mentice

Mentice AB (publ) Annual report

Contents

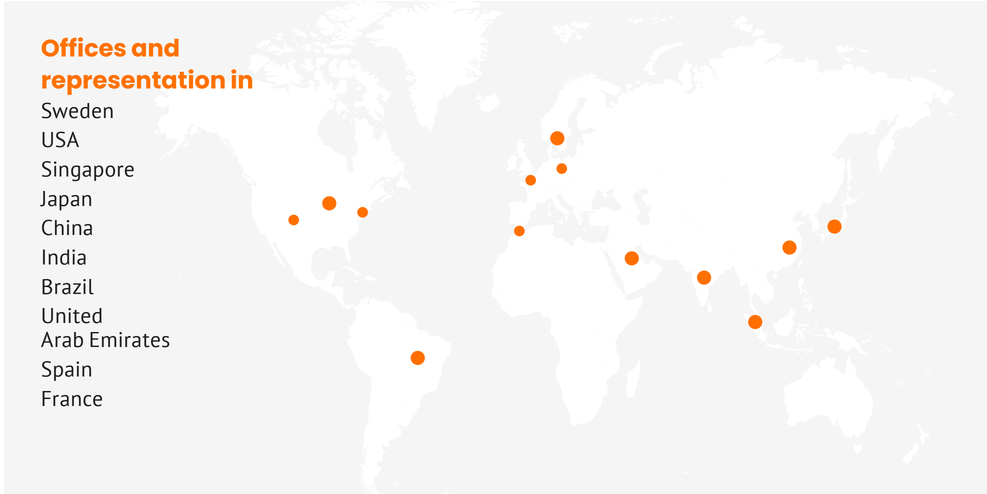
ABOUT THE ANNUAL REPORT

The annual report for the financial year 2023 consists of the Director's report (pages 33–36) and the financial statements together with notes and comments (pages 37–58).

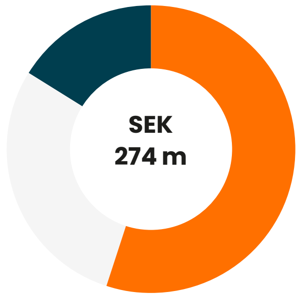
INVESTOR RELATIONS CONTACT

Göran Malmberg, CEO
goran.malmberg@mentice.com

This is a translation of the Swedish original. In case of any inconsistency between the Swedish and English version, the Swedish version shall prevail.



GEOGRAPHIC MARKET



Mentice does business globally in 58 countries

60+
Patents and pending patent applications

3,000+
Systems sold globally

700+
Customers and steadily growing

This is Mentice

Mentice develops solutions for medical device and interventional surgical procedural using IGIT (image guided interventional therapies) for training, planning and efficiency initiatives. This type of procedure is increasing in number as a more effective and safer alternative to conventional open surgery. Endovascular procedures have a much higher age limit compared to open surgery and reduce the risk of infections and complications, which also help to shorten hospital stays and reduce the need for rehabilitation after the procedure.

Mentice solutions help physicians and other healthcare professionals to safely and continuously improve their procedural and medical device adoption, leading to improved quality of care and patient safety.

Mentice is a global market-leading provider of high-tech solutions that help medtech companies and healthcare providers with the development and launch of new medtech products – as well as with the training and planning of various interventional techniques.

Neurovascular, cardiovascular and peripheral interventions are some of the specialist areas where Mentice provides innovative solutions. Our vision is to ultimately improve patient safety. For more information go to: www.mentice.com

Mentice business activities span four different product groups, with Virtual Reality simulators accounting for most of the company's turnover. The other product groups are physiological flow systems (physical SIM), online solutions (Mentice LIVE) and clinical decision support tools (Ankyras). The strength of the Mentice product range is that doctors can use a combination of the company's products to train and prepare for minimally invasive procedures.

PRODUCT AREAS

Mentice VIST™ – immersive VR simulation

Mentice physics engine and anatomy model together with a haptics-enabled hardware solution creates an optimal environment for procedural training, patient-specific simulation and objective assessment of device knowledge and procedural practical ability.

Physical Sim — physiological flow simulators

With a unique production process and advanced 3D printers, Mentice creates high-quality artificial blood vessels that, together with heart and blood flow pumping platforms, are the perfect complement to VR simulation, especially when developing new medical devices or when training and planning for demanding high-cost and high-risk procedures.

Mentice Live – cloud solutions

Mentice Live is a cloud-based learning platform aimed at medtech companies and providers wanting to offer a broader and more accessible medical course catalogue, create structured curricula and enable distributed distance learning.

Ankyras™ – decision support

Ankyras helps doctors determine which size and location of medical device implants for brain aneurysms (flow diverters) will best fit a specific patient's anatomy. The solution is FDA cleared and CE marked medically approved software with high accuracy that also simplifies communication between doctors and manufacturers during planning.

Read more on page 12

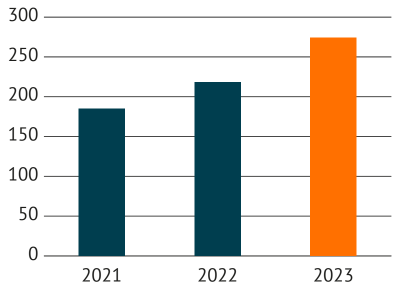
The year in brief

- Net sales amounted to SEK 273.6 million (218.0), an increase of 25.5%, 23.9% of which is organic.
- Order intake in North America grew 55.8% between 2022 and 2023.
- Order bookings increased by 20% and cash flow improved.

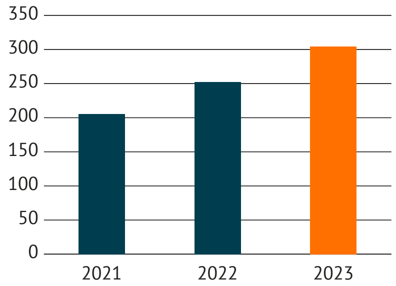
Summary financial developments

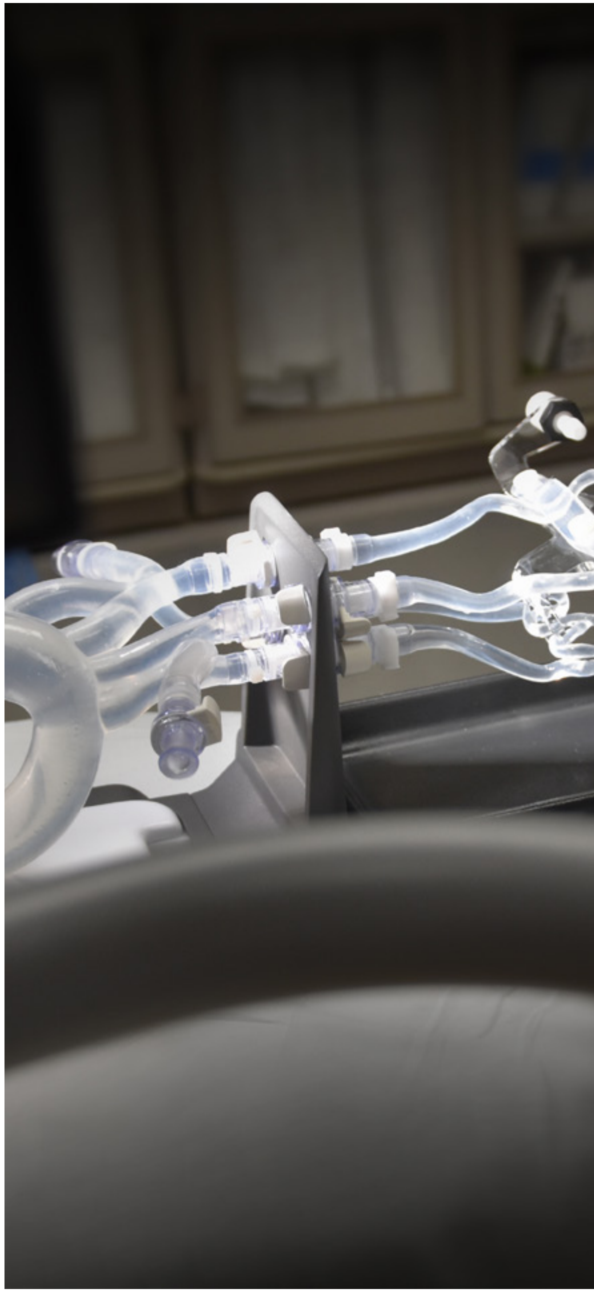
	2023	2022	2021
Net sales, SEK thousand	273,610	217,954	185,064
Profit before tax (EBT), SEK thousand	–12	–24,035	–21,271
Balance sheet total, SEK thousand	322,527	332,976	261,904
Average number of employees	116	114	99
Operating profit, EBITDA, as % of net sales	8.8%	–1.8%	1.3%

NET SALES, MSEK



ORDERS, SEK MILLION





Key events

Continued growth
Growth in Mentice continued, with sales increasing just over 25% in 2023 compared to the previous year.

Strategic partnerships
We continued our partnerships with some of the world's leading imaging companies, working with them to improve integration and realism, which will further enhance value for physicians and specialists, and help ensure better quality care for patients.

Siemens Healthineers and Mentice announced that their ongoing cooperation in China – previously focused on endovascular robotics (Corindus) – will continue in the form of an overall collaboration on innovation and training solutions for the Chinese market. There have been new and existing commercial integration projects ongoing with our existing partnerships with Philips and Laerdal, whilst we introduce Canon Medical in 2023 to our latest addition to our Strategic Alliences business area.

A hub for software development
The newly established Mentice Spain S.L. office in the heart of Barcelona, Spain, will serve as an additional hub for Mentice Group software development, with an initial focus on the recently acquired CE-marked and FDA-approved decision support solution Ankyras for intracranial aneurysms.

Product developments
2023 has been a year of MDI led new custom product launches and our internal product development activities preparing for several launches in 2024. Our MDI customers have invested in Mentice improved capabilities surrounding the areas of new procedural and medical device areas, advanced imaging projects that combine x-ray and ultrasound solutions, augmented and virtual reality integrations and mobile software applications. All of these developments continuously increase Mentice capabilities, IP and opportunities to drive new innovation.

Important certificates secured
Mentice Spain (Ankyras) is now fully certified for ISO 13485:2016, CE certificate and UKCA certificate. Our physical simulation model business in Stony Brook was successfully audited for ISO9001, and is now included in the company's ISO9001 certificate.

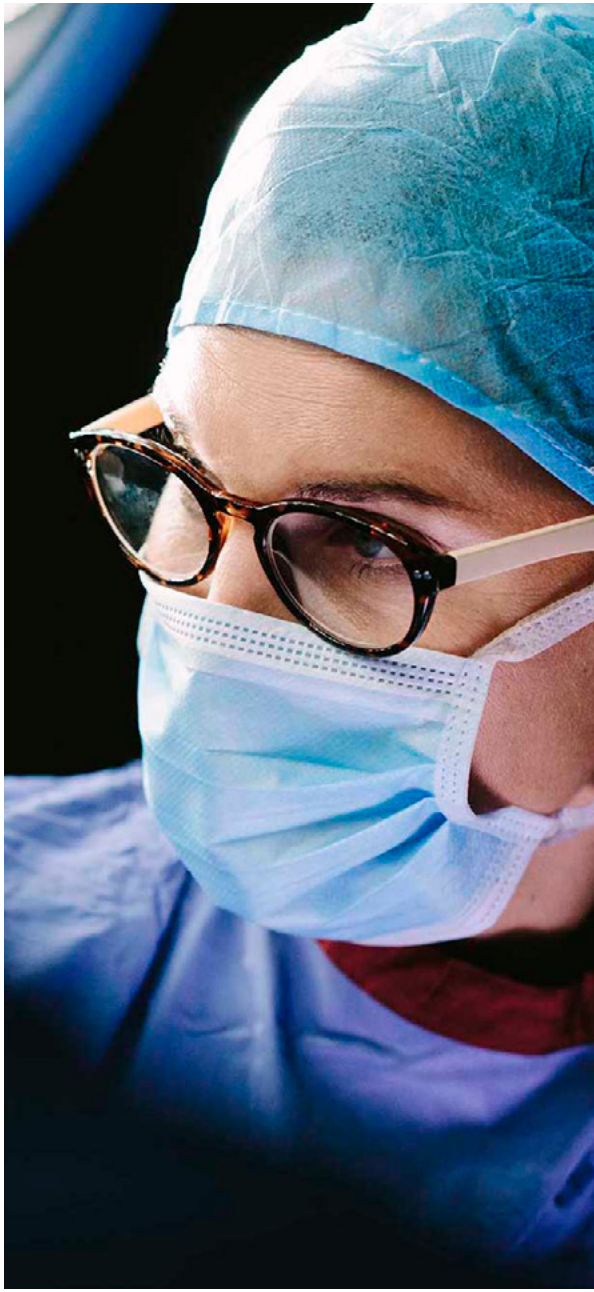
At the end of the year we also received FDA 510(k) approval for Ankyras.

The FDA approval is a clear confirmation of the quality of Ankyras and confirms Mentice commitment to providing innovative and high-quality healthcare solutions.

The approval gives Mentice the opportunity to expand the Ankyras product line in the US market.

Acquisition of Biomodex assets
Mentice acquired the assets of the French company Biomodex, which specializes in biorealistic 3D printing and flow systems for interventional procedures, with a focus on neurointervention and cardiology, as well as as patient-specific simulation. As part of the acquisition, Mentice will also retain key personnel from Biomodex. This is a valuable addition to Mentice's existing solutions for flow simulation (Physical SIM) of interventional interventions as it provides a complementary production technology and product portfolio, an expanded customer base, and new personnel with deep expertise in the field.

Personal changes in the group
Ulrika Drotz Voksepp was recruited as CFO and took up her position in January 2024. Furthermore, a COO position was created to manage the company's continued growth journey. Jonatan Sjöström took up this position in September 2023.



A solid foundation for continued growth

Our growth continued and new acquisition create even better conditions for continued expansion.

In summing up the previous year, I note that we have advanced our positions further. Our growth continued and the acquisition of Biomodex creates even better conditions for continued expansion.

A good year in many ways

Sales continued to increase and rose by just over 25% while the order book increased by over 20%. Sales in North America increased by 58%, an important development for what we and many similar medtech companies consider the most important market. We are pleased to see the EBITDA margin has improved significantly, while our earnings were affected by order intake at the end of the year, which will be invoiced in 2024. In this context, it is satisfying to be able to demonstrate positive growth for five consecutive quarters with positive EBITDA for this entire period. It is also important to assess Mentice on an annual basis or in a rolling 12-month perspective, as the company continues to be affected by individual orders and the distribution of sales during the year.

Market situation

We can conclude that the hospital market and the Healthcare Systems (HCS) business area have developed slower than expected in what is considered to be to some extent a lingering remnant of the pandemic, where savings and reprioritization in healthcare have affected the procurement and acquisition of advanced training solutions. On the other hand, this downturn has been more than compensated by increases in our medical device sales.

More than ever, the healthcare and medical technology industries are demanding different solutions that improve the quality of care for patients and at the same time enable lower healthcare costs. This means that the market in which Mentice operates is not as affected by the general economic downturn. In addition, Mentice has a stronger resilience that results from having a diverse product offering, though also having a global footprint. Although we are headquartered in Gothenburg, we have a much wider perspective with sales to over 50 countries and where the main markets are the US, Europe, Japan and China.

Position and orientation

Since our founding in 1999, we have continuously developed products and services with image-based intervention. This means we currently have a very strong position, unique technology, and strong intellectual property protection that creates a barrier for entry and results in us having few comparable competitors.

The world's leading medical technology companies, manufacturers of medical devices such as pacemakers, heart valves and stents, are some of Mentice's most important customers. Before each new product launch, surgeons, interventional physicians and other healthcare professionals are trained in realistic scenarios using our virtual, immersive physical reality and decision support solutions.

Through the acquisition of Biomodex, we gain access to new Physical SIM solutions for simulating neurovascular and cardiology related procedures, as well as a new and faster production process for 3D printing of patient-specific anatomies.

What makes Mentice unique and well positioned for the future is the combination of our various product solutions that provide physicians and other healthcare professionals with opportunities for planning, continuous learning and training, and qualified decision support. Mentice is a globally renowned company within a field that plays an important role for industry, doctors and healthcare delivery organizations alike.

Sustainability

Mentice's sustainability initiatives are organized around four pillars: Health, People, Climate Impact and Responsible Business.

Future prospects

The opportunities for Mentice going forward are very promising. The combination of our product portfolio, our strategic partnerships with the world's largest and most recognized companies in the industry, talented employees and our large global addressable market are important factors.

A famous entrepreneur from Småland (IKEA) used to say, "Most is still undone." It's a statement that simultaneously conveys impatience with a sense of possibility. That's how I feel about Mentice: we have so many opportunities ahead of us.

Finally, I would like to thank all our talented and committed employees. Many thanks also to all shareholders who believe in Mentice and our work to develop growth and continuous opportunities through improving patient safety.

Gothenburg in April 2024

Göran Malmberg
CEO

Strategy for expansion

Clear focus on vertical expansion in our core business of image-guided interventional therapies (IGIT)

Strong IGIT market share creates unique opportunities

By consistently leveraging its broad technology offering and market advantage, Mentice has built a strong position around its unique expertise in IGIT.

