
INTERIM REPORT

JANUARY–MARCH 2021

SURGICAL SCIENCE SWEDEN AB (PUBL)



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

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

ACQUISITION OF MIMIC TECHNOLOGIES, STRONG GROWTH

FIRST QUARTER OF 2021 (JAN–MAR)

- Net sales amounted to SEK 37.2 million (19.7), corresponding to an increase of 89 percent compared with the corresponding period in the preceding year.
- For comparable units, sales increased by 53 percent.
- Operating profit amounted to SEK 2.2 million (loss 0.8). The outcome includes acquisition costs of SEK 6.0 million.
- Net profit amounted to SEK 1.5 million (loss 0.7), corresponding to earnings per share of SEK 0.04 (loss 0.02).
- Cash flow from operating activities was negative in the amount of SEK 8.9 million (5.3). As of March 31, 2021, cash and cash equivalents amounted to SEK 263.7 million (68.6).
- On January 20, a conditional agreement was entered into to acquire all of the shares in Mimic Technologies

Inc., which operates in the area of robotic surgery. Mimic is based in Seattle in the US, and the acquisition provides Surgical Science with an additional customer base in robotic surgery, contributes data collection/analysis technology and significantly strengthens the presence in the important US market. The initial valuation was USD 18 million (approximately SEK 150 million) on a cash and debt-free basis. In addition, a maximum USD 15.6 million (approximately SEK 130 million) may be paid as a deferred contingent consideration.

A directed share issue of approximately SEK 322 million was implemented, in which a number of new and existing Swedish and international institutional investors subscribed for shares. The transfer of ownership took place on January 27, once all of the terms of transfer had been met. Mimic was consolidated within Surgical Science as of the transfer date.

KEY FIGURES

	January – March		Full-year
	2021	2020	2020
Net sales, SEK million	37.2	19.7	104.8
Operating profit, SEK million	2.2	-0.8	20.0
Profit after financial items, SEK million	-2.0	-0.3	19.7
Net profit, SEK million	1.5	-0.7	15.6
No. employees at end of period	83	61	61
Equity/assets ratio, %	78.3	88.8	90.4
Earnings per share, SEK	0.04	-0.02	0.45
Shareholders' equity per share, SEK	19.86	11.83	12.38
Share price on the balance sheet date, SEK	115.40	52.00	93.50
Market cap. on balance sheet date, SEK million	4,378.8	1,793.7	3,225.3

For definitions, see page 16.

A MESSAGE FROM THE CEO

2021 has started well for Surgical Science with the acquisition of Mimic Technologies and a high level of growth in sales. We now have a customer portfolio of some 10 robotic surgery companies that license our VR simulation software to introduce their products in a patient safe manner. Our gross margin remains high at 84 percent, with very good underlying profitability, although non-recurring costs related to the acquisition did affect operating profit for the quarter.

The acquisition of Mimic was the quarter's major event. We had been discussing the possibility of bringing the operations together under one roof for a long time and are pleased that the acquisition could be completed in January. Mimic is an important piece of the puzzle in our acquisition agenda. Now, a few months into the integration process, we are highly satisfied with the in-depth expertise in robotic surgery simulation that Surgical Science has thus gained, as well as the energy our new colleagues in Seattle have shown in joining us on our journey of growth. Mimic brings in invigorating complementary technology for the collection and analysis of simulation data. Over the quarter, we elaborated a long-term plan for further developing this technology for future applications targeting customers of both the Industry/OEM and Educational Products business areas. This is an area that will grow in importance, and it is our ambition that Surgical Sciences' software should become somewhat of a standard operating system for robotic surgery simulation.

Sales for the first quarter of 2021 were fully SEK 37.2 million. Industry/OEM nearly doubled its sales compared with the corresponding period in 2020, accounting for slightly more than 65 percent of total sales. Customers added through the Mimic acquisition contributed to these sales, with most revenue deriving from license sales. The increased sales also derive largely from the broadened customer base, with both consulting revenues and license revenues growing in early 2021. We have also been very pleased by all of the positive comments we have received from our robotic surgery customers regarding the acquisition of Mimic and our ambitions to continue developing simulation to the next level. I believe everyone recognize the potential in consolidating the best technologies and the most advanced software developers to establish a "golden standard" for robotic surgery training.



The ambition is for our software to become somewhat of an operating system for robotic surgery simulation.

Following the acquisition, we have gained the trust of another niche robot surgery customer and will commence the process of embedding our software onto their console (hardware platform) during the spring. This rapid growth does, however, present us with certain challenges in the limited capacity of our software development operations. We are currently experiencing greater demand than we can supply. For this reason, we are working hard to remove bottlenecks to be able to integrate our software for as many customers as possible. We are, at the same time, investing in our own simulators within Educational Products. This is an important cornerstone in our strategy to maintain close collaboration with leading surgeons regarding training in technical skills, validating our technology in independent studies and further developing our knowledge in minimally invasive surgery.


