2023, the warrants were redeemed by the warrant holders, resulting in the number of shares in the company increasing by 225,000 to 51,026,236 shares. As a result, share capital increased by SEK 11,250 to SEK 2,551,312. The redemption corresponded to a dilution of approximately 0.4 percent of the total number of shares and votes, and Surgical Science received SEK 19,147,500 in cash and cash equivalents.

### 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.

During the period July to September 2023, the average share price for the period, the closing price on the balance sheet date, and the average share price for the rolling 12-month period were all below the redemption price for the warrant program, whereby the program did not entail any dilution effect. 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.

### 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 nine months of 2023, the program has impacted profits negatively by SEK 1.1 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.

### Warrants 2023\_26

Surgical Science's Annual General Meeting on May 17, 2023, resolved to establish an incentive program for company employees. Each warrant entitles the holder to subscribe for one share in the company for SEK 294.70 during the period June 15 to July 15, 2026. 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 36.43 per warrant.

Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 13,000 and the number of shares by 260,000, corresponding to the dilution of the total number of shares and votes by about 0.5 percent. As at the balance sheet date of September 30, 2023, the warrants program entailed no dilution.

### *Incentive program costs*

Preliminarily, the incentive program is estimated to entail social security contributions of SEK 0.5 million, as well as costs of SEK 9.0 million in accordance with the accounting rules under IFRS2. For the third quarter of 2023, the program burdened profit by SEK 3.0 million, of which SEK 0.8 million pertains to social security contributions on the Swedish participants' premiums, which were provided free of charge. The remainder of the cost, SEK 2.2 million, is attributable to the calculation of IFRS2. The amount comprises the entire IFRS2 cost for the Swedish portion of the program (SEK 1.5 million), the remainder is attributable to Israel and the US and is distributed across the term of the program until July 2026.

### **Programs 2022\_25 and 2023\_26**

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.

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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.

### **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.

### **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.

### **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.

### **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.

### **Average number of employees**

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

### **Net sales growth, %**

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

### **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.

### **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.

### **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.

### **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.

### **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.

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