The main focus of the company's future work and direction will therefore mainly focus on this area, where Mentice has a global market share exceeding 50 per cent. This market has continuously shown growth from both a procedural and new medical device developments. This is a trend that is forecasted to continue to grow and expand into new procedural areas which in turn leads to new medtech industry innovation investment and thus new medical device product launches.

Vertical expansion within IGIT

Mentice developes medical simulation solutions in the field of Image-Guided Interventional Therapies, also known as endovascular or interventional procedures. This type of intervention is on the rise as it shortens hospital stays and the rehabilitation after treatment for some of the world's most common cardiovascular diseases. Learning in an immersive and safe environment can increase the quality of care while supporting the development of new types of medical devices and procedures.

By giving doctors the opportunity for continuous training and improvement, Mentice solutions support the physician's decision-making process. For example, they help interventionists decide which medical device (stent, catheter, prosthetic heart valve, etc.) is best for the procedure at hand. This contributes to less medical device wastage, lower costs, and safer and faster procedures.

Mentice has a unique expertise within IGOIT, and is well positioned for continued growth in the area. Mentice will continue to build on the existing technology platform combined with a very large market access linked to various strategic collaborations with world-leading medical technology companies.

Current recurring revenue portfolio

To ensure continued expansion, Mentice is investing further in its subscription-based solutions with the aim of them becoming a significant proportion of company sales. For Mentice, this includes the rental of systems and software licenses, as well as the sale of software as a service (SaaS) and products based on pay-per-use such as the decision support solution Ankyras. Together, these different revenue sources contribute to a growing and stable revenue for the company.

Clearer positioning towards cathlabs

Mentice is a well-known and natural partner for hospitals and strategic medical technology partners. One way to increase market penetration is to continue to drive the increase in virtual patient environments and to create immersive simulation environments that also provide access to daily clinical practice.

Overall, this creates a combined value for hospitals and medical technology companies and, coincides well with Mentice's vertical strategy.

Mentice believes that the hospital side has greater potential for short- to mid-term growth, but in the coming three to five years it is primarily the device market that will account for a dominant share of the potential growth.

CATH LAB

A catheterization laboratory (cath lab) is an examination room in a hospital or clinic with diagnostic x-ray or ultrasound imaging equipment used to visualize the vessels and organs inside the body and that enable physicians and other healthcare professionals to perform minimally invasive procedures via the body's vasculature. These procedures typically result in less pain, fewer complications and shorter hospital stays than open, invasive procedures.

Acquisition

The purpose of completed and future acquisitions is to continue our expansion in the market, and to strengthen our technology position within the IGIT marketplace.

Our strategy of vertical expansion focuses on leveraging our technology, clinical know-how and customer network. This allows us to exercise more control over the complete value chain, and makes us less dependent on external suppliers.

How is the strategy implemented in everyday life

There is a clear ambition to be close to daily clinical practice in order to contribute to better patient safety. Mentice shall be a natural partner for physicians and other healthcare professionals.

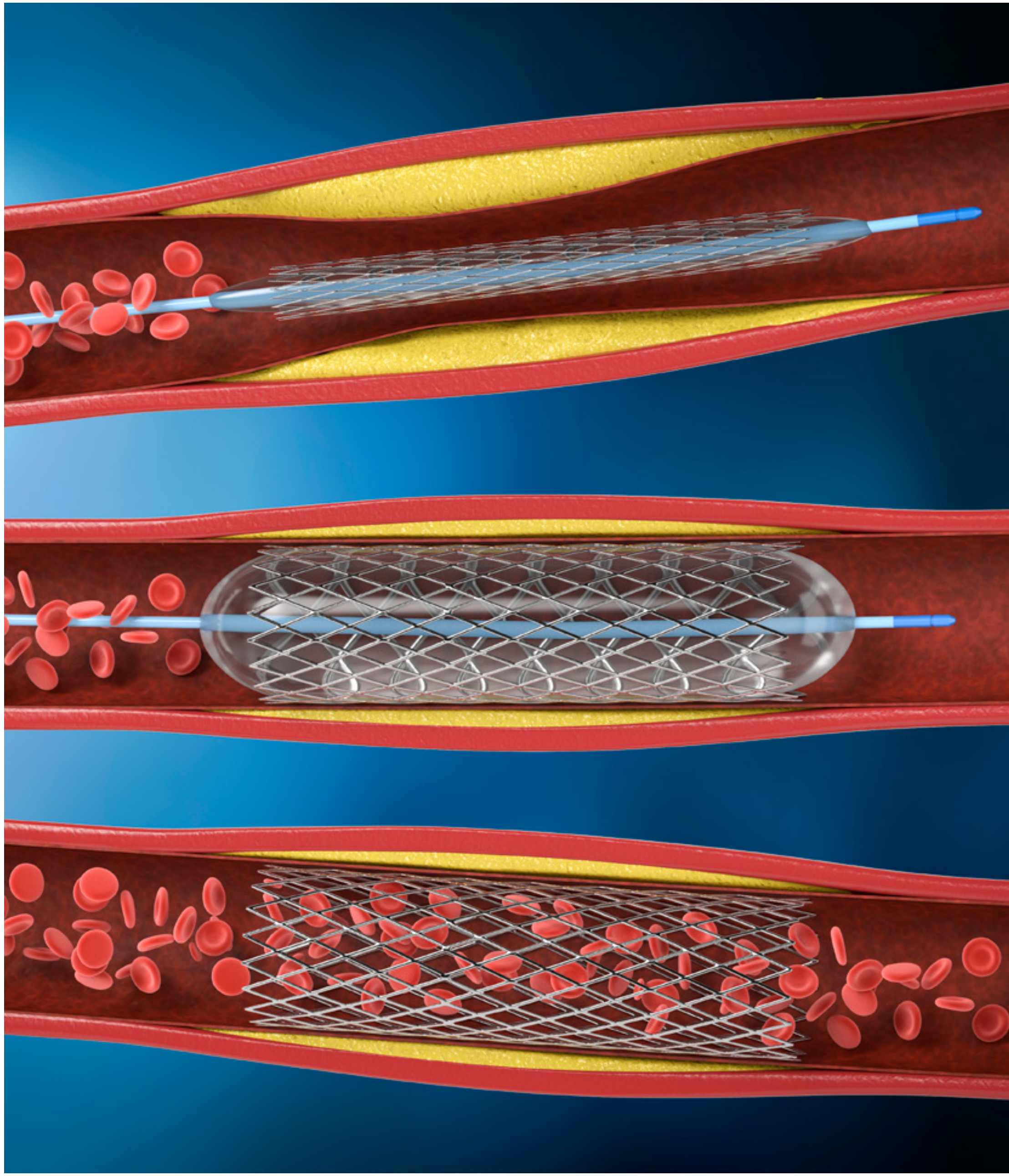
An important business area is the medical device industry (MDI), which will continue to be of the greatest importance for Mentice's development in the IGIT clinical area.

Mentice products will continue to be innovative, sustainable and flexible in an agile manner. Regular product updates and upgrades of sold solutions will continuously boost customer benefits. They also create a vibrant and dynamic environment with opportunities for powerful intergration layers between different product lines, which will contribute to new solutions and increased value for the company's customers and partners. The ambition is to continue to develop unique and innovative products and services that make Mentice a clear frontrunner in the industry. This naturally requires that the company clearly communicates its vision to the market and that a good balance is maintained between new MDI customization projects and increased general product utilization.

Over the next three years Mentice will implement a detailed plan to further improve the company's technology- and product-platform. The plan prioritizes enhanced realism in simulation, and calls for the evaluation of relevant patient specific AI applications.

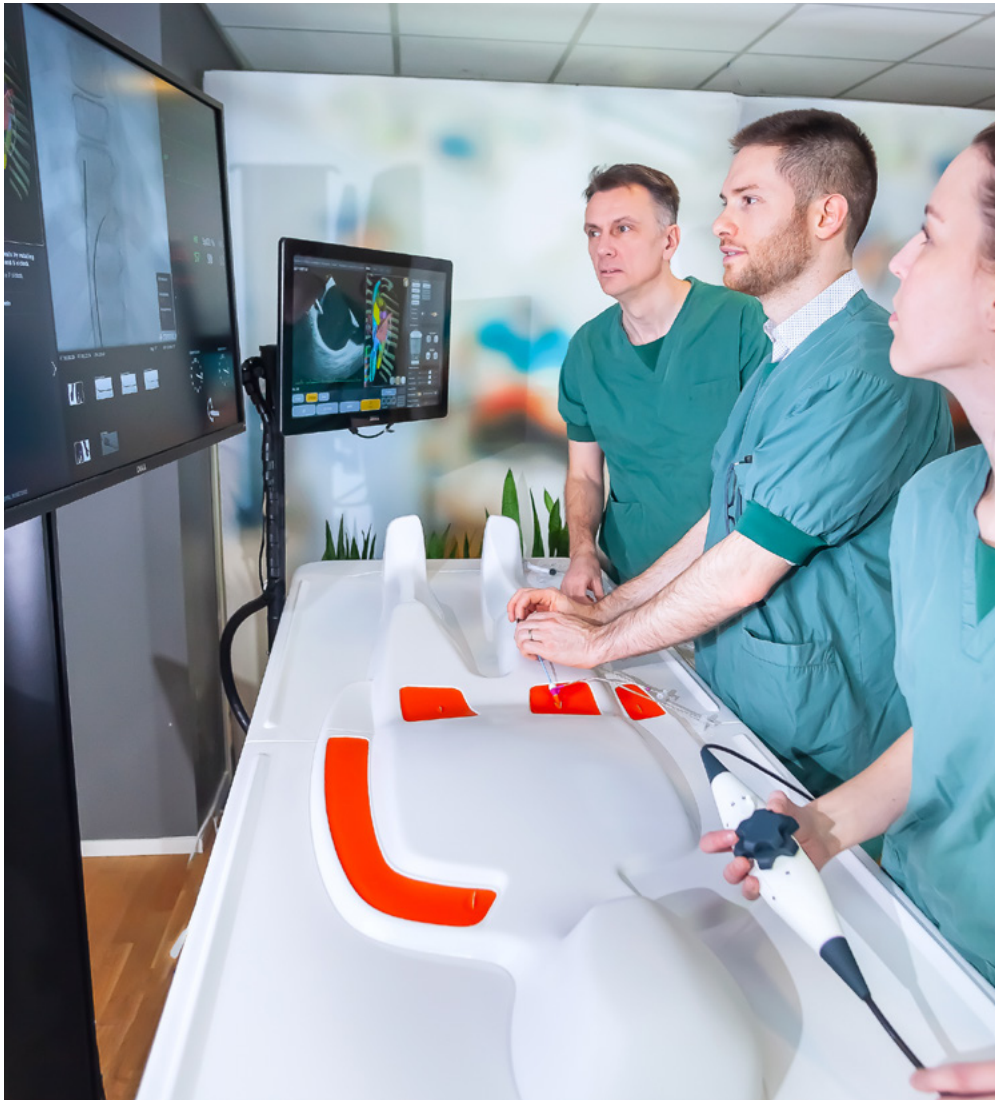
Market and environment

Mentice will also intensify efforts to cooperate with leading industry influencers and decision makers. Additional efforts will also be made to explain how the usefulness of our products can be optimized for our customers in MDI. By continuing to work more closely with our existing and new advisors, as well as our largest and most important customers, Mentice will be able to better understand, develop and position the full value of our offering.



Minimally invasive angioplasty followed by stent placement in a blocked blood vessel.

Mentice position in the market



The macro picture of healthcare in the Western world revolves around a central question: how to deliver better care to more people – with greater efficiency. The development of new treatments combined with rising life expectencies has led to a cost expansion for healthcare. Healthcare currently accounts for around 11–19% of Western GDP and most analysts believe it will rise further. Constantly improving the efficiency and up-take of new technologies and innovation in the health-care system is one of the most effective ways to control costs. The availability of relevant care for each patient is also of great importance.*

Market-leading surgical simulation solutions

Maintaining health and active lifestyles is a global challenge. Meeting this challenge is driving the development of new, innovative treatments for non-communicable conditions such as cardiovascular diseases. Innovative medical technology is opening new treatment possibilities, and optimizing the daily work of healthcare professionals. By using Mentice solutions, healthcare providers and the medical technology industry can effectively acquire, maintain and share knowledge about new and innovative interventional techniques and therapies, while ensuring that each intervention is carried out in the best possible way. An intervention is often complex and involves not only the medical device itself, but also working methods, team communication and the operator's skills and experience.

Physicians need to master different skills such as choosing which medical device (including size selection) best suits the patient, procedure planning, workflow management and procedure performance.

Mentice solutions help physicians become proficient performing procedures and in the use of innovative devices. This in turn means more patients can access minimally invasive procedures, and benefit from the reduced pain and shorter hospital stays they offer. Mentice is in a unique position as the company's solutions are suitable for training environments and real-world cath labs.

A clear win-win

Everyone wins when procedures are performed successfully. For healthcare providers, efficiency means time savings, high capacity utilization of expensive equipment and reduced rehabilitation costs. For patients, it typically means short recovery times and good outcomes. In addition, medical device waste is reduced.

Primarily, the company's various solutions are used by physicians in their mission to save lives. Mentice products help to ensure that more patients have access to the best treatment methods and care at all times.

***VIST® Lab** is a desktop simulation platform that combines realism, ergonomics and high flexibility.*

*Source: World Bank

Supporting physicians

– helping healthcare professionals help patients

Mentice is a leading provider of IGIT* solutions. The company's solutions, which consist of a combination of software and hardware, are scientifically validated and have been developed specifically for healthcare providers and the medical device industry.

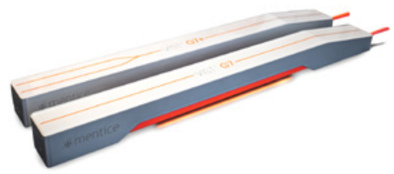
Mentice supports physicians by providing highly realistic yet totally safe simulated training solutions for endovascular procedures.

Physician training and patient safety: part of the Mentice DNA

Unique offering

WIth Mentice solutions, physicians can acquire and master a range of skills in various procedures and with various medical devices. The proficiencies acquired may be related to technical skills, equipment selection and clinical approach for complicated or unusual anatomies, procedure planning, workflow management and/or actual procedure performance.

Mentice has the unique ability to create both virtual and physical models of different patients' unique anatomies, which have natural individual variations, due for example to age, gender and



VIST® G7 and G7+
Mentice immersive VR training equipment for physicians and healthcare professionals

previous health issues. This makes it much easier for plan procedures in detail. For neurovascular treatment of aneurysms, physicians can also benefit from Ankyra, Mentice's aneurysm clinical decision support solution. And to further improve the efficacy of patient-specific planning, existing or third-party imaging data can be imported into Mentice's simulation solutions.

Experience bank – a portfolio of pre-set interventional procedures

Mentice's simulation training solutions include a library of different anatomies, medical devices and clinical scenarios for more than 50 treatment methods. Moreover, simulated training in the cath lab creates an interactive, hands-on experience that helps accustom trainees to the total clinical environment. Access to such simulation training makes it possible for students and physicians in

Mentice provides realistic and fully validated medical simulation solutions to support secure clinical workflows.

smaller hospitals to gain more experience than would be possible with normal patient flow.

Simulation training in an immersive virtual environment provides ideal conditions for handling unforeseen situations, before they occur in real life. This increases the value of being able to practice as realistically as possible.

Cost-effectiveness

Realistic simulation training can be performed when hospital equipment is not being – helping to boost returns on investment. And of course, the faster and safer minimally invasive procedures made possible by simulation training are major cost cutters for health providers.

* Image-Guided Interventional Therapies

Business areas

Mentice operates in three different business areas

NET SALES BY BUSINESS AREA, SEK MILLION

- Medical Device Industry: SEK 215.8 m
- Healthcare systems : SEK 44.0 m
- Strategic Alliances: SEK 13.9 m

Healthcare Systems (HCS)

The HCS business area includes direct and indirect sales to hospitals, with the goal of implementing solutions that assist physicians in their daily clinical practice.

Mentice simulation solutions enable planned and emergency procedures, and patient scenarios with associated complications. Mentice solutions are excellent training tools for hospitals and physicians, reducing the need for on-patient training and improving the ability to offer the most relevant care for each individual patient.

The business area includes initial skill development, continuous professional development, maintenance of skills, planning, training and decision support solutions.

Mentice's continuous goal is to offer solutions for the daily clinical practice before, during and after an interventional procedure, thus contributing to an increased quality of patient care.

Medical Device Industry (MDI)

The MDI business area includes solutions for the world's leading manufacturers of medical devices. Mentice solutions are used by these customers for training, education, sales and marketing as well as to support medical device research.

Medical device companies are constantly developing new, innovative devices and interventional therapeutic areas. Mentice solutions help these companies implent them in clinical workflow practice, helping to make improved therapies available to more patients. Mentice supports its MDI partners throughout complete product lifecycles, from conceptual design through to market launch and sales.

Strategic Alliances (SA)

Mentice solutions – primarily angiography and other imaging modalities such as ultrasound – are integrated with cath lab solutions sold by world-leading companies such as Philips Healthcare and Siemens Healthineers. Wedeliver solutions that cover the entire learning workflow, from basic technical to advanced procedural or use of imaging equipment training.