Educational Products accounted for slightly less than 35 percent of the quarter's sales, growing by slightly more than 70 percent compared with the first quarter of 2020, which was impacted by the outbreak of Covid-19. The picture is, however, quite uneven for the different geographical markets. The North American market accounted for the largest share of sales, particularly sales of LapSim ST, a product focused specifically on training for surgical technologists. Sales in China, a key market for Surgical Science, were also favorable for the quarter. The situation was significantly worse in Europe, which

has focused fully on the care of Covid-19 patients, with training operations suspended. Sales were also weak in other markets, such as, Latin America, the Middle East and Asia excluding China. Accordingly, despite some glimmers of light, the pandemic continues to throw a wrench in the works.

In terms of profitability, operating profit for the first quarter of 2021 amounted to SEK 2.2 million, or about 6 percent of sales. Non-recurring costs related to the acquisition of Mimic have burdened the result with SEK 6.0 million, so excluding those costs, the operating margin would have been a healthy 22%. Correspondingly, the EBITDA margin was 20%, although, without non-recurring costs, we would have been close to our long-term EBITDA target of 40%. In terms of liquidity, we had no interest-bearing long-term liabilities at the end of the first quarter, and approximately SEK 264 million in cash and cash equivalents.

Although the Covid-19 pandemic will certainly affect operations for a few more quarters, we have experienced a strong start to 2021 and look forward to the rest of the year with confidence. We continue to work with our acquisition agenda, to develop new simulation technologies and to partner with both medical technology companies and leading university hospitals. We are grateful for the many committed shareholders who have been a part of the company's journey, and we welcome the new investors who subscribed for the issue conducted when we acquired Mimic. We look forward confidently to the rest of 2021, certain that this will be an eventful year that further develops the company.

Gothenburg, May 2021



Gisle Hennermark, CEO

THE FIRST QUARTER OF 2021 (JANUARY–MARCH)

Net sales

Net sales for the first quarter of the year amounted to SEK 37.2 million (19.7), an increase of 89 percent compared with the same period in the preceding year. Calculated in local currencies, sales increased by 110 percent.

Mimic Technologies' net sales are included in part in sales for the first quarter of 2021, the company was consolidated into the Surgical Science Group as of January 27, 2021. For the period January 1 – 26, Mimic's sales were SEK 1.8 million and for the first quarter they were SEK 10.0 million (4.7). Of the SEK 10.0 million, SEK 3.0 million corresponded to sales by the Educational Products business area and SEK 7.0 million corresponded to sales by the Industry/OEM business area. For comparable units, sales increased by 53 percent. Taking exchange rate fluctuations into account, sales increased by 70 percent.

Of the sales for the quarter, SEK 12.9 million (7.4) consisted of sales within the Educational Products business area and SEK 24.3 million (12.3) of sales within the Industry/OEM business area.

Within Educational Products, the US and Asia performed particularly well compared with the preceding year. Uncertainty has previously been expressed regarding the Chinese market, where there have been signs that sales could differ markedly from quarter to quarter in the wake of the pandemic. Looking ahead, development appears more stable, albeit at a lower level than before the pandemic.

With regard to the favorable sales in the US during the quarter, the hospital market in the US is still strongly affected by Covid-19. With its LapSim ST product, however, Surgical Science has established itself in a segment where surgical technologists undergo special training to work as camera operators during keyhole surgeries. Customer contacts have been possible in this area, with procurements having been completed.

Sales in Industry/OEM were 98 percent higher than in the corresponding period in the preceding year. The company's largest customer in robotic surgery had a relatively low attach rate (that is, the proportion of robots sold together with Surgical Science's simulation software) for the reported quarter. In 2020, Surgical Science broadened its customer base, securing both consulting and license revenues from a number of customers. Some hardware sales also took place in the segment.

For revenues per segment, see Note 2 on page 14.

Costs and results

The cost of goods sold amounted to SEK 6.0 million (3.2), corresponding to a gross margin of 84 percent (84). The gross margin was affected by the distribution of revenues, where the different revenue streams "proprietary simulators containing hardware", "consulting revenues" and "license revenues" have different gross margins. A higher share of license revenues means a higher gross margin.

Sales costs amounted to SEK 10.6 million (9.9), corresponding to 28 percent (50) of sales. Costs remained affected by Covid-19, with costs for travel and trade fairs being significantly lower than normal. The US subsidiary, Surgical Science, Inc.,

is classified in its entirety as sales costs. Sales costs include amortizations of surplus values classified as customer contracts in connection with the acquisitions of SenseGraphics and Mimic Technologies, see also below under amortization.

Administration costs amounted to SEK 10.9 million (3.0), corresponding to 29 percent (15) of sales. Costs for the quarter include non-recurring costs of SEK 6.0 million attributable to the acquisition of Mimic Technologies.