This integration means that Mentice solutions are an integral part of highly specialized cath labs. It is also an innovative way to support physicians learning different imaging modalities and procedures in an immersive clinical environment. For Mentice, it also creates an additional sales channel directly to many of the world's hospitals.

Product groups

The Mentice product portfolio consists of four different product groups, with immersive VR simulators accounting for the largest share of the company's turnover. The other product groups are: physiological flow systems, online solutions and applications for clinical decision support. The strength of the Mentice product range is that physicians can use a combination of the products to train and prepare for IGIT procedures.

Mentice VIST™ – Immersive VR simulation

This product group, which is the company's largest source of income, focuses on simulating the environment in an operating room both in terms of clinical devices and a virtual replication of patients and anatomies. The haptics-enabled hardware used together with the company's unique software gives users an immersive experience that is as close to a real medical procedure as possible.

By combining anatomically correct models and medical device replication, physicians can train and perform various procedures in a realistic immersive virtual environment. The associated haptics-enabled hardware device lets users train with real medical devices, with tactile feedback providing the high degree of realism so important to the learning experience.

Medical device manufacturing companies can, by using the Mentice platform, offer realistic training for their medical devices and thus offer relevant training safely before physicians treat real patients. The goal is to shorten learning time, reduce learning costs and radically increase patient access to new treatments and overall quality of care.

Physical Sim — Physiological flow simulators

Mentice flow simulators offer the possibility to combine advanced 3D printed models of patient anatomies, where in a flow simulation platform with pulsating and blood-like fluid, complete procedures with real medical devices can be carried out on a cath lab table with x-ray. Simulators can also be used as a standalone desktop trainer. These simulations can be used for very complex and patient-specific anatomies. They can also analyze new products and variants of in-development clinical instruments, thereby contributing to highly realistic complex environments.

Mentice Live – Cloud solutions

Mentice Live is a cloud-based environment where customers' connected simulators can access value-adding services.

These include services for: user management, learning management, e-Learning, remote proctoring, automatic updates and analysis and performance measurement of the procedures performed on the stimulator.

Mentice Live lets users practice and learn in an interactive way, while allowing them to participate in remote sessions via devices such as phones, tablets and computers, thus offering a seamless learning and competence development environment.

Ankyras™ – decision support

Ankyras is Mentice's first medical device-grade software with CE marking and 510(k) FDA approval, currently available in the EU and US markets.

Ankyras offers clinical decision support for the treatment of brain aneurysms. It lets physicians import a patient's anatomy, evaluate various medical device options, and analyze different device placements and treatment strategies.

Ankyras can improve care quality and cost effectiveness by helping physicians make informed decisions based on accurate data before a procedure.

Market

Background

Physical and immersive virtual reality simulations represent a pioneering and innovative practice in the healthcare sector. By combining advanced technology with realistic scenarios, simulation enables an interactive learning experience for physicians and other healthcare professionals.

In a safe physical and virtual simulation environment, users can be trained on various medical procedures and scenarios, from simpler procedures to more complex operations and diagnostic challenges.

The benefits of Mentice solutions are many:

- Safe and risk-free training outside the operating room
- Ability to recreate a realistic training situation
- Adaptation of scenarios to different skill levels
- Ability to try combinations of software, hardware and advanced imaging technologies to offer the highest possible realism

As mentioned above, simulation enables a safe and risk-free training for physicians and other healthcare professionals before performing procedures on patients, which contributes to reduced risk of mistakes and more confident physicians. The risk of negative patient experiences and outcomes can decrease radically due to simulation training. Moreover, simulation training eliminates the risk of radiation exposure.

Simulation training makes it possible to repeatedly rehearse a scenario. This is particularly valuable for rare anatomies, or for acute and unpredictable events, which are of course impossible to train on with live patients.

Another advantage of simulation is the ability to create versatile and customizable scenarios. This makes it possible to train beginners, advanced users and teams on rare and complex medical conditions.

We usually use the comparison with pilots. In aviation, it is perfectly natural to use simulators to train on a new aircraft, new instruments, complex situations or to train after an extended break. Individual patient anatomies are however a much more complex problem.

The simulation can easily be adapted to meet different levels of competence, making it an effective method for continuous training in healthcare. Through a realistic and interactive learning environment, simulation has the potential to improve the quality of initial and continous education, reduce potential risks for patients, and improve the skills of healthcare professionals.

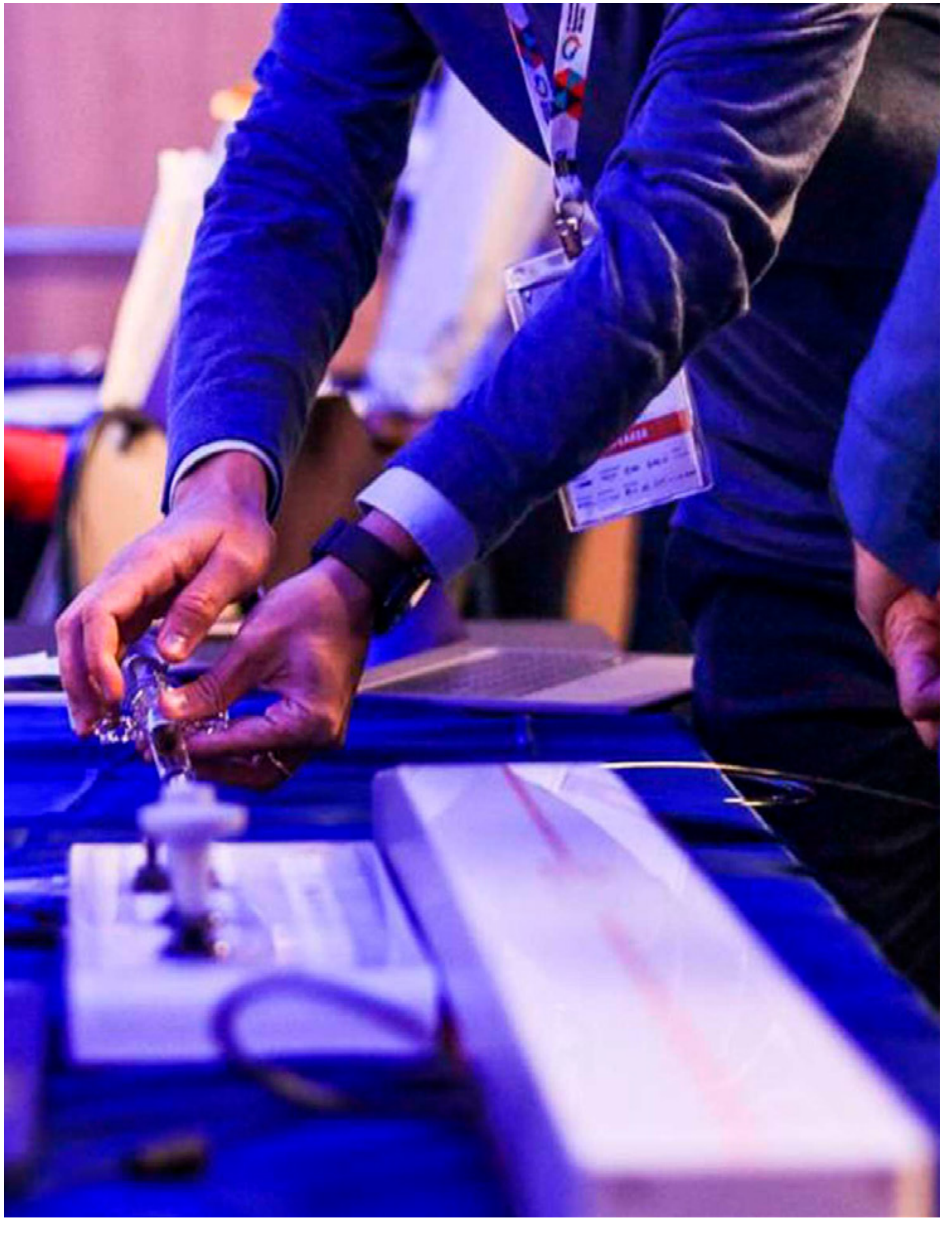
Mentice role in the market

Estimates show that health expenditure in Western countries accounts for around 11–19%* of total GDP. This can partly be explained by the fact that the population is getting older and demanding more care to maintain an active lifestyle, which increases costs compared to previous generations. In addition, it is estimated that about 15% of medical procedures do not always lead to the desired results, with the effect that quality-related costs arise, which also leads to decreased quality of life for patients, higher expenses for healthcare providers and additional burdens on society.

Because there is such intense focus on maximizing the cost effectiveness of healthcare resources, anything that leads to better outcomes, safety and care quality and is significant. Through Mentice's various products and services, more money- and time-saving procedures can be performed.

This represents significant opportunities for a company like Mentice.

*Source: World Bank



Training needs

There is a great demand for regular training for phyiscians and healthcare professionals in various medical procedures. This applies to initial education, continuing education and training for a specific operation or medical device where simulation can help ensure that the quality of care is maintained. It is of great importance to ensure patient safety when performing various procedures.

In comparison with the aviation industry, pilots are required to use simulators regularly for training and skills maintenance. There currently are no global requirements for healthcare professionals to undergo comparable simulation training as a prerequisite for performing procedures.

Market size

Mentice has a share of more than 50 per cent in the USD 40 million simulation training for IGIT market. Through vertical expansion, Mentice continues to expand its IGIT product offering with decision support solutions such as Ankyras, gradually increasing market penetration. The addressable market is estimated at approximately USD 500 million. Mentice's target is an EBITDA margin of 20 per cent over the medium term (three years) with a long-term target of 30 per cent EBITDA. Most of this growth will be organic, while the remainder will be through strategic acquisitions.

Future development

On March 21 2024, Mentice communicated an updated strategic direction and updated its financial targets while clarifying that the company's main ambition is continued growth while gradually improving profitability:

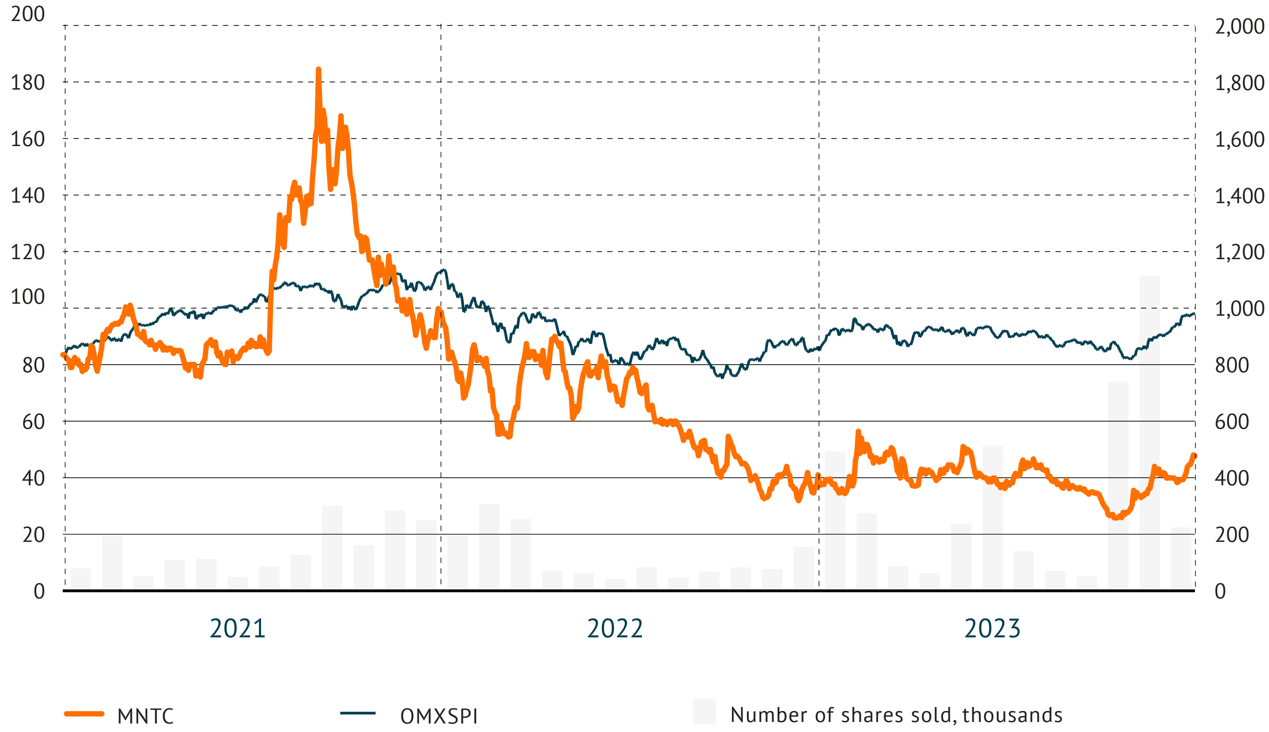
- 20–30 per cent annual growth in Net sales.
- EBITDA margin in the mid-term (three years) of 20 per cent with a longer-term target of 30 per cent EBITDA margin.

The Share

Five reasons to own shares in Mentice AB

- Care and reimbursement systems are evolving and defining new requirements. A rapidly aging population worldwide means there will be increasing demand for cost-effective minimally invasive procedures. IGIT procedures make it possible for the elderly to be treated, as previously open surgery would not possible.
- Mentice is a global player and market leader in high-tech solutions that assist medical technology companies in the development, launch and training of new medical devices for interventional procedures.
- Proven business model with strong operational leverage leading to rapid growth.
- High-quality customer base consisting of more than 600 of the world's leading hospitals and the vast majority of the world's leading medical technology companies worldwide. Strategic partnerships with imaging companies such as Philips and Siemens Healthineers
- Clearly defined and large potential market with high growth.

SHARE PERFORMANCE OVER THE LAST THREE YEARS



SHAREHOLDERS BY COUNTRY, 31 DECEMBER 2023, % OF VOTES

SHAREHOLDER STRUCTURE 31 DECEMBER 2023

Size class	Number of known owners	Number of shares	Holdings (%)
1–500	1,474	18,3317	0.72
501–1,000	151	120,425	0.47
1,001–5,000	157	354,644	1.39
5,001–10,000	20	141,679	0.55
10,001–15,000	5	65,095	0.25
15,001–20,000	5	89,348	0.35
20,001–	29	21,740,786	85.18
Unknown holding size	0	2,873,556	11.09
Total	**1,841**	**25,568,850**	**100**

MENTICE LARGEST OWNER, 31 DECEMBER 2023

Shareholders	Number of shares	Share of votes and capital (%)
Karin Howell-Bidermann	8,690,980	33.99
Bure Equity AB (publ)	3,761,659	14.71
Fjärde AP fonden	1,768,774	6.92
Gulf Offshore Limited	1,328,308	5.20
Medical Simulation Corporation	1,191,074	4.81
Handelsbanken Fonder	1,025,000	4.01
Berenberg Funds	841,371	3.29
TIN Fonder	812,847	3.18
Göran Malmberg	711,670	2.78
Andra AP Fonden	446,620	1.75
10 largest shareholders in total	20,578,303	80.63
Other	4,990,547	19.37
Total	**25,568,850**	**100.00**

SHARE CAPITAL

Only one class of shares exists, all shares have the same right. As of December 31, 2023, the registered share capital comprised 25,568,850 ordinary shares with a value of SEK 0.05 per ordinary share. Holders of ordinary shares are entitled to dividends determined gradually and the shareholding carries the right to vote at the general meeting with one vote per share.

SHARE DATA

Price related stock data	2023	2022
Year-end share price (last price paid), SEK	47.7	37.8
Highest share price during the year (payment price), SEK	57.2	97.6
Lowest share price during the year (paying price), SEK	25.1	31.3
Market capitalization at year-end, MSEK	1,220	967
P/E	0.00	–0.03
Distribution yield, %	0	0
Data per share		
Earnings before depreciation (EBITDA)	0.95	–0.16
Operating profit (EBIT)	–0.00	–0.95
Profit for the year	–0.11	–1.22
Equity	6.22	6.45
Cash flow from operating activities	1.43	0.59
Cash flow for the year	0.52	1.24
Proposed dividend	0	0
Number of ordinary shares outstanding		
Weighted number	25,568,850	25,210,608
End of year	25,568,850	25,568,850

Sustainability in Mentice

At a global and socio-economic level, Mentice's activities are important given that its products generate significant cost savings for publicly funded health-care. In addition, the company's products and services reduce human suffering by allowing different surgical procedures to be performed with a higher success rate. This is attributed to the simulator training that doctors and healthcare professionals can perform with the various products and services that Mentice offers to the market.

How do you deliver better care to more people but at a lower cost? Today, healthcare accounts for around 11–19*% of Western GDP and most analysts believe it will rise further.

By using Mentice products, healthcare providers and the medical device industry can effectively acquire, maintain and share knowledge about new and innovative procedures and therapies while ensuring that each intervention is performed in the best possible way.

Ultimately, everyone benefits from successful implementation of medical treatments. A satisfied patient who does not need to re-enter treatment improves quality of life and reduces rehabilitation costs. Heathcare providers can save time when using expensive equipment and reduce uses consumables such as catheters and the like.

Mentice way forward

In the strong development phase that has characterized the business in Mentice in recent years, work on product development, customer care and strategic collaborations has been a top priority.

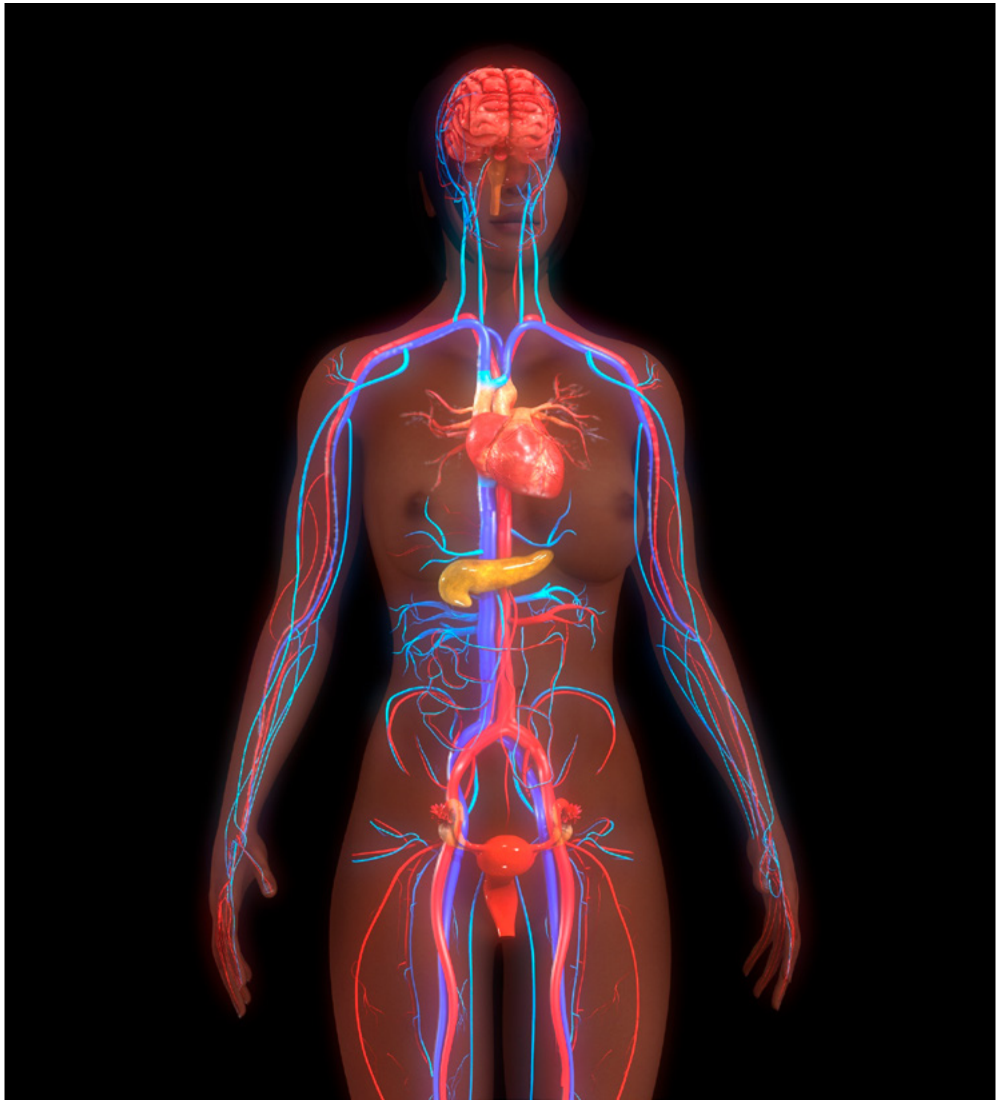
The business and business strategy built up is based on Mentice being both long-term and sustainable. Such as earnings, environmental characteristics and issues related to the company's governance and management.

The business and business strategy built up is based on Mentice being both long-term and sustainable

For the board and management of Mentice, it goes without saying that issues related to sustainability are very important, which is why work has begun in recent years to future-proof the company's sustainability work.

This has resulted in a sustainability framework consisting of four pillars: Health, People, Climate Impact and Responsible Business.

The choice of these areas is based on their importance for society as a whole. They are also chosen based on our ability to influence and thereby create improvements that can contribute to an improved situation within the framework of our business.



*Source: World Bank

FOCUS AREA HEALTH

Area	**Improving treatment outcomes for cardiovascular diseases**	**Reduced differences in treatment methods**	**Access to the most advanced treatment technologies also in rural areas and developing countries**	**Personalized treatment for better results**
SDGs	3 GOD HÄLSA OCH VÄLBEFINNANDE 10 MINSKAD OJÄMLIKHET			
Mentice perspective	**Risk minimization and training** Using virtual simulations gives physicians the opportunity to practice and improve their skills in a risk-free environment before performing real procedures on patients. This can reduce the risk of complications and errors during real procedures.	**Standardized training** By offering virtual training, healthcare facilities and educational institutions can standardize and ensure that all doctors and healthcare professionals receive the same high-quality training. This can help create a common basis for knowledge and skills, which in turn can reduce variations in the application of treatment methods	**Distance learning** Virtual simulations enable distance learning, allowing healthcare professionals in remote or resource-poor areas to access education and training without having to physically attend medical institutions. This can be particularly important for increasing the skills of health professionals in rural areas and areas where educational resources are limited.	**Adaptation to individual patient cases** Each patient is unique, and virtual simulations allow physicians to customize their treatment methods and strategies based on individual patient cases. This can lead to more tailored and effective treatment plans
Action plan	See ""Work in the coming years", page 22.			

FOCUS AREA PEOPLE

Area	Diversity and equality	Inspiring and developing workplace	Ergonomic approach to products	Skills supply
SDGs				
Mentice perspective	**Innovation** Diversity in the workforce means a broader set of experiences, perspectives and ideas. This can lead to increased creativity and innovation as different backgrounds and mindsets can provide different solutions to problems	**Corporate culture** An inclusive company culture, where all employees feel welcome and respected, creates a positive work environment. This can increase staff motivation and engagement, which in turn can lead to higher productivity and better results.	**Increases adaptability** Ergonomic solutions often focus on flexibility and adaptation to meet different needs. By creating an adaptable, ergonomic and flexible product that is easy to use, customers can better handle different situations.	**Recruitment and retention of talent** Companies that actively promote diversity and equality usually find it easier to attract and retain talent. People often look for workplaces that value and promote diversity, and companies that manage to create an inclusive environment thus have a competitive advantage in the labour market.
Action plan	See ”Work in the coming years”, page 22.			

COMPILATION OF CURRENT STATISTICS ON EMPLOYEES AND GENDER EQUALITY.

Employees	
Female	33
Male	89

Managers	
Women	3
Men	16

FOCUS AREA CLIMATE IMPACT

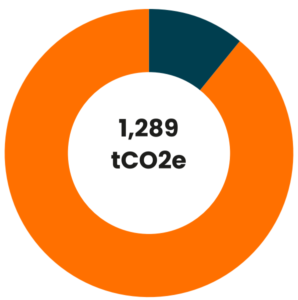
Area	**Less need for travel for patients**	**Zero CO2 emissions**	**Reducing CO2 impact throughout the value chain**
SDGs			
Mentice perspective	**More efficient logistics** Providing distance learning reduces the carbon footprint of travel	**Clear focus** Mapping is ongoing, but the conditions for Mentice operations to be considered climate neutral are good	**See the entire value chain** • By imposing new and stricter requirements on the company's subcontractors, the climate impact will be reduced at all stages • Product development towards lighter equipment that will require fewer resources in manufacturing and transport
Outcome 2023			

The names Scope 1, 2 and 3 are derived from a framework used to measure companies' greenhouse gas emissions. Originating from the 2001 Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol (GHG Protocol), the framework is now a standard for measuring and managing greenhouse gas emissions around the world in both the private and public sectors.

Mentice reports as follows

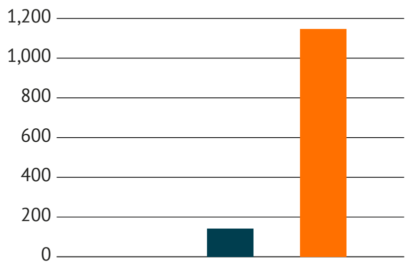
- Scope 1 (direct emissions) includes emissions from sources that Mentice directly controls, such as its own production facilities.
- Scope 2 (indirect emissions) refers to emissions from energy that Mentice purchases for its own operations, such as electricity and district heating.
- Scope 3 relates to indirect emissions that Mentice does not directly control, but still causes, and is often divided into upstream and downstream emissions, depending on where in the value chain the emissions take place.

TOTAL EMISSIONS (%) BREAKDOWN BY SCOPE



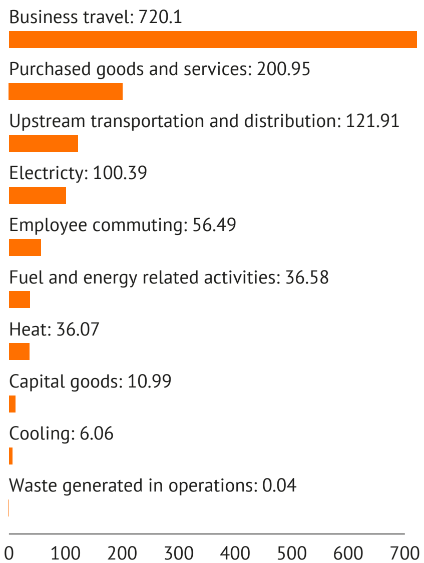
- Scope 1: 0.0%
- Scope 2: 11.0%
- Scope 3: 89.0%

TOTAL EMISSIONS (tCO2e) BREAKDOWN BY SCOPE



- Scope 1: 0.00
- Scope 2: 142.51
- Scope 3: 1,147.77

TOTAL EMISSIONS (tCO2e) BREAKDOWN BY CATEGORY



FOCUS AREA RESPONSIBLE BUSINESS

Area	**Business with high ethical ambitions**
SDGs	
Mentice perspective	**Ethics in our DNA** Mentice strives to operate in a manner that is socially, environmentally and morally responsible. It is about integrating sustainable and fair principles into business decisions and practical action. By having ethically high ambitions, the company creates a positive impact on society, builds trust among customers and stakeholders and contributes to long-term sustainability and success. Ethical business principles can also create a differentiating factor in the market and attract customers and talent who share the same values.
Action plan	See ""Work in the coming years", page 22.

Quality culture

Mentice develops and sells systems for medical simulation, mainly in endovascular procedures and equipment for operating theatres and training centers. This means that the majority of the company's products contribute directly or indirectly to public health.

Product quality is important to ensure patient well-being. Regulatory compliance for all products is a requirement in the highly regulated healthcare industry as well as the medical technology industry.

MENTICE COMMITMENT

- Ensure product quality and compliance
- Continuously improve products, services and processes
- Improve offerings through customer insights and innovation

Work in the coming years

2023
For the fiscal year 2023, a compilation of CO2 emissions Scope 1 and 2 is presented for the first time as a consequence of internal system support being acquired to collect, categorize and report data from sources that have a high degree of detail and are therefore credible.

2024
In 2024, a sustainability strategy will be developed based on a methodological work that includes current situation analysis, stakeholder analysis and double materiality analysis. The work will be carried out through several workshops, both internally and together with key stakeholders. The goal is for the Board to establish a long-term sustainability strategy with global sustainability goals and, as far as possible, company-specific sustainability goals/KPIs, with suggestions for activities and how to implement it.

2025
Present a strategy that results in climate neutral operations.

2026
Reporting sustainability according to the Corporate Sustainability Reporting Directive

Mentice is committed to integrating sustainability into all aspects of our business. We know that it is a journey and that it takes perseverance and commitment. By continuing to work according to our sustainability framework, we strive to create a more sustainable future for our company, our stakeholders and society at large.

Risk

Exposure to risks is a natural part of a business. Risk management aims to identify risks and prevent risks from arising and to limit any damage from these risks.

Mentice categorizes its risks as financial, economic, market and external risks, operational and sustainability risks. Below are the risks identified by the company and how they can be counteracted.

FINANCIAL RISKS

Risk area	Description	Mitigating factors
Currency risk	Mentice operates internationally and is exposed to currency risks from various currency exposures, notably EUR and USD.	Revenue and expenses in foreign currencies can be hedged in accordance with the Group's financial policy.
Funding risk	the risk that the Group does not have the right capital structure or obtain financing for its activities;	There is a clear strategy for the company's core business to generate positive cash flow.
Liquidity risk	the risk that the Group will default due to insufficient liquidity or difficulties in obtaining credit from external creditors;	The company must ensure that a certain level of liquidity is available at all times.
Interest rate risk	The Group's interest rate risk arises from short- and long-term borrowings where a substantially increased interest rate may affect the Group's earnings and position.	Mentice has a low debt.
Credit risk	Credit risk arises from cash and balances with banks and credit institutions, as well as credit exposures including outstanding claims and contractual transactions.	The Group's accounts receivable are spread over a large number of customers and historically credit losses have been low. Trade receivables can be secured by credit insurance or by using various types of document management, such as letters of credit. Cash and cash equivalents are only invested in credit institutions with a high credit rating.

ECONOMIC ACTIVITY, MARKET AND EXTERNAL RISKS

Risk area	Description	Mitigating factors
Global market and macroeconomic risks	Mentice operates in an international market partly driven by macroeconomic factors.	The business focuses on markets in Asia, the United States and Europe/ Middle East, which implies a spread of geographic market risk.
Legal and political risks	Mentice operates in various jurisdictions and is subject to local rules and laws. Changes in regulations and laws may affect the Group's operations.	Dispersion in geographic markets in which Mentice operates reduces the impact of legal and political risks on a single market.
Supply chain disruptions and geopolitical conflicts	Mentice relies on third-party suppliers for standardized simulator manufacturing and on its customers for manufacturing products with integrated Mentice solutions. Supply chain disruptions and geopolitical conflicts, particularly concerning China and Taiwan, may hamper the production of medical devices and simulators. The recent shortage of semiconductors has shown that even many non-cyclical companies can be affected by such problems.	Diversification of component production can reduce this risk in the medium to long term.
Threat of recession	The medical technology and healthcare industries relatively non-cyclical. Although we believe that a looming recession would not affect Mentices' recurring revenues, growth could be negatively impacted if customers choose to reduce their R&D and CAPEX budgets to develop new medical devices and purchase new simulators.	The business focuses on markets in Asia, the United States and Europe /Middle East, which implies a spread of geographic market risk. The company offers a solution that can be demanded regardless of the economic situation.
Customers develop their own solutions or buy from a competitor	Mentice is the leading provider of endovascular simulation hardware and software. Competitors such as CAE Healthcare and Surgical Science exist. Larger customers have the ability to develop their own simulation solutions. Although the risk of losing significant customers can be low, the consequences can be serious.	Mentice is a growing player in IGIT performance solutions with clear opportunities for cross-selling and the ability to benefit from its current customer relationships.

OPERATIONAL RISKS

Risk area	Description	Mitigating factors
IT-related risks	Mentice relies on IT systems and hardware to conduct its business. Outages in these systems or hardware entail a risk of disruption in production and the ability to complete deliveries to customers on time. Risk of unauthorized access to the systems.	Mentice constantly reviews its IT environment and strives for an IT environment that can quickly handle disruptions. The Group has established procedures regarding information security and monitoring and control processes.
Customer dependency	A few customers account for a large share of turnover and earnings.	Mentice is constantly working to reach new customers in all customer segments and geographical areas.

SUSTAINABILITY RISKS

Risk area	Description	Mitigating factors
Organisation and skills supply	Mentice depends on being able to attract, recruit and retain the right employees. The risk of not being perceived as an attractive employer can affect this negatively. Lack of employee engagement can have a direct negative impact on the company's brand, position and earnings.	Communication of the Group's operations and core values can facilitate recruitment. By being a larger and international group at the forefront of development, conditions exist for development in different parts of the business.
Lack of safety and health	Work environment, health and safety are strategically important to Mentice. Shortcomings in work in these areas can lead to increased risk of ill health.	Mentice works constantly to monitor and strengthen the work environment through surveys and active dialog.
Corruption and competition law	Corruption occurs in all countries and sectors, but to varying degrees. Mentice risks getting involved in non-ethical business.	Mentice has a Code of Conduct that every employee receives training in annually and commits to comply with in order to counter corruption.
Inequality, diversity and discrimination	Mentice industry is relatively gender equal, although there are geographical differences.	Mentice has policies and guidelines regarding equality and diversity and discrimination that all employees are trained in annually and commit to follow in order to prevent discrimination.

Corporate governance report

Corporate governance

Mentice is a Swedish public limited company. Mentice corporate governance is governed by the Companies Act and other applicable laws and regulations, as well as internal governance documents. With the listing on Nasdaq First North Premier Growth market, the Company follows the Nasdaq First North Nordic Rule book and applies the Swedish Code of Corporate Governance (the "Code"). Nasdaq First North Premier Growth Market is not a regulated market but application of the Code is a formal listing requirement imposed by the trading platform.

A share-based incentive program for the employees was implemented in May 2019 that complies with the Code. The warrant program 2019/2024 consists of 1,429,922 warrants where each warrant gives the right to, in April 2024, subscribe for one new share at a price of SEK 66.50. A premium has been paid corresponding to the market value of the warrant calculated using the Black & Sholes formula. As the market value has been paid, there was no effect on the company's performance for the period or on its financial position.