Research and development costs for the quarter amounted to SEK 8.8 million (5.3), corresponding to 24 percent (27) of sales. Of the development costs, SEK 2.4 million (2.9) have been capitalized as an intangible asset. During the quarter, continued development resources were invested in developing the core technology to achieve improvements in the platform used both for the proprietary products within Educational Products and for Industry/OEM customers. Consulting revenues have been generated from the collaborations with, for example, the HelpMeSee organization, Auris Health and Medcaroid.

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

Operating profit for the first quarter amounted to SEK 2.2 million (loss 0.8), corresponding to an operating margin of 6 percent (negative 4). Other operating income and costs consist largely of exchange rate changes on external receivables and liabilities in foreign currency. Surgical Science is negatively affected by a stronger SEK, with higher revenue in foreign currencies than costs.

On acquiring Mimic Technologies, Surgical Science stated its view that rationalizations and cost savings corresponding to approximately USD 0.5 – 1 million could be achieved on an annual basis following the acquisition. To a lesser extent, these had an impact in the first quarter. On an annual basis, savings of approximately USD 0.7 million have been implemented in relation to the cost structure that existed in the company at the time of the takeover, primarily in the form of personnel reductions in administration.

Depreciation and amortization burdened profit by SEK 5.3 million (4.5) in total. Depreciation and amortization burdened the cost of goods sold by SEK 0.1 million (0.1), sales costs by SEK 1.9 million (1.3), administration costs by SEK 1.6 million (1.2) and research and development costs by SEK 1.7 million (2.0). Sales costs include amortization on the part of the SenseGraphics acquisition that was classified as customer contracts, amounting to SEK 43.8 million. This amount will be amortized over a ten year-period, by an amount of SEK 4.4 million per year, with the total for the period being SEK 1.1 million (1.1). Sales costs also include amortization on the part of the Mimic Technologies acquisition that was

classified as customer contracts, amounting to SEK 35.2 million. This amount will be depreciated over a ten year-period, by an amount of SEK 3.5 million per year, with the total for the period being SEK 0.6 million (-).

Depreciation attributable to the application of IFRS 16 amounts to SEK 1.4 million (0.9), this being included in its entirety under administration costs.

EBITDA amounted to SEK 7.6 million (3.7), corresponding to an EBITDA margin of 20 percent (19). Excluding acquisition costs of SEK 6.0 million, the EBITDA margin was 37 percent.

As Surgical Science has no loan financing, net financial items mainly comprise exchange rate fluctuations. A cost of SEK 5.7 million has been booked that is attributable to the currency translation of the deferred contingent consideration (USD 15.6 million) recognized as a liability in the Parent Company. The remainder of net financial items mainly consists of the revaluation of internal receivables from the US subsidiaries and the effect of IFRS 16.

Net profit for the quarter amounted to SEK 1.5 million (loss 0.7). The positive tax receivable for the quarter of SEK 3.5 million (tax expense 0.4) consists of estimated tax on profit for the period and a change in deferred tax assets. The cost of raising capital in connection with the acquisition totaled SEK 13.0 million. These have been booked directly against shareholders' equity and, as they are tax deductible, the tax calculation in the Parent Company is affected.

For the corresponding period in 2020, Mimic Technologies' net loss was USD 0.9 million (pro forma, not IFRS).

Cash flow

During the period January – March 2021, cash flow from operating activities amounted to a net outflow of SEK 8.9 million, compared with a net outflow of SEK 5.3 million for the corresponding period in 2020. Cash flow from changes in working capital amounted to a net outflow of SEK 13.7 million (7.7). Operating receivables include an item of SEK 1.7 million that is attributable to an adjustment of the purchase consideration for Mimic (see also Note 5). Accounts payable of SEK 10.0 million in Mimic, attributable to the sellers' transaction costs, were also paid off.

Cash flow from investing activities amounted to a net outflow of SEK 115.9 million (2.5). Of this, SEK 113.7 million was attributable to the acquisition of Mimic Technologies, see also Note 5 on page 14. The remainder mainly comprises development costs related to the company's software.

Cash flow from financing activities amounted to SEK 300.4 million (6.9). During the quarter, two private placements totaling SEK 339 million were implemented. The transaction costs for the issues amounted to SEK 13.0 million. Furthermore,

following the acquisition of Mimic Technologies, SEK 24.3 million was repaid in interest-bearing loans in that company. In the first quarter of 2020, Warrant Program 2017/20 was redeemed, raising proceeds of SEK 7.9 million for Surgical Science.