Ownership structure

According to Monitor's shareholder register, Mentice AB (publ) had 1,841 shareholders on December 31, 2023, an increase of 10.3% compared to the previous year. Mentice AB's (publ) ten largest owners as of December 31, 2023 are listed below:

MENTICE LARGEST SHAREHOLDERS, 31 DECEMBER 2023

Shareholders	Number of shares	Share of votes and capital (%)
Karin Howell-Bidermann	8,690,980	33.99
Bure Equity AB (publ)	3,761,659	14.71
Fjärde AP fonden	1,768,774	6.92
Gulf Offshore Limited	1,328,308	5.20
Medical Simulation Corporation	1,191,074	4.81
Handelsbanken Fonder	1,025,000	4.01
Berenberg Funds	841,371	3.29
TIN Fonder	812,847	3.18
Göran Malmberg	711,670	2.78
Andra AP Fonden	446,620	1.75
10 largest shareholders in total	20,578,303	80.63
Others	4,990,547	19.37
Total	**25,568,850**	**100.00**

Annual General Meeting

According to the Swedish Companies Act (2005:551), the general meeting is the company's highest decision-making body. At General Meetings, shareholders exercise their voting rights on major issues, such as amendments to the Articles of Association, election of the Board of Directors and auditors, adoption of the income statement and balance sheet, discharge of the Board of Directors and the Chief Executive Officer from liability, and appropriation of profits or losses as proposed by the Board of Directors. The annual general meeting must be held within six months of the end of the financial year. In addition to the annual general meeting, an extraordinary general meeting can be called. According to the articles of association, notice of a general meeting is given by advertising in Post- och Inrikes Tidningar and by making the notice available on the company's website. A notice will be published in Dagens Industri at the same time.

In order to attend and vote at a general meeting, either in person or by proxy, shareholders must be entered in the share register maintained by Euroclear Sweden AB six banking days before the meeting, and must notify the company no later than the date stated in the notice of the meeting. This day may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and may not fall earlier than the fifth weekday before the general meeting. Shareholders who wish to have a matter considered at the General Meeting must send a written request to the Board of Directors. The request should normally be received by the Board no later than seven weeks before the General Meeting. No extraordinary general meetings were held in 2023.

Annual General Meeting 2023

The last AGM was held on May 11, 2023 through a meeting at the seat in Gothenburg. At the meeting, it was decided to re-elect the board members Lawrence D. Howell, Denis Gestin, Gösta Johannesson, David J. Ballard, Eola Änggård Runsten, Johann Koss and Magnus Nilsson. Magnus Nilsson was re-elected as Chairman of the Board. It was resolved that a total of SEK 1,330,000 shall be paid to the Board of Directors, of which SEK 100,000 shall be paid to Johan Koss, SEK 170,000 each shall be paid to Gösta Johannesson, Eola Änggård Runsten, David J. Ballard and Denis Gestin, and that SEK 360,000 shall be paid to Magnus Nilsson. It was also decided that the fee for the Audit Committee is SEK 40,000 for the Chairman and SEK 20,000 per member and that the fee for the Remuneration Committee is SEK 40,000 for the Chairman and SEK 20,000 per member. The proposal that no dividend be paid for the financial year 2022 was approved. It was also decided to authorize the Board of Directors to decide on one or more occasions to issue a maximum of 2,556,885 new shares, corresponding to approximately 10 percent of the total number of shares and votes in the company.

Annual General Meeting 2024

The Annual General Meeting will be held on Thursday, May 23, 2024 at 10.00 am at Mentice AB, Odinsgatan 10 in Gothenburg. Shareholders who wish to attend the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB on Wednesday, May 15, 2024.

Nomination Committee

According to the Code, the Company shall have a nomination committee whose tasks shall include preparing and drafting proposals for the election of board members, the chairman of the board, the chairman of the general meeting and auditors. The nomination committee shall also propose remuneration for board members and auditors and, where appropriate, procedural rules for the next nomination committee. At the Annual General Meeting on April 17, 2019, it was decided to adopt instructions and rules of procedure for the Nomination Committee, according to which the Nomination Committee shall consist of the Chairman of the Board and three members representing the three largest shareholders in terms of votes at the end of the third quarter of each year. For the year 2023 these are Lawrence D. Howell representing Karin Howell-Bidermann as the largest owner, Sophie Hagströmer representing Bure and Magnus Nilsson who took over as Chairman of the Board from December 30, 2022. The composition of the Nomination Committee has been published on the website at least six months before the AGM.

Remuneration Committee

At the inaugural board meeting on May 11, 2023, the board of directors of Mentice has appointed a remuneration committee, which prepares proposals regarding remuneration issues. The responsibilities of the Remuneration Committee are defined in the Board's Rules of Procedure and the Remuneration Committee's instructions. The Remuneration Committee consists of three board members: Magnus Nilsson (Chairman of the Remuneration Committee), Denis Gestin and Gösta Johannesson.

Audit Committee

At the inaugural board meeting on May 11, 2023, the board of directors of Mentice has appointed an audit committee. The responsibilities of the audit committee are defined in its rules of procedure and instructions. The purpose of the Audit Committee's work is to assist the Board of Directors of Mentice in matters relating to financial reporting, auditing and risk management. The Audit Committee is a preparatory body and the Board has overall responsibility for audit-related matters. The audit committee consists of three board members: Eola Änggård Runsten (Chair of the Audit Committee), David J. Ballard and Magnus Nilsson.

The audit committee shall in particular monitor (i) the audit of the annual report and the consolidated financial statements, (ii) related party transactions, significant accounting principles and significant correspondence between the company's auditors and management, (iii) the effectiveness of the company's internal control over financial reporting, (iv) the company's procedures regarding remarks concerning the company's accounting, internal control and auditing, (v) the audit work in terms of scope, focus and quality, including follow-up of the completed audit, (vi) budgeted and actual audit costs, (vii) the auditors' recommendations, conclusions, observations and proposals following the audit, (viii) the auditor's impartiality and independence, paying particular attention to whether the auditor provides the company with services other than auditing services, and (ix) assisting in the preparation of proposals for the general meeting's decision on the election of auditors.

Board of Directors

The Board of Directors is the company's highest decision-making body after the Annual General Meeting. According to the Swedish Companies Act, the board of directors is responsible for the company's organization and the management of the company's affairs, which means that the board of directors is, among other things, responsible for establishing goals and strategies, ensuring procedures and systems for evaluating established goals, continuously evaluating the company's results and financial position and evaluating the operational management. The Board is also responsible for ensuring that correct information is provided to the company's shareholders, that the company complies with laws and regulations and that the company develops and implements internal policies and ethical guidelines. The Board is also responsible for ensuring the timely preparation of the annual and interim reports.

In addition, the Board of Directors appoints the company's CEO. Board members are elected annually at the AGM for the period until the next AGM is held. According to the company's articles of association, the board of directors shall consist of a minimum of three and a maximum of ten members without deputies. The Board of Directors currently consists of seven ordinary members, elected by the General Meeting, who are presented in the section "Board of Directors", on pages 29 and 30. According to the Code, the chairman of the board is elected by the general meeting. The role of the Chair of the Board is to lead the work of the Board and to ensure that the work of the Board is carried out effectively and that the Board meets its obligations. The board follows written rules of procedure, which are reviewed annually and adopted at the inaugural board meeting. The rules of procedure regulate, among other things, the board's working methods, tasks, decision-making procedures within the company's board, meeting procedures, the chairman's tasks and the division of tasks between the board and the CEO. Instructions regarding financial reporting and instructions to the CEO are also established in connection with the inaugural board meeting. The Board's work is also conducted on the basis of an annual agenda, which meets the Board's information needs. In addition to the Board meetings, the Chairman of the Board and the CEO have an ongoing dialog on the management of the company.

The work of the Board

The Board meets according to a pre-agreed annual schedule and, in addition to the statutory Board meeting after the AGM, shall hold at least six ordinary Board meetings between each AGM. In addition to these meetings, extraordinary meetings can be arranged to deal with issues that cannot be referred to one of the regular meetings.

The meeting normally takes place in person at the Mentice headquarters in Gothenburg. If it is preferable for practical reasons, meetings are held digitally or in special cases per capsulam.

The Chairperson leads and organizes the work of the Board and prior to each meeting, a draft agenda and supporting documents for the items to be discussed at the meeting are sent out. The draft agenda is prepared by the Chief Executive Officer in consultation with the Chair. Matters presented to the Board are for information, discussion and decision. Decisions are taken only after discussion and after all members present have been given the opportunity to speak. Open questions are followed up on a regular basis. One of this year's meetings was specifically dedicated to strategic issues. Policies essential to the company's governance are reviewed annually and decided at the inaugural board meeting.

At most meetings, the board chooses to discuss separately as a final item without management present.

The Board evaluated its work in the fall of 2023, with a self-assessment in which each member rated a large number of statements about the role and function of the Board, Board meetings, Board materials, Board members, the Chair of the Board and the Chief Executive Officer. The responses were compiled by an independent third party and compared with a benchmark index of listed companies in the Nordic region. The evaluation is the basis for continuous development of the Board's work and the next evaluation will take place in 2025.

COMPOSITION OF THE MANAGEMENT BOARD

Name	Function	Independence	Attendance at meetings
Magnus Nilsson	The President	Yes	10/10
Lawrence Howell	Member	No[1]	10/10
Gösta Johannesson	Member	No[1]	10/10
David J Ballard	Member	Yes	10/10
Eola Änggård Runsten	Member	Yes	10/10
Denis Gestin	Member	Yes	10/10
Johann Koss	Member	Yes	9/10

1) Dependence in relation to major shareholders.

COMPOSITION OF THE REMUNERATION COMMITTEE

Name	Function	Independence	Attendance at meetings
Magnus Nilsson	The President	Yes	4/4
Gösta Johannesson	Member	No[1]	4/4
Denis Gestin	Member	Yes	4/4

1) Dependence in relation to major shareholders.

COMPOSITION OF THE AUDIT COMMITTEE

Name	Function	Independence	Attendance at meetings
Eola Änggård Runsten	The President	Yes	6/6
Magnus Nilsson	Member[1]	Yes	3/3
David J Ballard	Member	Yes	6/6
Johann Koss	Member[2]	Yes	3/3

1) From June 2023
2) Until June 2023

Group Management and Chief Executive Officer

For personal information on the members of the Executive Board, including shareholdings, see the Annual Report, pages 31 and 32, and the company's website (www.mentice.com). Mentice group management consists of 8 members including the CEO who have expertise and experience in research and development, quality assurance, marketing, production and sales of medical simulation equipment.

The Group Management meets once a month.

The Chief Executive Officer is subordinate to the Board of Directors and is responsible for the day-to-day management and operation of the company. The division of tasks between the Board and the Executive Director is set out in the Rules of Procedure for the Board and the Instructions for the CEO. The CEO is also responsible for preparing reports and compiling information for Board meetings and presents the material at Board meetings together with the CFO.

External audit

The company's auditor is appointed by the AGM for the period until the end of the next AGM. The auditor examines the annual report and accounts and the management of the Board of Directors and the CEO. The auditor shall submit an audit report to the general meeting after each financial year. Each year, the company's auditor reports to the board of directors its observations from the audit and its assessment of the company's internal control. At the annual general meeting on May 11, 2023, KPMG AB was re-elected as the company's auditor with Johan Kratz as auditor in charge. The AGM also decided that the auditor's fees should be paid in accordance with the usual charging standards and approved invoices. The total fee to the auditor amounted to SEK 1,350 thousand (1,661) for the financial year 2023, which related entirely to the audit assignment.

Internal control

The overall purpose of internal control is to contribute to the implementation of the company's strategies and objectives and to ensure that the financial reporting is prepared in accordance with the law, applicable accounting standards and other requirements for listed companies. The Board's responsibility for internal control is governed by the Swedish Companies Act, the Swedish Annual Accounts Act and the Code. The Board's rules of procedure, the instructions for the CEO and the instructions for financial reporting, all of which have been adopted by the Board, specify the division of roles and responsibilities in order to contribute to the effective management of the company's risks. The board of directors is also responsible for monitoring the company's financial position, for monitoring the effectiveness of the company's internal control and risk management, for keeping itself informed about the audit of the annual accounts and consolidated accounts, and for reviewing and monitoring the auditor's impartiality and independence. In addition to the above-mentioned controls, the company also carries out ongoing quality control of suppliers and partners to ensure that they meet the requirements that the company imposes on them. Ongoing risk assessments are conducted in the context of strategic planning, forecasting and specific risk sessions to identify, quantify and address how the identified risks can be managed and, where possible, mitigated. The presentation of identified risks shall be presented to the Board at least once a year.

In early 2021, the company received its certificate of approved ISO 9001 certification. The company has developed and implemented a quality management system in order to improve its overall performance, maintain a high level of quality and customer service and provide a solid foundation for sustainable development initiatives.

Board and management

BOARD OF DIRECTORS

Magnus Nilsson
Chairman of the Board Chairman of the Remuneration Committee

Born in 1956. Doctor of Medical Science from Uppsala University. Currently senior advisor at XVIVO Perfusion Inc.

Elected to the Board: 2022

Other directorships in listed companies: board member of Cantargia AB and Corline AB. Former CEO of Xvivo Perfursion AB, CEO of Vitrolife AB and board member of the listed companies Immunicum AB and Dignitana AB.

Shares and options: The shareholding in Mentice is 10,000 shares.

Independence: Independent in relation to the company, its management and major shareholders.

Lawrence D. Howell
Board member

Born in 1953. Law degree from the University of Virginia Law School, Bachelor of Arts in History from the University of Virginia. Member of the Virginia State Bar Association. Lawrence D. Howell ("Lonnie") has more than 40 years of experience in financial services and private banking. He is one of the founders of EFG International (EFGI) and was its Executive Director until June 28, 2011. Before EFGI, he worked as Head of Americas at Coutts & Co. International Private Banking from 1989 to 1995 where he was responsible for all clients domiciled in the Americas, as well as all Coutts & Co. offices in the US, Bahamas, Bermuda, Cayman and Latin America. Prior to that, he was in Zurich as head of Coutts & Co. in the Americas and Asia. From 1986 to 1989 he was Vice President responsible for Swiss super high-net-worth clients at Citibank Switzerland. From 1985 to 1986 he worked at McKinsey & Co. Lonnie was Chief of Staff to the Head of Private Banking for Europe, Middle East and Africa at Citibank from 1981 to 1984. He began his career as in-house legal counsel at Citibank from 1978 to 1981.

Elected to the Board: 2012

Shares and options: The shareholding in Mentice is 8,690,980 shares held by the spouse Karin Howell-Bidermann and 54 000 shares through the wholly owned subsidiary Gulf Offshore Limited.

Independence: Independent in relation to the company and its management, but not in relation to a major shareholder.

Eola Änggård Runsten
Board member Chairman of the Audit Committee

Born in 1965. Master's degree in business administration from the Stockholm School of Economics. Currently senior management consultant at Eola Advisory AB.

Elected to the Board: 2020

Other directorships: Board member of Yubico AB, Sdiptech AB, ILT Inläsningstjänst AB, Caybon Holding AB, ACQ Bure and DIB Services. Previous positions include CFO at AcadeMedia AB (publ), various senior positions at EQT and other positions within SEB, Affibody AB, Alfred Berg and Handelsbanken.

Shares and options: The shareholding in Mentice is 2,400 shares.

Independence: Independent in relation to the company, its management and major shareholders.

Johann Koss
Member of the Board

Born in 1968. MBBS degree from the University of Queensland. MBA degree from Joseph. L. Rotman School of Management at the University of Toronto. Founder of the Canada-based international humanitarian organization Right To Play.

Elected to the Board: 2015

Other board assignments: Board member of FOXWAY, Sweden, Right To Play International – a non-profit organization in Canada, FairSport – a non-profit organization in the USA, Q-bic, Norway, FireA, CircMar, Norway and Masterment, Norway. Johann is internationally recognized as a social entrepreneur and has received several awards for his philanthropic work and leadership. He was recently awarded the Order of Canada by the Governor General. Johann already has three gold medals from the Olympics in ice skating.

Shares and options: –

Independence: Independent in relation to the company, its management and major shareholders.

David J. Ballard
Member of the Board Member of the Audit Committee

Born in 1956. M.D., F.A.C.P., M.S.P.H., Ph.D., M.B.A. Trained in internal medicine at the Mayo Clinic and holds from the University of North Carolina an undergraduate degree in chemistry and economics, a master's degree in public health, a doctorate in epidemiology, a medical degree, and a master's degree in business administration. David co-founded the Concentric Health Alliance, a global supplier of personal protective equipment, where he is currently the Chief Clinical Officer. He is a board member of Pascal Metrics, a world leader in patient safety solutions, and of Sniffle Health, a telehealth company. He is also an advisory board member of InSyncDx and Microbicbloc (chairman), Courage Ventures and Ataia, as well as Chief Clinical Officer of Buffkin/Baker, a global healthcare executive search company. Previous positions have included Consultant and founding director of the Mayo Section of Health Services Evaluation, professor with tenure of medicine and epidemiology at Emory University, and senior VP and Chief Quality Officer for Baylor Scott & White Health. He is also an adjunct professor of health policy and management at the UNC Gillings School of Global Public Health.

Elected to the Board: 2019

Shares and options: Shareholding in Mentice: 14,400 shares and 238 320 warrants.

Independence: Independent in relation to the company, its management and major shareholders.

Denis Gestin
Member of the Board Member of the Remuneration Committee

Born in 1964. Bachelor's degree in Marketing from EDC Paris Business School.

Elected to the Board: 2019

Other directorships: Chairman of the Board of Holistick Medical, France, and Endo Tools Therapeutics, Belgium, and member of the Board of CathVision, Denmark, Synergia Medical, Belgium, Volta Medical, France and Cardiawave, France. Denis has more than thirty years of experience in the management and commercial development of medical device companies. Previous positions include SVP for Abbott and President of the International Division (OUS) at St. Jude's Hospital. Jude Medical.

Shares and options: -

Independence: Independent in relation to the company, its management and major shareholders.

Gösta Johannesson
Member of the Board Member of the Remuneration Committee

Born in 1959. Bachelor's degree from Uppsala University and an AMP from Wharton business school. Currently senior advisor at Bure Equity AB.

Elected to the Board: 2015

Other directorships: Vice Chairman of XVIVO Group, Vice Chairman of Interflora AB, Yubico AB, Scandinova Systems AB and others. Gösta has previously been a partner in Provider Venture Partners and before that held a senior position at Öhman Fondkommission and Handelsbanken Markets.

Shares and options: 10,000 shares held indirectly through companies.

Independence: Independent in relation to the company and its management, but not in relation to a major shareholder.

GROUP MANAGEMENT

Göran Malmberg
Group CEO & President

Born in 1959.

Education: Master of Science in Mechanical Engineering at Linköping Institute of Technology.

Joined Mentice: 2008

Professional Background: CEO of Mentice since 2008. More than 35 years of experience in management work in an international environment, sales and marketing of high-tech products in various industries, such as manufacturing, automotive, industrial products.

Shares and options: 710,670 shares and 357,480 warrants privately and through companies.

Ulrika Drotz Voksepp
Chief Financial Officer

Training: Master of Science in Business Administration and Economics

Joined Mentice: 2024

Professional Background: Ulrika has more than 20 years of experience from both small and large growth companies. In her previous positions, Ulrika has the ability to strengthen financial structures and processes in the companies she has worked for. Ulrika has held CFO positions in companies such as Maurten – food tech, Egain Group – subscription software for energy solutions in roles as CFO and CEO, Smarteye – eye movement detection for the automotive industry and KVD Kvarndammen – a marketplace for vehicles, where Ulrika acted as both CFO and CEO.

Shares and options: 2,100 shares.

Martin Harris
Vice President of Marketing & Sales Enablement

Training: NVQ 3/ BTEC 3 in Business Administration at DDI Business School (Chester, UK)

Joined Mentice: 2006–2013, 2015 – current

Professional Background: Joined Mentice in 2006, leading the EMEA service department and then working in sales with a senior responsibility role. In 2017, Martin initiated the Strategic Alliances (SA) department and secured several high profile customers and new strategic partnerships for Mentice. Leading the global Marketing Department (Downstream) since 2021. Has a previous background in Sales, IT and Education.

Shares and options: 2,000 shares and 34,483 warrants.

Matar Dakhil
Executive Vice President, Business Development

Training: MSc Mechanical Engineering (RWTH Aachen, Germany), Executive MBA Hult Business School (London, UK)

Joined Mentice: 2005

Professional Background: Matar has over 20 years of experience in the medical device industry, including 10 years in the field of cardiology intervention. Prior to joining Mentice, Mr. Matar held various business development, senior sales and marketing positions in Europe (Berlin) and throughout the Asia-Pacific region (including Penang, Malaysia, Tokyo, Japan and Shanghai, China).

Shares and options: 152,833 shares and 43,330 warrants.

Henrik Storm
Chief Technical Officer

Training: Master of Science in Electrical Engineering and Licentiate Degree in Applied Mathematics, both at Chalmers University of Technology.

Joined Mentice: 2014

Professional Background: More than 25 years of experience in multiple technology areas and leadership, from both software and hardware development, with clients in an international environment. Henrik worked at Summus, Inc (Raleigh, North Carolina) in the USA from 1998 to 2001 on image processing and government research projects, and was responsible for Summus' Swedish development office from 2001 to 2004. From 2004 to 2014, he held various roles at Fingerprints Cards (Gothenburg, Sweden), including Vice President Customer Projects, responsible for building and operating the company's technical resources in the US, Japan, Korea, Taiwan and China, with a primary focus on integrating fingerprint sensor solutions into the mobile phones of major global phone companies, as well as building and operating a customer project management business in Sweden.

Shares and options: 40,848 shares and 43,330 warrants.

Jonatan Sjöström
Chief Operating Officer

Training: Master of Science in Mechanical Engineering at Chalmers University of Technology

Joined Mentice: 2023.

Professional Background: Almost 20 years of experience in strategy formulation & implementation, innovation, digitalization & data analysis, product development & portfolio management, operational models & corporate governance, and various cost reduction/efficiency programs. Jonatan started his career at Accenture Management Consulting (2005–2013) where he ran consulting assignments for several companies in different industries. In 2013 Jonatan joined the Volvo Group where he has held various roles in internal management consulting, executive support to the Vice President and CEO of Volvo and his latest role as Vice President of Strategy & Analytics at Volvo Group Connected Solutions. In this role, for the past six years he has been responsible for driving and implementing strategy and advanced data analytics in the connectivity space on a global basis with service and software development/operations at sites in Sweden, USA, Brazil, India and China.

Shares and options: Jonatan currently has no holdings.

Edward Fält
Chief Strategy Officer

Training: Master's degree in Engineering Physics from Chalmers University of Technology.

Joined Mentice: 2008

Professional Background: Edward has worked at Mentice since 2008 and has over 20 years of combined experience in the biotech and medical device industry, primarily focusing on the intersection of technology and business. Within Mentice, he has over the years held many different roles in technology, marketing, business development and sales, and since 2022 he has the main responsibility for M&A and strategic activities. Prior to joining Mentice, Edward worked as a consultant and engineer in the pharmaceutical industry in the US, and has also previously worked at the Swedish Armed Forces Research Institute.

Shares and options: 20,000 shares and 43,330 warrants.

Alex Hussein
VP & General Manager, Americas

Training: Bachelor of Science in Microbiology from California State University Long Beach, USA.

Joined Mentice: 2015

Professional Background: Alex has almost 20 years of commercial experience in sales and sales management in the medical device industry.

Prior to being appointed Vice President & General Manager, Americas in December 2022, Alex was Senior Director, Medical Device Industry Sales at Mentice and was responsible for all sales activities in the Americas region. Alex joined Mentice in 2015 where he has since held several positions in sales and sales management.

Prior to joining Mentice, Alex held significant global and national sales and business development positions at prominent Contract Research Organizations (CROs), including Underwriters Laboratories, genae Americas and NAMSA, which included locations in Germany, Belgium, France and the US.

Alex began his career in research at Johnson & Johnson, where he was involved in critical aspects such as validations and FDA submissions, demonstrating his fundamental experience in the industry.

Shares and options: Alex currently has no holdings.

Directors report

The Board of Directors and the CEO of Mentice AB (publ), organization number 556556-4241, hereby submit the annual report and consolidated financial statements for the financial year 2023.

General information on activities

Mentice is a company that develops, sells and markets solutions (systems, software and services) for training and decision support in the clinical area of interventional angiography in specialties such as cardiology, neurology, vascular surgery and radiology and in this area Mentice is the global market leader. Mentice AB is the parent company of the group (Mentice) and conducts similar activities as the group. All information in the report refers to both the parent company and the group unless otherwise stated.

Mentice AB is based in Gothenburg and has about 70 employees working at the head office in Gothenburg, with group-wide functions in sales, marketing, development, production, HR and finance. Mentice AB also includes sales and service units for the European and Asian markets.

Sales activities for North America and Latin America are conducted by the wholly owned subsidiary Mentice Inc, Delaware, with offices in Chicago. This company also conducts development in Denver and production of physical simulation models in Stony Brook, NY. In Asia, Mentice has two wholly owned sales and support subsidiaries, Mentice K.K in Japan and Mentice International Trading (Beijing) Co. Ltd in China. There is one employee in Singapore and one in India via Business Sweden and one employee in a branch in Germany. At the end of the year, an asset acquisition of Biomodex's main assets was made and in connection with this, four people placed in France were employed in Mentice AB.

In December 2022, the wholly owned company Mentice Spain SL was established in Spain and took over the Ankyras software product from Galgo in Spain during the year.

Since June 18, 2019, the Mentice share is listed on First North Premier Growth Market Stockholm and is traded under the symbol MNTC. The number of shares and votes amounts to 25 568 850 at the end of the financial year.

Significant events that occurred during the financial year

During the year, Mentice has received several major orders from world-leading medical technology companies. In July, the company also received an important order of USD 1 million for development and systems from a world-leading medical technology customer in the US, and at the end of the year a significant order of approximately EUR 0.6 million was received from a major distributor in APAC.

At the end of the year, Mentice acquired all significant assets from Biomodex, its main competitor in flow simulation. This means a strengthened organization for flow models globally but also capacity for both development and production in Europe.

During the year, the final purchase price was paid for the acquisition of all assets related to the Ankyras software which was acquired from Galgo Medical in Spain, which was completed in 2022.

At the end of the year, Mentice received 510K clearance from the FDA in the United States for the Ankyras software.

During the third quarter Mentice appointed Jonatan Sjöström as COO and during the fourth quarter Ulrika Drotz Voksepp was appointed as new CFO from January 1, 2024.

Research and development activities

Mentice develops software in Gothenburg and hardware for its solutions in Gothenburg, Barcelona, Denver, and Stony Brook, NY. The majority of development efforts are focused on software including project management of both internal and external projects.

Development is conducted on Mentice standard products but also in customer-specific projects, where Mentice offers customized solutions to meet specific customer needs.

During the year, development costs of SEK 2.4 (7.5) million were capitalized.

Production

The Mentice Endovascular Simulator System consists of Mentice's own simulator, combined with standard hardware such as laptops and monitors. The production of Mentice simulators is outsourced while standard hardware is purchased from several different suppliers. Mentice also uses suppliers to handle customization and modification, where sensors are fitted into customers' surgical instruments to match an individual customer's needs. The external supplier is responsible for the assembly, testing and delivery of the simulation system to Mentice and manufactures the simulator based on the design and construction documents produced by Mentice. Mentice has delegated responsibility for material sourcing and workflow with subcontractors to external suppliers and production. Production and liability are covered by contracts.

Future developments and prospects

On March 21 2024, Mentice communicated an updated strategic direction and updated its financial targets while clarifying that the company's main ambition is continued growth while gradually improving profitability:

- 20–30 per cent annual growth in Net sales.
- EBITDA margin in the mid-term (three years) of 20 per cent with a longer-term target of 30 per cent EBITDA margin.

Management is positive about Mentice's ability to develop successfully and achieve these goals.

STRATEGIC PARTNERSHIPS

In 2023, Mentice continued to deepen its collaboration with its three strategic partners Siemens Healthineers, Philips Healthcare and Laerdal.

CONTINUED IMPLEMENTATION OF A SUBSCRIPTION-BASED BUSINESS MODEL

By continuing the initiated shift from perpetual licenses to a subscription-based license model (SaaS) for a larger part of its customer base, Mentice expects to achieve more stable cash flows and thus reduce seasonal variations. As this business model also includes the introduction of annual updates of the company's software modules, customers can also be offered greater customer value than before. For many customers, the ability to pay their license on an ongoing basis is of great value.

DEVELOPMENT OF THE COMPANY'S SOLUTIONS IN QUALIFIED DECISION SUPPORT FOR IMAGE-GUIDED INTERVENTIONS.

Mentice sees the opportunity to develop and offer solutions in decision support for interventional angiography as the next phase in the company's development. It includes the use of patient-specific simulation before, during and after a procedure in order to achieve improved efficiency, accuracy and thus better treatment outcomes and lower healthcare costs. The first commercially available product in this area (VIST® CASE-IT) was launched in 2012 and enables the creation of simulation cases from existing patient anatomies with just a few keystrokes.

LAUNCHING NEW PRODUCTS

In December 2023, Mentice received FDA clearance for its first precision medicine software solution for the US market, an important step in the company's expansion into interventional angiography. The product had already received medical regulatory approval in the EU.

Information on risks and uncertainties

A larger share of the group's current turnover is based on sales to customers in the medical device industry where their use of Mentice simulators is mainly related to marketing and implementation in connection with the launch of new medical devices. Thus, the general demand for medical devices also affects the demand for Mentice products and solutions.

- Mentice's greatest long-term potential is sales in the hospital systems business area, which at present account for a small share of total sales. A significant part of growth in the business area is dependent on opinion, mandates and regulatory changes, which are macro issues that are challenging for Mentice as a small company to influence.
- Sales to hospital systems continue to take place partly to training centers linked to training hospitals where Mentice competes with suppliers such as Surgical Science or CAE Healthcare with significantly broader product offerings where Mentice has difficulty competing as tenders often contain products Mentice cannot offer (bundling).
- To continue to drive growth, Mentice must constantly demonstrate that the use of simulation leads to increased safety for both patients and healthcare professionals, and of course reduced time to market for new products and improved quality of care. This is extensive and demanding work that also involves risk and exposure for Mentice.
- New proposals and stricter regulations for the introduction of new products and technologies may also be more closely linked to training and certification, requiring Mentice to keep abreast of trends and developments on such issues.
- The company's operations are exposed to risks due to the fact that the products are marketed in several different countries. As such, future performance can be affected by a number of factors, including tax or economic burdens on the company and changes in a country's geopolitical or economic conditions.
- In addition, the Company's sales are affected by a variety of macroeconomic factors and trends, such as pandemic, war, inflation/deflation, recession, trade barriers, import or export license requirements, currency fluctuations and changes in the purchasing power of health care payers.
- Mentice depends on qualified staff in various positions. The ability to retain current staff as well as the ability to recruit new staff is crucial for the company's future development. If key persons leave the company or if Mentice is unable to recruit qualified personnel, this may have a negative impact on the company's operations, results and financial position.
- Mentice's sales are mainly in the currencies EUR and USD and the company's costs related to operations are mainly in the currencies SEK and USD. As a result, Mentice may be exposed to risks related to currency fluctuations. Fluctuations in these currencies may adversely affect the company's results and financial position.

See also section on financial instruments and risk management.

Sustainability disclosures

At a global and socio-economic level, Mentice's activities are important because its products generate significant cost savings for the publicly funded healthcare system. In addition, the company's products and services reduce human suffering by allowing various surgical procedures to be performed with a higher success rate. Mentice is a global player with operations on five of the world's six continents. It is therefore natural for Mentice to work for diversity and equality, which can be exemplified by the fact that the company has almost 25 nationalities employed in the group. Mentice's activities comply with local regulations as well as national and international codes of ethics. Mentice has a Code of Conduct that all employees are trained in every year. Mentice also strives to reduce resource use in production and to achieve continuous environmental improvements. Mentice expects its suppliers to do the same. Mentice strives to have a positive impact on the countries where the company operates, and Mentice follows the OECD's TransferPrice guidelines, which work for a fair allocation of the company's taxes between the countries where the company operates.

Mentice believes that the company's success is partly due to the culture, experience and approach that characterizes the organization and the company continuously strives to maintain an environment free of discrimination and involves a consensus on equality and diversity throughout the company's operations. The company also works actively to increase the number of female employees in typically male roles. Mentice is actively working to improve the situation in the healthcare sector where high workloads and outdated working methods lead to burnout and insufficient quality of care delivery. The company is convinced that a better structure around competence management and continuous improvement, including an open dialog on improvement, will radically improve the working environment, quality and results.

Financial instruments and risk management

Mentice AB uses forward currency contracts to manage currency risk. Forward exchange contracts are used to hedge risk in accordance with the Group's financial policy. Other currency risks are not hedged. The Mentice business gives rise to exposure to credit risk when selling to customers. Financial risks and risk management are further described in note 21.

Impact of the war in Ukraine on Mentice's operations

The war in Ukraine that broke out in February 2022 has had limited impact on the company, as there were no customers or business with Russia or Ukraine before the war. Of course, the company has been affected by inflation and higher electricity prices, partly driven by the war, but is otherwise spared any direct business impact.

Financial performance

ORDER INTAKE BY BUSINESS AREA

Order intake for the year was SEK 304.2 (252.2) million, an increase of 20.6%, mainly driven by good growth for the Medical Technology industry SEK 240.2 (151.6) million, and weaker growth from both hospital systems SEK 43.1 (71.4) million and strategic partnerships SEK 20.9 (29.3) million.

ORDER INTAKE BY REGION

Order intake per region shows continued strong growth for both EMEA 83.2 (77.2) MSEK and a decrease in APAC SEK 58.9 (71.0) million. America's 162.1 (104.0) MSEK, that are most affected by the increase in growth in the medical device industry, is marginally above last year's figures, including positive exchange rate changes for USD/SEK. Several orders have been moved to 2024, especially for the Americas region.

ORDER BOOK

The order book was SEK 156.3 (126.0) million at the end of the year, an increase of 24.0%.
The order book represents orders that have been received but not yet delivered. Of the total order book as of December 31, 2023, SEK 70.9 million comprises systems that will be delivered in 2024. SEK 49.7 million comprises perpetual licenses and software subscriptions that will be delivered and recognized as net sales in 2024 and beyond. SEK 25.7 million consists of deliveries of rental and support agreements that will be delivered and recognized as revenue over the next three years and the remaining SEK 10.0 million consists of development contracts with customers that will be delivered in 2024.