Financial standing

As of March 31, 2021, the Group's cash and cash equivalents amounted to SEK 263.7 million, shareholders' equity was SEK 753.8 million and the equity/assets ratio was 78 percent. As of March 31, 2020, the Group's cash and cash equivalents amounted to SEK 68.6 million, shareholders' equity was SEK 407.9 million and the equity/assets ratio was 89 percent. As of March 31, 2021, shareholders' equity per share amounted to SEK 19.86 (11.83).

Parent Company

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

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

In the Parent Company, acquisition costs of SEK 6.0 million have been booked as shares in subsidiaries. These have been reversed in the Group and are included there as an administrative expense.

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

OUTLOOK

Surgical Science maintains its strategy with two separate business areas. Educational Products focuses on customers in education and training, who use the company's in-house-developed simulators to increase patient safety through effective training, the results of which can be measured objectively. Customers have validated the simulators over many years through clinical studies. The other business area, Industry/OEM, mainly makes use of Surgical Science's software resources, which allow medical technology companies to integrate simulation into their clinical products. This makes it possible

to generate a return on Surgical Science's development work over more than 20 years, and this is the area in which the company perceives the strongest future growth. The business model comprises a consulting fee for adaptation/integration with the customer's products (surgical robots, for example) and subsequently a software license per unit. Surgical Science retains full copyright on its product.

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

The overarching objectives for Surgical Science in 2021 are to:

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

Uncertainty remains regarding the impact of the pandemic on revenues for 2021. With most of the world's healthcare having been focused on handling Covid-19, a large proportion of educational and training activities have been placed on hold, which has impacted Educational Products. The implementation of previously planned healthcare measures has also been affected by the pandemic, which could affect Surgical Sciences' license revenues in the Industry/OEM business area.

It also remains difficult to assess the scale of the pent-up need in the market.

THE COMPANY IN BRIEF

Operations

Surgical Science was founded in 1999 and works with simulation technologies. The company's core is its proprietary software and hardware for simulating interactions between instruments and anatomy. Based on its proprietary technologies, Surgical Science develops and sells turnkey simulation systems used to train surgeons and other medical specialists. The operations are conducted within the framework of the Educational Products business area. Since 2017, Surgical Science has also been working with simulation solutions for medical technology companies that develop surgical instruments for clinical applications (such as robot-assisted

surgery) – this work is conducted in the Industry/OEM business area. In 2019, Surgical Science acquired the company SenseGraphics (founded in 2004), which has worked with medical simulation sales to medical technology companies for many years. In early 2021, Mimic Technologies was acquired, a US-based company with operations in both Educational Products and Industry/OEM and that has worked in the area of robotic surgery for almost 20 years.

Vision

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

Financial targets

The target is for Surgical Science to generate sales of SEK 400 million in 2024. Achieving this target may entail supplementary acquisitions.

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

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

Strategy

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

Besides developing proprietary products, a strategic priority is to work with simulation solutions for medical technology companies that develop surgical instruments for clinical use. As a result of the more than 20 years of research and development behind the world's most advanced, computer-based laparoscopy and endoscopy simulations, 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 technology products without separate hardware. Another macro trend is increasing patient safety awareness, especially for new technologies, which is reflected in, among other things, regulatory authorities' demands for verified surgeon training solutions when approving clinical uses for new surgical robots, for example.

OTHER INFORMATION

Organization and personnel

At the end of the period, there were 83 (61) employees, of whom 17 (16) were women and 66 (45) men. Of these, 47 (45) were employed in Sweden, 26 (6) in the US, 2 (2) in China, 4 (4) in Germany, 1 (1) in Dubai, 1 (1) in France, 1 (1) in Poland and 1 (1) in the UK.

Surgical Science continues to recruit new employees, primarily in software development. During the quarter, three new people were employed in Sweden. In the US, recruitment of software developers is also in progress. Five positions, mainly in administration, have been terminated that were deemed redundant in connection with the integration.

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

Gisli Hennermark, CEO

Anna Ahlberg, CFO

Jeff Berkley, Chief Innovation Officer

Anders Larsson, CTO

Daniel Evestedt, Head of Development

Martin Jansson, Head of Global Sales

Jan Östman, President North America

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 of Directors and the CEO have proposed to the Annual General Meeting to be held on May 12, 2021 that no dividend be paid for the 2020 financial year, that is, SEK 0.00/share.

Risk management

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

The most significant strategic and operational risks affecting Surgical Science's operations and sector are described on page 39 of the company's 2020 Annual Report. The principal

risks and uncertainties include IP, market risks, competitors and technological development, industrial partnerships, employees, acquisitions and access to capital. To all intents and purposes, the risks reported by the company and outlined in the Annual Report, are judged to have remained unchanged.

Seasonal effects

Surgical Science's sales within the Educational Products business area can fluctuate considerably between quarters, with a large portion of the sales for a particular year usually occurring the fourth quarter. This is largely due to most major hospitals using the calendar year as their budget year and holding off on purchases until they can see what funds remain in the budget towards the end of the year. With new lines of business and payment models, including Industry/OEM collaborations and arrangements for renting the company's products, this effect is expected to diminish in the long term.