NET SALES BY BUSINESS AREA

Of net sales, SEK 215.8 (160.4) million came from the Medical Device Industry business area, SEK 44.0 (37.9) million from Hospital Systems and SEK 13.9 (19.6) million from the Strategic Partnerships business area. Total growth was 17.8%, of which 8.4% is currency effect.

NET SALES BY REGION

Net sales grew in EMEA SEK 80.3 (62.9) million and Americas SEK 149.5 (106.1) million but fell in APAC, SEK 43.8 (49.0) million as a result of a slow recovery from the pandemic. Net sales grew the fastest in the Americas and this is clearly linked to the strong growth in the medical device industry.

NET SALES BY OPERATING SEGMENT

Of net sales, SEK 133.8 (83.3) million came from system sales for investment, where net sales are recognized in full upon delivery of the system. Additional sales of SEK 13.9 (17.6) million came from recurring system sales where net sales are recognized over time. SEK 32.0 (28.1)million of total net sales came from Software license sales for investment where net sales are recognized upon delivery of systems. In addition, SEK 43.0 (34.1) million came from recurring sales that are recognized over time.

Both Accessories and spare parts and Service are recognized upon delivery and amounted to SEK 50.9 (54.9) million.

The full year shows growth of 25.5% and all operating segments except recurring system sales and Accessories & spare parts show growth.

OTHER OPERATING INCOME

Other income amounted to SEK 1.5 (2.4) million. In the fourth quarter, a reallocation of SEK 1.0 million was made from other operating income to other operating expenses for realized currency effects on internal transactions. Otherwise, the fluctuation is related to exchange rate changes in foreign currency assets and liabilities.

GROSS PROFIT AND GROSS MARGIN

Gross profit was SEK 233.5 (186.0) million and the gross margin amounted to 85.3%, compared to 85.4% last year.

The gross margin is mainly affected by the mix of products sold and is also affected by the share of software license revenue in relation to other products.

OPERATING PROFIT (EBITDA) AND OPERATING MARGIN

The operating result, EBITDA, was SEK 24.2 (−3.9) million with a margin of 8.8 (−1.8)%. The driving force behind this year's change was higher sales in relation to costs and to some extent the effect of a weaker SEK.

OTHER EXTERNAL COSTS

Other external costs amounted to SEK −62.6 (−52.9) million, an increase of 18.3%. Higher legal and external costs related to the acquisition of Biomodex and non-recurring costs in the fourth quarter account for most of the increase.

PERSONNEL COSTS AND EMPLOYEES

Personnel costs amounted to SEK 148.2 (139.4) million, a 6.3% increase. The increase in personnel costs is due to the increase in volume-related compensation to sales staff, a shift from own staff to consultancy costs, an increase in the number of employees, salary increases and a lower share of capitalized salary costs against development projects.

Personnel costs include capitalization of development costs of SEK 2.0 (5.6) million. The number of employees at the end of 2023 was 122 (122).

CAPITALIZED DEVELOPMENT COSTS

Capitalized development costs amounted to SEK 2.4 (7.5) million and were mainly related to several ongoing software projects. The capitalized development costs are included in other external costs to the extent that they relate to capitalized consultancy costs and in personnel costs to the extent that they relate to the capitalization of costs for own personnel.

FINANCE NET

Net financial items amounted to SEK 0.7 (−0.1) million and were mainly related to changes in exchange rates. Net financial items for the year included SEK −0.8 (−1.2) million of interest expenses on lease liabilities in accordance with IFRS 16.

PROFIT BEFORE TAX, PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Reported tax was SEK −2.8 (−6.6) million and the net result was SEK −2.8 (−30.7) million, resulting in earnings per share of SEK −0.11 (−1.22).

INVESTMENT

Investments amounted to SEK −7.9 (−13.1) million. Of the investments, SEK −2.4 (−7.5) million refers to capitalization of development costs.

In December, the Group acquired significant assets from Biomodex through an asset acquisition. The remainder relates to investments in tangible fixed assets for new hardware units for internal use but also for rental.

During the year, the Group paid a debt of SEK 9.0 million for the remaining payment for the assets in Ankyras acquired in 2022.

PARENT COMPANY INCOME STATEMENT

The parent company is operational. Net sales for the parent company amounted to SEK 187.2 (135.1) million. The result for the parent company mainly corresponds to sales in EMEA and APAC, the development department and the head office in Sweden. The gross margin amounted to 86.0 (70.1) % for the full year 2023. The change in gross margin is attributable to the change in sales of services as well as between group companies. The result amounted to SEK −16.9 (−32.8) million.

ASSETS AND WORKING CAPITAL

The Group's total assets amounted to SEK 322.5 (333.0) million. IFRS 16 has affected the balance sheet total by SEK 8.3 (14.4) million. Tangible assets decreased to SEK 11.6 (13.5) million and intangible assets decreased to SEK 117.5 (130.4) million. Accounts receivable decreased marginally to SEK 85.5 (85.6) million and cash and cash equivalents as of December 31, 2023 amounted to SEK 59.1 (47.3) million. Working capital as of December 31, 2023 amounted to SEK 15.7 (3.4) million.

The parent company's total assets amounted to SEK 249.2 (265.6) million. Tangible assets increased to SEK 5.4 (3.5) million and intangible assets decreased to SEK 90.2 (113.6) million. Accounts receivable increased to SEK 52.3 (50.1) million and cash and cash equivalents as of December 31, 2023 amounted to SEK 31.3 (36.4) million. Working capital as of December 31, 2023 amounted to SEK 15.0 (3.3) million.

EQUITY

Equity for the Group as of December 31, 2023 reduced to SEK 159.0 (162.6) million. The result for the year reduced equity by SEK 3.8 million. The equity ratio was 49.3 (48.8) % as of December 31, 2023.

Equity for the parent company as of December 31, 2023 amounted to SEK 139.2 (155.9) million. The result for the year reduced equity by SEK 16.9 million. The equity ratio was 55.9 (58.7)% as of December 31, 2023.

CASH FLOW AND CASH

Cash flow from operating activities before change in working capital was SEK 27.4 (–5.8) million and the change in working capital was SEK 9.1 (20.7) million, which consisted of a change in inventory of SEK 2.6 (–7.0) million and net change in operating receivables and liabilities of SEK 6.5 (27.7) million. In total, cash flow from operating activities was positive by SEK 38.7 (14.9) million in 2023.

Cash flow from investing activities in 2023 was SEK –16.2 (–32.2) million. In 2023, the company invested SEK –4.3 (–5.5) million in tangible fixed assets and WEK –2.4 (–7.5) million in capitalized development expenses.

The company's cash at the end of the year amounted to SEK 59.1 (47.3) million. The company has a credit facility of SEK 20 million. The cash flow for the Group as of December 31, 2023 was an inflow of SEK 13.3 (31.6) million.

RELATED PARTY TRANSACTIONS

Transactions with related parties have been carried out during the period where board member Denis Gestin and Eola Ånggård Runsten, through related companies, have acted as advisors to the company in connection with customer processing in the medical technology industry and various consultations. During the period January to December 2023, Denis Gestin received SEK 1.0 (1.0) million and Eola Änggård Runsten SEK 50 thousand in fees in addition to the board fee.

The above transactions have been carried out at market value.

PROPOSAL FOR PROFIT APPROPRIATION

The following equity is at the disposal of the Annual General Meeting:

Other Paid in Capital	201,384,948
Retained Earnings	–86,074,479
Net result for the Year	–16,899,834
Total	98,410,635

The Board of Directors proposes that the non-restricted equity is allocated as follows:

To be carried forward	98,410,635

The financial reports were approved for issuance by the Board of the Parent Company on April 23 2024 on a board meeting. Regarding the company's results and financial position, please refer to the following income statement and balance sheets, together with the accompanying notes to the financial statements.

MULTI-YEAR OVERVIEW

Group's Financial Development in brief (TSEK)	**2023**	**2022**	**2021**	**2020**	**2019**
Net sales	273,610	217,954	185,064	137,503	149,370
Profit before tax (EBT)	–12	–24,035	–21,271	–18,586	–26,235
Balance sheet total	322,527	332,976	261,904	245,271	187,140
Average number of employees	114	114	99	90	82
Operating profit ,EBITDA, as % of net sales	8.8	–1.8	1.3	–3.0	–8.6

Parent company´s Financial Development in brief (TSEK)	**2023**	**2022**	**2021**	**2020**	**2019**
Net sales	187,166	135,105	132,723	103,361	117,375
Profit before tax (EBT)	–16,859	–31,446	–26,081	–22,507	–33,917
Balance sheet total	265,583	265,583	234,003	244,087	210,008
Average number of employees	71	75	59	55	46
Operating profit ,EBITDA, as % of net sales	10.7	–15.6	–9.1	–15.9	–24.5

Financial information

Consolidated statement of financial position

TSEK	Notes	2023	2022
Net turnover	2, 3	273,610	217,954
Other income	4	1,514	2,370
		275,124	220,324
Raw materials and supplies		−37,229	−29,013
Depreciation of leased assets		−2,856	−2,904
Other external costs	6, 19	−62,634	−52,925
Staff costs	5	−148,233	−139,405
Depreciation of tangible assets and right-of-use assets		−9,240	−8,952
Amortization of intangible assets		−15,611	−11,077
		−275,803	**−244,276**
Operating result (EBIT)		**−679**	**−23,952**
Financial income		1,072	1,285
Financial expenses		−405	−1,368
Net financial income	7	667	−83
Earnings before tax (EBT)		**−12**	**−24,035**
Taxes	8	−2,805	−6,630
Result for the year		**−2,817**	**−30,665**
Profit for the year attributable to:			
Owners of the parent company		−2,817	−30,665
Earnings per share			
Before dilution (SEK)		−0.11	−1.22
After dilution (SEK)		−0.11	−1.22

Consolidated statement of income and other comprehensive income

TSEK	Notes	2023	2022
Result for the year		**−2,817**	**−30,665**
Other comprehensive income			
Items that can be reclassified to profit or loss			
Translation differences for the year on translation of foreign operations		−1,060	−46
Other comprehensive income for the year		**−1,060**	**−46**
Comprehensive income for the year		**−3,878**	**−30,711**

Consolidated statement of financial position

TSEK	Notes	2023-12-31	2022-12-31
Assets			
Goodwill	10	48,508	48,070
Patent	10	28,253	32,618
Trademarks	10	3,628	5,443
Capitalized expenditure for development work	10	37,144	44,285
Inventories	11	11,566	13,500
Right-of-use assets	12, 23	8,336	14,442
Deferred tax assets	8	8,028	9,777
Total fixed assets		**145,463**	**168,135**
Stocks of goods	14	14,104	16,861
Accounts receivable	13	85,496	85,582
Prepaid expenses and accrued income	15	13,488	9,858
Tax receivables		1,633	4,669
Other receivables		3,222	586
Cash and cash equivalents	16	59,121	47,285
Total current assets		**177,064**	**164,841**
Total assets		**322,527**	**332,976**
Equity capital			
Share capital		1,278	1,278
Other contributed capital		201,385	201,169
Retained earnings		–43,690	–39,812
Total equity	**17**	**158,973**	**162,635**
Long-term liabilities			
Interest-bearing liabilities, long-term part	18, 23	2,144	8,875
Total long-term liabilities		**2,144**	**8,875**
Trade payables	22	15,582	14,231
Current tax liability	8	0	99
Other liabilities		4,134	3,554
Interest-bearing liabilities, current portion		7,413	7,800
Accrued expenses and deferred income	19	134,281	135,782
Total current liabilities		**161,410**	**161,466**
Total equity and liabilities		**322,527**	**332,976**

Group changes in equity

TSEK	Share capital	Other contributed capital	Conversion reserve	Retained earnings	Total equity
Opening equity 2022-01-01	**1,238**	**144,760**	**908**	**–10,019**	**136,887**
Transactions with owners of the group					
New issue	40	56,460			56,500
Payment of stock options		–41			–41
Result for the year				–30,665	–30,665
Other comprehensive income for the year		–10	–1,278	1,242	–46
Comprehensive income for the year		**–10**	**–1,278**	**–29,423**	**–30,711**
Closing equity capital 2022-12-31	**1,278**	**201,169**	**–370**	**–39,442**	**162,635**
Opening equity 2023-01-01	**1,278**	**201,169**	**–370**	**–39,442**	**162,635**
Transactions with owners of the group					
New issue		315			315
Stock options exercised		–99			–99
Result for the year				–2,817	–2,817
Other comprehensive income for the year			–1,061		–1,061
Comprehensive income for the year			**–1,061**	**–2,817**	**–3,878**
Closing equity at 31 December 2023	**1,278**	**201,385**	**–1,431**	**–42,259**	**158,973**

Consolidated statement of cash flows

TSEK	Notes	2023	2022
Operating activities	**27**		
Profit before tax		–12	–24,035
Adjustments for items not included in cash flow		28,090	19,113
Taxes paid		–632	–871
Cash flow from operating activities before changes in working capital		**27,445**	**–5,793**
Increase (–)/Decrease (+) in operating receivables		–5,561	–2,279
Increase (–)/Decrease (+) in inventories		2,569	–6,953
Increase (–)/Decrease (+) in operating liabilities		12,064	29,933
Change in working capital		**9,072**	**20,701**
Cash flow from operating activities		**36,517**	**14,908**
Investment activities			
Acquisition of tangible fixed assets	11	–4,330	–5,526
Acquisition of businesses and its net cash effect		–9,191	–19,224
Capitalized development expenditure	10	–2,658	–7,528
Cash flow from investing activities		**–16,179**	**–32,278**
Financing activities			
Stock options exercised	17	–99	–41
New issue	17	315	60,000
Transaction costs for the rights issue	17		–3,500
Amortization of lease liability	23	–7,271	–7,468
Cash flow from financing activities		**–7,055**	**48,991**
Cash flow for the year		**13,283**	**31,621**
Cash and cash equivalents at the beginning of the year		47,285	12,697
Exchange rate difference in cash and cash equivalents		–1,448	2,967
Cash and cash equivalents at year-end		**59,120**	**47,285**

Income statement for the parent company

TSEK	Notes	2023	2022
Net turnover	2, 3	187,166	135,105
Activated own-account work	10	2,385	7,528
Other income	4	13,011	11,389
		202,562	**154,022**
Raw materials and supplies		–26,274	–40,365
Other external costs	6, 19	–59,626	–40,048
Staff costs	5	–94,996	–87,432
Depreciation of tangible assets		–1,248	–1,088
Amortization of intangible assets		–25,706	–20,799
Foreign exchange losses on assets and liabilities		–12,380	–7,219
		–220,230	**–196,951**
Operating result (EBIT)		**–17,668**	**–42,929**
Financial income		1,006	15,752
Financial expenses		–197	–4,269
Net financial income	**7**	**809**	**11,483**
Result after net financial items		**–16,859**	**–31,446**
Profit before tax		**–16,859**	**–31,446**
Tax on profit for the period	8	–41	–1,389
Result for the year		**–16,900**	**–32,835**
Profit for the year attributable to:			
Owners of the parent company		–16,900	–32,835

Balance sheet of the parent company

TSEK	Notes	2023-12-31	2022-12-31
ASSETS			
Intangible and tangible assets			
Goodwill	10	20,827	30,552
Patent	10	28,522	33,288
Trademarks	10	3,628	5,442
Capitalized expenditure for development work	10	37,237	44,285
Inventories	11	5,396	3,482
Financial assets			
Shares in subsidiaries	26	21,886	19,705
Long-term receivables group companies	18	1,002	10,213
Deferred tax assets	8	6,615	6,615
Total fixed assets		**125,113**	**153,582**
Stocks of goods	14	10,304	10,104
Accounts receivable	13	52,254	50,087
Current receivables group companies		757	2,701
Prepaid expenses and accrued income	15	24,733	7,922
Tax assets		2,084	4,689
Other receivables		2,661	79
Cash and Bank	16	31,341	36,419
Total current assets		**124,135**	**112,001**
Total assets		**249,248**	**265,583**
Equity capital			
Restricted equity			
Share capital		1,278	1,278
Fund for development costs		39,563	48,468
Unrestricted equity			
Share premium reserve		201,385	201,169
Retained earnings		−86,074	−62,145
Result for the year		−16,900	−32,835
Total equity	**17**	**139,252**	**155,935**
Long-term liabilities			
Long-term liabilities to group companies	18	829	970
Total long-term liabilities		**829**	**970**
Trade payables	22	12,481	9,383
Current tax liabilities	8	–	79
Current liabilities to group companies		2,450	2,068
Other liabilities		2,533	1,778
Accrued expenses and deferred income	19	91,703	95,370
Total current liabilities		**109,167**	**108,678**
Total equity and liabilities		**249,248**	**265,583**

Parent company changes in equity

	Restricted equity		Unrestricted equity			
TSEK	Share capital	Fund for development costs	Share premium reserve	Retained earnings	Result for the year	Total equity
Opening capital 2022-01-01	**1,238**	**52,914**	**144,750**	**−35,316**	**−31,275**	**132,311**
Proposed allocation of profits				−31,275	31,275	
Transactions with owners of the group						
New issue	40		56,460			56,500
Payment of stock options			−41			−41
Result for the year		−4,446		4,446	−32,835	−32,835
Comprehensive income for the year		**−4,446**		**4,446**	**−32,835**	**−32,835**
Closing equity capital 2022-12-31	**1,278**	**48,468**	**201,169**	**−62,145**	**−32,835**	**155,935**
Opening equity 2023-01-01	**1,278**	**48,468**	**201,169**	**−62,145**	**−32,835**	**155,935**
Proposed allocation of profits				−32,835	32,835	
Transactions with owners of the group						
New issue			315			315
Payment of stock options			−99			−99
Result for the year		−8,905		8,905	−16,900	−16,900
Comprehensive income for the year		**−8,905**		**8,905**	**−16,900**	**−16,900**
Closing equity at 31 December 2023	**1,278**	**39,563**	**201,385**	**−86,074**	**−16,900**	**139,251**

Parent company cash flow statement

TSEK	Notes	2023	2022
Operating activities	**27**		
Profit before tax		–16,859	–31,446
Adjustments for items not included in cash flow		29,530	21,507
Taxes paid		267	–791
Cash flow from operating activities before changes in working capital		**12,938**	**–10,730**
Increase (–)/Decrease (+) in operating receivables		–5,481	–12,290
Increase (–)/Decrease (+) in inventories		–200	–3,563
Increase (–)/Decrease (+) in operating liabilities		–1,861	29,698
Change in working capital		**–7,542**	**13,845**
Cash flow from operating activities		**5,396**	**3,115**
Investment activities			
Acquisition of tangible fixed assets	11	–3,332	–1,412
Acquisition of businesses and its net cash effect		–11,372	–19,224
Acquisition of intangible assets	10	–2,384	–7,528
Acquisition of financial assets		–274	–
Cash flow from investing activities		**–17,362**	**–28,164**
Financing activities			
Stock options exercised		–99	–
New rights issue		315	60,000
Repayment of intra-group loan		6,673	–3,500
Cash flow from financing activities		**6,889**	**56,500**
Cash flow for the year		**–5,077**	**31,451**
Cash and bank balances at the beginning of the year		36,419	4,968
Cash and bank balances at year-end		**31,342**	**36,419**

Notes to the financial statements

Note 1 Accounting principles

The annual accounts and consolidated accounts have been approved for issue by the Board of Directors and the Chief Executive Officer on April 23, 2024. The consolidated statement of income and other comprehensive income and statement of financial position and the parent company's income statement and balance sheet will be subject to approval by the Annual General Meeting on May 23, 2024.