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

Annual General Meeting and Annual Report

The Annual General Meeting of Surgical Science Sweden AB (publ) will be held on May 12, 2021. For further information, see www.surgicalscience.com.

Surgical Sciences' 2020 Annual Report can be downloaded from Surgical Sciences' website and print copies will be mailed to shareholders who request this and submit their postal address. The Annual Report is available in Swedish.

Events after the balance sheet date

No significant events have occurred following the end of the reporting period.

Assurance

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

Gothenburg, May 11, 2021

Board of Directors

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

Financial reports

Interim reports and other financial reports are available at www.surgicalscience.com.

The following reports are planned for release:

Interim report January–June 2021: Friday, August 20, 2021

Interim report January–September 2021: Wednesday, February 10, 2021

Year-end report 2021: Wednesday, February 16, 2022

Marketplace and Certified Adviser

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

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 11, 2021 at 8:30 a.m. (CET).

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

CONSOLIDATED INCOME STATEMENTS

SEK thousands	January – March		Full-year
	2021	2020	2020
Net sales	37,203	19,654	104,799
Cost of goods sold	-6,040	-3,192	-16,435
Gross profit	31,163	16,462	88,364
Sales costs	-10,595	-9,894	-36,658
Administration costs	-10,894	-2,960	-13,771
Research and development costs	-8,814	-5,323	-16,567
Other operating income and costs	1,383	908	-1,394
Operating profit/loss	2,243	-807	19,974
Financial income and costs	-4,237	541	-315
Profit/loss after financial items	-1,994	-266	19,659
Taxes	3,518	-418	-4,053
Net profit/loss	1,524	-684	15,606
Attributable to			
Parent Company shareholders	1,524	-684	15,606
Earnings per share, SEK	0.04	-0.02	0.45
Earnings per share, SEK*	0.04	-0.02	0.45
Amortization of intangible assets	-3,696	-3,310	-12,086
Depreciation of tangible assets	-1,650	-1,225	-4,890

* After dilution. See Note 4 for information regarding warrant programs. | 5:1 share split implemented in May 2020. Comparison figures for earnings per share have been recalculated.

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

SEK thousands	January – March		Full-year
	2021	2020	2020
Net profit	1,524	-684	15,606
Other comprehensive income			
<i>Items that have been or can be reclassified to net profit</i>			
Translation differences on translation of foreign operations	-925	-915	425
Total other comprehensive income	-925	-915	425
Comprehensive income	599	-1,599	16,031
Comprehensive income attributable to			
Parent Company shareholders	599	-1,599	16,031

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
ASSETS			
Fixed assets			
Capitalized expenditure for product development	25,114	23,684	24,787
Patents, trademarks, concessions	1,830	1,590	870
Customer contracts	70,724	40,534	37,247
Goodwill	497,280	260,492	260,492
Tangible fixed assets	20,425	8,406	8,548
Deferred tax assets	20,008	7,948	6,724
Other financial fixed assets	358	211	211
Total fixed assets	635,739	342,865	338,879
Current assets			
Inventories	19,117	9,537	12,459
Accounts receivable	23,096	10,331	18,590
Other current receivables	9,695	16,018	4,535
Prepaid expenses and accrued income	11,783	11,991	10,653
Cash and cash equivalents	263,722	68,556	87,157
Total current assets	327,413	116,433	133,394
TOTAL ASSETS	963,152	459,298	472,273
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity, attributable to Parent Company shareholders	753,762	407,934	427,049
Long-term liabilities	147,007	14,035	13,946
Current liabilities	62,383	37,329	31,278
Total liabilities	209,390	51,364	45,224
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	963,152	459,298	472,273

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

SEK thousands	Attributable to Parent Company shareholders				Total shareholders' equity
	Share capital	Other capital contributions	Provisions	Profit and loss carried forward, incl. profit for the period	
Opening balance, January 1, 2020	1,681	416,317	-285	-16,037	401,676
Profit for the period, Jan – Mar				-684	-684
Other comprehensive income for the period			-915		-915
Redemption of options	44	7,813			7,857
Closing balance, March 31, 2020	1,725	424,130	-1,200	-16,721	407,934
Profit for the period, Apr – Dec				16,290	16,290
Other comprehensive income for the period			1,340		1,340
Warrant premiums received		1,485			1,485
Closing balance, December 31, 2020	1,725	425,615	140	-431	427,049
Opening balance, January 1, 2021	1,725	425,615	140	-431	427,049
Profit for the period, Jan – Mar				1,524	1,524
Other comprehensive income for the period			-925		-925
Cash issue	164	322,228			322,392
Private placement	8	16,683			16,691
Issue costs		-12,969			-12,969
Closing balance, March 31, 2021	1,897	751,557	-785	1,093	753,762

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

SEK thousands	January – March 2021	2020	Full-year 2020
Operating activities			
Profit before financial items	2,243	-807	19,974
Adjustment for non-cash items, etc.	4,828	3,334	18,270
Interest paid/received	-	-42	-108
Tax paid	-2,286	-	-9,070
Cash flow from operating activities before changes in working capital	4,785	2,485	29,066
Changes in working capital			
Increase (-)/Decrease (+) in inventories	-456	-1,766	-5,271
Increase (-)/Decrease (+) in operating receivables	-3,816	-1,726	1,861
Increase (+)/Decrease (-) in operating liabilities	-9,389	-4,246	-2,431
Cash flow from changes in working capital	-13,661	-7,738	-5,841
Cash flow from operating activities	-8,876	-5,253	23,225
Investing activities			
Investments in tangible fixed assets	-90	-81	-399
Investments in intangible fixed assets	-2,074	-2,422	-8,295
Investment in business	-113,717	-	-
Cash flow from investing activities	-115,881	-2,503	-8,694
Financing activities			
Changes in long-term debts	-24,340	-	-1,321
Amortization of lease liabilities	-1,358	-942	-3,816
New share issues	339,083	-	-
Expenses new share issues	-12,969	-	-
Redemption of options	-	7,857	7,857
Warrant premiums received	-	-	1,485
Cash flow from financing activities	300,416	6,915	4,205
Cash flow for the period	175,659	-841	18,736
Opening cash and cash equivalents	87,157	69,217	69,217
Exchange-rate difference in cash and cash equivalents	906	180	-796
Closing cash and cash equivalents	263,722	68,556	87,157

KEY FIGURES, GROUP

	January – March		Full-year
	2021	2020	2020
Net sales growth, %	89.3	42.1	3.2
Gross margin, %	83.8	83.8	84.3
EBITDA margin, %	20.4	19.0	35.3
Operating margin, %	6.0	-4.1	19.1
Profit margin, %	4.1	-3.5	14.9
Equity/assets ratio, %	78.3	88.8	90.4
Shares outstanding at end of period	37,944,236	34,494,760	34,494,760
Shares outstanding at end of period*	38,022,523	34,494,760	34,521,049
Average shares outstanding	37,120,492	33,995,905	34,370,387
Average shares outstanding*	37,200,475	33,995,905	34,370,387
Shareholders' equity per share, SEK	19.86	11.83	12.38
Shareholders' equity per share, SEK*	19.82	11.83	12.37
Dividend per share, SEK	0.00	0.00	0.00**
Share price on the balance sheet date, SEK*	115.40	52.00	93.50
Average number of employees	74	56	57

* After dilution. See Note 4 for information regarding warrant programs. | 5:1 share split implemented in May 2020. Share data comparison figures have been recalculated. | See page 16 for definitions of key figures. | ** Proposal by the Board of Directors' to the 2021 Annual General Meeting.

CONSOLIDATED INCOME STATEMENTS BY QUARTER

SEK thousands	Jan – Mar 2021	Oct – Dec 2020	Jul – Sep 2020	Apr – Jun 2020	Jan – Mar 2020	Oct – Dec 2019	Jul – Sep 2019	Apr – Jun 2019
Net sales	37,203	39,595	24,929	20,621	19,654	39,254	32,294	16,140
Cost of goods sold	-6,040	-7,070	-3,418	-2,755	-3,192	-6,302	-4,255	-3,942
Gross profit	31,163	32,525	21,511	17,866	16,462	32,952	28,039	12,198
Sales costs	-10,595	-10,434	-7,765	-8,565	-9,894	-11,694	-10,042	-8,058
Administration costs	-10,894	-4,108	-2,864	-3,839	-2,960	-3,026	-3,928	-2,036
Research and development costs	-8,814	-4,457	-2,899	-3,888	-5,323	-5,607	-4,445	-3,657
Other operating income and costs	1,383	-883	-682	-737	908	-205	-123	-123
Operating profit/loss	2,243	12,643	7,300	838	-807	12,420	9,501	-1,676
Financial income and costs	-4,237	-173	-62	-621	541	-362	294	15
Profit/loss after financial items	-1,994	12,470	7,238	217	-266	12,058	9,795	-1,661
Taxes	3,518	-1,910	-1,295	-430	-418	-2,817	389	-112
Net profit/loss	1,524	10,560	5,943	-213	-684	9,241	10,184	-1,773
Attributable to								
Parent Company shareholders	1,524	10,560	5,943	-213	-684	9,241	10,184	-1,773
Earnings per share, SEK	0.04	0.31	0.17	-0.01	-0.02	0.27	0.33	-0.07
Earnings per share, SEK*	0.04	0.31	0.17	-0.01	-0.02	0.27	0.32	-0.07
Average shares outstanding	37,120,492	34,494,760	34,494,760	34,494,760	33,995,905	33,621,760	30,520,985	24,319,440
Average shares outstanding*	37,200,475	34,507,403	34,494,760	34,494,760	33,995,905	34,500,770	31,355,110	25,016,250
Shares outstanding at end of period	37,944,236	34,494,760	34,494,760	34,494,760	34,494,760	33,621,760	33,621,760	24,319,440
Shares outstanding at end of period*	38,022,523	34,521,049	34,494,760	34,494,760	34,494,760	34,515,695	34,473,455	25,069,980

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

PARENT COMPANY INCOME STATEMENTS

SEK thousands	January – March		Full-year
	2021	2020	2020
Net sales	14,025	6,148	49,449
Cost of goods sold	-3,303	-2,193	-12,694
Gross profit	10,722	3,955	36,755
Sales costs	-3,956	-4,150	-17,537
Administration costs	-2,683	-2,252	-11,058
Research and development costs	-3,590	-3,807	-12,944
Other operating income and costs	1,102	1,029	-484
Operating profit/loss	1,595	-5,225	-5,268
Impairment of shares in subsidiaries	-	-	-14,700
Financial income and costs	-4,299	524	-493
Profit/loss after financial items	-2,704	-4,701	-20,461
Appropriations (contributions from Group companies)	-	-	5,921
Taxes	3,223	980	-103
Net profit/loss	519	-3,721	-14,643
Amortization of intangible assets	-1,842	-2,175	-7,545
Depreciation of tangible assets	-237	-234	-948

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

CONDENSED PARENT COMPANY BALANCE SHEETS

SEK thousands	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
ASSETS			
Fixed assets			
Capitalized expenditure for product development	21,294	21,360	21,106
Patents, trademarks, concessions	671	1,590	870
Tangible fixed assets	2,027	2,719	2,174
Participations in Group companies	588,852	338,551	338,449
Long-term receivables from Group companies	-	8,162	-
Deferred tax assets	9,883	7,743	6,660
Total fixed assets	622,727	380,125	369,259
Current assets			
Inventories	12,565	9,061	11,988
Accounts receivable	7,224	7,777	13,251
Current receivables from Group companies	51,530	14,904	14,086
Other current receivables	4,286	2,472	831
Prepaid expenses and accrued income	1,483	1,121	1,387
Cash and bank balances	190,343	20,689	14,849
Total current assets	267,431	56,024	56,392
TOTAL ASSETS	890,158	436,149	425,651
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	734,855	417,164	408,222
Long-term liabilities	117,879	3,286	1,965
Current liabilities	37,424	15,699	15,464
Total liabilities	155,303	18,985	17,429
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	890,158	436,149	425,651

NOTE 1 ACCOUNTING PRINCIPLES

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

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

NOTE 2 GROUP OPERATING SEGMENTS

SEK thousands	January – March		Full-year
	2021	2020	2020
Educational Products	12,926	7,375	47,668
Industry/OEM	24,277	12,279	57,131
Net sales	37,203	19,654	104,799

SEK thousands	January – March		Full-year
	2021	2020	2020
Nordic Region	787	673	4,888
Rest of Europe	5,877	4,682	27,662
North and South America	25,419	13,853	58,813
Asia	4,511	0	7,829
Other	609	446	5,607
Net sales	37,203	19,654	104,799

NOTE 3 FINANCIAL INSTRUMENTS

SEK thousands	Mar 31,	Mar 31,	Dec 31,
	2021	2020	2020
Financial assets	299,269	89,719	114,972
Financial liabilities	172,050	15,867	15,336

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

NOTE 4 WARRANT PROGRAMS

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

The incentive program includes 300,000 warrants at most. During the period January – March 2021, both the average share price for the period and the closing price as of the balance sheet date exceeded the exercise price for the warrants program. The dilution effect has been calculated at 79,984 shares for the quarter January – March 2021 and at 78,287 shares per the balance sheet date. Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 15,000 and the number of shares by 300,000, corresponding to the dilution of the total number of shares and votes by about 0.8 percent.

NOTE 5 ACQUISITION OF BUSINESS

On January 20, 2021, a conditional agreement was entered into to acquire all of the shares in Mimic Technologies Inc. ("Mimic") for an initial purchase consideration of USD 18 million (approximately SEK 150 million) on a cash and debt-free basis. In addition, a maximum USD 15.6 million (approximately SEK 130 million) may be paid as a deferred contingent consideration linked to predetermined sales levels in 2021, 2022 and 2023. Accordingly, the total purchase consideration that may be payable if all of the conditions are met, amounts to a maximum of USD 33.6 million (approximately SEK 281 million). The acquisition provides Surgical Science with an additional customer base in robotic surgery, contributes data collection/analysis technology and significantly strengthens the presence in the important US market. Mimic has offices in Seattle, Washington in the US and had 22 employees at the end of March.

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

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

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

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

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

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

The transfer of ownership took place on January 27, 2021, once all of the terms of transfer had been met. In addition to Mimic Technologies, Inc., a dormant company, Mimic Medical Education and Development LLC, was included in the acquisition. The companies are consolidated into Surgical Science's accounts as of the closing date. The acquisition has had the following effect on the Group's assets and liabilities. Final settlement in accordance with the purchase agreement took place on April 21, 2021 when USD 205 thousand was repaid to Surgical Science.

Carrying amount of identifiable assets and liabilities

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

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

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

Acquisition-related costs of SEK 6.0 million, not directly attributable to the share issue, are included in the income statement under the Group's administration costs and in the cash flow statement under operating activities. In the Parent Company, these costs have been booked against shares in subsidiaries. Costs attributable to the cash issue of SEK 13.0 million have been recognized in Shareholders' equity.

Over the slightly more than two months between the acquisition date and March 31, 2021, the acquired subsidiaries contributed SEK 8.2 million to the Group's revenues and SEK 0.0 million to the Group's profit after tax. Had the acquisition occurred on January 1, 2021, management estimates that the contribution to the Group's revenues for the period January – March 2021 would have been SEK 10.0 million and the contribution to the Group's profit after tax for the same period would have been SEK 0.3 million.

Reconciliation of goodwill in the Group

SEK thousands	Jan 1, 2021 – 31 Mar 2021	Jan 1, 2020 – 31 Mar 2020
Opening cost	260,492	260,492
Acquisitions for the year attributable to investment in business	236,788	–
Closing accumulated cost	497,280	260,492
Closing carrying amount	497,280	260,492

DEFINITIONS OF KEY FIGURES

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

Net sales growth

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

Gross margin

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

EBITDA

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

Operating margin

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

Profit margin

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

Equity/assets ratio

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

Shareholders' equity per share

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

Earnings per share

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

Average number of shares

The weighted average number of shares outstanding during the period.

Average number of shares after dilution

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

GLOSSARY

Endoscopy

Endoscopy is a type of medical examination, or surgery, in which an endoscope is inserted, allowing medical personnel to look inside the body. The endoscope includes a light source, camera and tools at the tip, with imaging provided on a monitor. Two types of endoscopy are colonoscopy, in which the large intestine is examined, and gastroscopy, in which the stomach, esophagus or duodenum is examined.

Haptics

Haptics is the science of touch and body movements. Haptic technology allows surgeons training on Surgical Science's systems to "feel" tissues and organs that react and behave realistically. Haptic technology is also used in hand controls for gaming.

Keyhole surgery / Laparoscopy / Minimally invasive surgery

Keyhole surgery, also referred to as laparoscopy, and minimally invasive surgery, are surgical methods whereby surgery or examination is performed through a minimal incision into the body (keyhole). Using a fiber optic camera and keyhole surgical instruments that are inserted into the body, the operation or examination can then be performed. Keyhole surgery is used, for example, to examine the gallbladder, appendix or ovaries and has become a routine method in many other operations in the abdomen.

Keyhole surgery offers several advantages compared with open surgery, in which an operation or examination requires a larger incision. The advantages include faster rehabilitation and shorter hospital stays. Smaller incisions also mean less

pain, bleeding and scarring. Today, keyhole surgery is an increasingly common method due to the benefits over open surgery.

Suturing

Sutures are the stitches that physicians, and surgeons in particular, use to hold skin, internal organs, blood vessels and other tissues together in the human body following an accident or surgical procedure. The term suturing denotes the process of making these stitches.

OVERVIEW OF BUSINESS AREAS



EDUCATIONAL PRODUCTS

PRODUCTS

Virtual reality simulators for evidence-based keyhole surgery and endoscopic training for surgeons and other medical specialists. Proprietary brand products – hardware and software.

CUSTOMERS

Mainly university hospitals and other major hospitals.

SALES CHANNELS AND REVENUE MODEL

Primarily sales through distributors, direct sales in selected markets. To a large extent, these comprise non-recurring revenues for simulators and software, with upgrades and support agreements comprising a minor portion.

INDUSTRY/OEM

PRODUCTS

Primarily simulation software for training surgeons in robot-assisted surgery and other digitalized medical instruments. This is sold under the customer’s brand, with Surgical Science retaining all rights to the software.

CUSTOMERS

Medical technology companies.

SALES CHANNELS AND REVENUE MODEL

Direct sales. These focus on transactions involving license revenues following initial consulting revenues for customizing the software.

**COMMON INTELLECTUAL
PROPERTY RIGHTS**

20 years of expertise
in medical simulation

**SHARED DEVELOPMENT
ORGANIZATION**

Scalability and efficiency

**KNOWLEDGE
EXCHANGE**

Between industry
and academia

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