The consolidated financial statements have been prepared on a going concern basis. Assets and liabilities are measured at their historical cost with the exception of certain financial assets and liabilities which are measured at fair value. The accounting policies set out below have, with the exceptions described in more detail, been applied consistently to all periods presented in the consolidated financial statements. Furthermore, the Group's accounting policies have been consistently applied by the Group's companies. No new or amended accounting policies or interpretations effective in 2023 have had any impact on Mentice's financial statements and no changes later in 2024 are currently assessed.

COMPLIANCE WITH STANDARDS AND LEGISLATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has also been applied.

The parent company's annual report has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and application of recommendation RFR 2 Accounting for Legal Entities from the Swedish Financial Reporting Board. This means that the OFRS valuation and disclosure rules are applied with the deviations described in the section "Parent company accounting policies".

VALUATION PRINCIPLES USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The Group's assets and liabilities in the balance sheet are measured at amortized cost, except for derivative instruments which are measured at fair value.

FUNCTIONAL AND REPORTING CURRENCY

The parent company's functional currency is the Swedish krona, which is also the reporting currency for the parent company and the group. This means that the financial statements are presented in Swedish kronor. All amounts, unless otherwise stated, are rounded to the nearest thousand.

CLASSIFICATION

Fixed assets, long-term liabilities and provisions consist essentially only of amounts expected to be recovered or paid more than 12 months after the balance sheet date. Current assets and current liabilities consist essentially only of amounts expected to be recovered or paid within 12 months of the balance sheet date, with the exception of deferred income that arises from our subscription-based business model and may relate to liabilities for 3–5 years.

CONDITIONS FOR THE PREPARATION OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

The preparation of financial statements in accordance with IFRS requires the use of some significant estimates for accounting purposes. It also requires management to make certain judgments in the application of the Group's accounting policies.

The projects capitalized in the balance sheet are reasonably certain to generate economic benefits in the foreseeable future. Assets are depreciated on a straight-line basis over their estimated life time. Impairment testing of goodwill and patents is performed annually and by calculating the recoverable amount of cash-generating units for the assessment of any impairment of goodwill and patents, several assumptions about future conditions and estimates have been made. Mentice makes no impairment of capitalized R&D costs 0 (0) MSEK in 2023.

PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements include the parent company Mentice AB (publ), the wholly owned subsidiary in America, Mentice Inc, the wholly owned subsidiary in Spain started in December 2022, Mentice Spain SL, the wholly owned subsidiary in China, Mentice International Trading (Beijing) Co. Ltd and its wholly owned subsidiary in Japan, Mentice KK.

Consolidation principles in the group

All subsidiaries are accounted for using the acquisition method, which means that assets and liabilities are recognized at fair value in accordance with a pre-acquisition analysis. The difference between the cost of the subsidiary's shares and the fair value of the assets acquired, liabilities assumed and contingent liabilities is consolidated goodwill. The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition until the date that control ceases. Intra-group receivables and liabilities, income and expenses and unrealized gains or losses arising from intra-group transactions between group companies are eliminated in full when preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no impairment.

Translation differences arising from the foreign currency translation of foreign operations are recognized in other comprehensive income and accumulated in a separate component of equity called the translation reserve.

Foreign currency

Transactions in foreign currency are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Functional currency is the currency of the primary economic environment in which companies operate.

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate prevailing at the balance date.

Exchange rate differences arising from the translations are recognized in the profit and loss account. Non-monetary assets and liabilities reported at historical cost are translated at the exchange rate at the time of the transaction. Non-monetary assets and liabilities recognized at fair value are translated into the functional currency at the exchange rate prevailing at the date of the fair value measurement. At the balance sheet date, the fair value of outstanding forward contracts was SEK 106.3 (0) million, which was recognized as income in the income statement. Hedge accounting is not applied.

The following exchange rates have been used in the financial statements:

	Average price		Balance sheet price	
Currency	2023	2022	2023-12-31	2022-12-31
AED	–	–	–	–
BRL	2.1263	1.9619	2.0694	1.9746
CAD	7.8637	7.7712	7.5782	7.706
CHF	11.8173	10.595	11.9827	11.2915
CNY	1.4982	1.502	1.4133	1.5017
EUR	11.4765	10.6317	11.0960	11.1283
GBP	13.1979	12.4669	12.7680	12.5811
JPY	0.0756	0.0771	0.0710	0.0792
USD	10.6128	10.1245	10.0416	10.4371
INR	0.1285	0.1287	0.1207	0.1262
SGD	7.9012	7.3368	7.6047	7.7748
DKK	1.5403	1,429	1.4888	1.4965

REVENUE AND PERFORMANCE OBLIGATIONS

Revenue is measured based on the consideration specified in the contract with the customer. The Group recognizes revenue when control of a good or service is transferred to the customer. Information about the nature and timing of performance obligations in contracts with customers, including significant payment terms, and related revenue recognition policies are summarized below:

Revenue from the sale of simulators and software

Revenue from system sales, i.e. physical and virtual simulators and software licenses, is recognized as revenue upon delivery when control is transferred to the buyer. Revenue from the sale of software licenses under the subscription model is recognized over the period it runs, usually one year.

Revenue from the sale of services

Revenue from service, rental and support contracts is recognized over the period in which they run, usually one to three years.

Income from consultancy services

Revenues from customized consulting assignments, which run over time, are recognized as revenue based on actual time worked.

SEGMENT REPORTING

An operating segment is a part of the group that engages in activities from which it can generate revenue and for which discrete financial information is available. Furthermore, an operating segment is monitored by the company's chief operating decision maker to evaluate revenues and to allocate resources to the operating segment. See note 3 for further description of the classification and presentation of operating segments.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses consist of interest income on bank balances, receivables and debt securities, interest expense on loans, dividend income, exchange rate differences, unrealized and realized gains on financial investments and derivative instruments used in financial activities.

RIGHTS OF USE

In accordance with IFRS 16, leases for premises are recognized as rights of use as an asset in the balance sheet and a lease liability is recognized as an obligation, which represents an obligation to pay future lease payments related to the right of use. Contracts with a remaining lease term of less than 12 months are defined as short-term leases, which are not recognized as an asset but are expensed in the period of use.

TAXES

Income taxes consist of current tax and deferred tax. Income taxes are recognized in profit or loss except when the underlying transaction is recognized in other comprehensive income or in equity, in which case the related tax effect is recognized in other comprehensive income or in equity.

Current tax expense is calculated on the basis of the tax rules enacted or substantively enacted at the balance sheet date in the countries in which the parent company and subsidiaries operate and generate taxable income and are taxes payable or receivable in respect of the current year, using the tax rates enacted or substantively enacted at the balance sheet date. Current tax also includes adjustments to current tax relating to previous periods. Deferred tax assets relating to deductible temporary differences and tax losses are recognized in full, using the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Tax loss carryforwards are recognized only to the extent that it is probable that they will be utilized and the value of deferred tax assets is reduced when it is no longer considered probable that they will be utilized. In December 2023, SEK 0.0 (1.4) million of the loss carry-forward reserve for the parent company was released. Any additional income tax arising from the distribution is recognized at the same time as the distribution is recognized as a liability.

INTANGIBLE ASSETS

Research and development

Expenditure on development, where research findings or other knowledge is applied to produce new or improved products or processes, is recognized as an asset in the statement of financial position if the product or process is technically and commercially feasible and the company has sufficient resources to complete the development and subsequently use or sell the intangible asset. The carrying amount includes all directly attributable expenditure; for example, on materials and services, employee benefits, registration of a legal right, amortization of patents and licenses, and borrowing costs in accordance with IAS 23. Other development expenditure is recognized in the profit and loss account as an expense when incurred. In the statement of financial position, development expenditure is reported at cost less accumulated amortization and any impairment losses (see below).

The estimated useful life of capitalized development expenditure is 5 years.

Other intangible assets

Other intangible assets acquired by the Group consist of patents, trademarks and goodwill and are carried at cost less accumulated amortization and impairment losses (see below). Other intangible assets are amortized on a straight-line basis over the life of the asset unless the asset has an indefinite life.

The estimated useful life unless such assets have an indefinite life is 10–20 years.

TANGIBLE FIXED ASSETS

Property, plant and equipment are recognized in the Group at cost less accumulated depreciation and any impairment losses. The acquisition cost includes the purchase price and expenses directly attributable to the asset to bring it into place and condition to be used in accordance with the purpose of the acquisition. Borrowing costs directly attributable to the purchase, construction or production of assets that take a substantial period of time to get ready for their intended use or sale are included in the cost. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

The estimated lifetime of equipment, tools and installations is 5 years.

IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

At each reporting date, an assessment is made as to whether there is any indication of impairment of the Group's intangible and tangible assets. Any impairment of goodwill and other intangible assets that are not amortized on an ongoing basis are tested annually or more frequently if there are indications that the asset may be impaired. If so, the Group assesses the recoverable amount of the asset. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Value in use is defined as the present value of all cash inflows and outflows attributable to the asset during the period it is expected to be used in operations plus the present value of the net selling price at the end of the useful life.

For research and development assets a separate assessment is made per project and for 2023 no impairment of projects was made.

STOCKS OF GOODS

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is calculated by applying the first-in, first-out (FIFO) method and includes expenses incurred in acquiring the inventory assets and transporting them to their current location and condition. The risk of obsolescence has also been taken into account.

TRADE AND OTHER RECEIVABLES AND OTHER LIABILITIES

Accounts receivable are recognized in the balance sheet when an invoice is sent. Deductions are made for bad debts, which are assessed individually. Impairment losses on trade receivables are recognized in operating expenses. An other asset or other liability is recognized in the balance sheet when the company becomes a party to the claim or liability.

FINANCIAL ASSETS AND LIABILITIES

A financial asset or financial liability is recognized in the balance sheet when the entity becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when the rights in the contract are realized or expire or the company loses control over them. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the contractual obligation is discharged or otherwise extinguished. The same applies to part of a financial liability. Receivables and liabilities in foreign currency are valued at the closing rate. Exchange rate differences on operating receivables and liabilities are included in operating profit, while exchange rate differences on financial receivables and liabilities are recognized in financial items.

LIQUID ASSETS / CASH AND BANK

Cash and cash equivalents comprise cash, immediately available bank balances and other money market instruments with an original maturity of less than three months.

TRADE PAYABLES

Trade payables are recognized in the consolidated balance sheet at fair value when an invoice is received.

STATE AID

In 2022, the company received a government grant from Vinnova (the Swedish Innovation Agency) for a project within the Eureka cluster (Xecs) TASTI. The decision concerns a 3-year project and the value of the grant amounts to a total of SEK 3 million over the period. During 2023, government grants amounting to SEK 667 (1,238) thousand have been received, which has been fully recognized in the income statement.

EARNINGS PER SHARE

The calculation of earnings per share is based on the consolidated profit for the year attributable to owners of the parent and the weighted average number of shares outstanding during the year.

OPTIONS PROGRAM

There is an outstanding warrant program directed to the company's employees. Employees who wished to participate in the option program have paid a premium corresponding to the market value of the warrant calculated through the Black & Sholes formula. As the market value has been paid, there is no effect on the company's performance for the period or on its financial position. The number of options can be found in note 5.

CONTINGENT LIABILITIES

A contingent liability is recognized when there is a possible obligation arising from past events whose existence is confirmed only by one or more uncertain future events or when there is an obligation that is not recognized as a liability or provision because it is not probable that an outflow of resources will be required.

PARENT COMPANY ACCOUNTING PRINCIPLES

The parent company has prepared its annual report in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The statements issued by the Swedish Financial Reporting Board for listed companies are also applied. RFR2 means that in the annual report for the legal entity, the parent company must apply all IFRS adopted by the EU and statements applicable to listed companies as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and with regard to the relationship between accounting and taxation. The Recommendation sets out the exemptions from and additions to IFRS.

DIFFERENCES BETWEEN THE ACCOUNTING POLICIES OF THE GROUP AND THE PARENT COMPANY

The differences between the accounting policies of the group and the parent company are set out below. The accounting policies set out below for the parent company have been applied consistently to all periods presented in the parent company's financial statements.

RIGHT-OF-USE ASSETS

The parent company does not apply IFRS 16 in accordance with the exemption in RFR 2. As a lessee, the parent company recognizes lease payments as an expense on a straight-line basis over the term of the lease and thus rights of use and lease liabilities are not recognized in the balance sheet.

CLASSIFICATION AND FORMS OF PRESENTATION

The income statement and balance sheet for the parent company are prepared in accordance with the schedules in the Annual Accounts Act, the statement of changes in equity and the cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows respectively. The differences with the consolidated financial statements that arise in the parent company's income statement and balance sheet are mainly related to the recognition of equity.

SUBSIDIARIES

Shares in subsidiaries are accounted for in the parent company using the cost method. This means that transaction costs are included in the carrying amount of holdings in subsidiaries. In the consolidated financial statements, transaction costs related to subsidiaries are recognized directly in profit or loss when incurred. The value of subsidiaries is tested when there is an indication of impairment.

INCOME TAXES

The parent company recognizes appropriations including deferred tax liabilities. In the consolidated accounts, however, appropriations are split between deferred tax liabilities and equity. Similarly, in the income statement, the parent company does not allocate the portion of appropriations to deferred tax expense.

Note 2 Revenue

The Mentice Group divides revenue from contracts with customers into three parts, operating segments, geographical markets and business areas.

Operating segments

Mentice's business is divided into three operating segments that reflect the Group's operations, financial governance and management structure. The three operating segments are Systems, Software Licenses and Service. We also report accessories and spare parts as separate information but it is included in Systems from a governance perspective. As our sales model is divided into perpetual and recurring sales, we divide our operating segments in the same way. SEK 57 million of the annual revenue is recurring revenue which represents a growth of 10% compared to the full year 2022.

TSEK	2023	2022
System sales, for customer investment	133,797	83,268
System sales, recurring	13,915	17,584
Software licenses, for customer investment	32,004	28,108
Software licenses, recurring	42,962	34,122
Accessories and spare parts	12,142	17,498
Service	38,790	37,374
Total	**273,610**	**217,954**

Geographical market (region)

	The group		Parent company	
Net sales by region TSEK	**2023**	**2022**	**2023**	**2022**
EMEA	80,286	62,885	77,880	61,008
APAC	43,801	48,970	43,626	49,117
The Americas	149,522	106,099	65,659	24,980
Total	**273,610**	**217,954**	**187,166**	**135,105**

EMEA consists of Europe, the Middle East and Africa. APAC consists of Asia, Pacific and Southeast Asia and the Americas, which are North and South America.

NET SALES BY COUNTRY FOR THE PARENT COMPANY

Net sales in the parent company (TSEK)	2023	2022
China	21,318	30,895
USA	65,659	23,061
Japan	9,133	10,831
Sweden	2,762	521
Others	88,294	69,797
Total	**187,166**	**135,105**

Business areas

The **Medical Device Industry** business area consists of global companies that deliver products where Mentice develops customizable simulation solutions that are integrated to solve specific customer needs. The business area includes solutions for education, sales and marketing, research and clinical trials.

The **Hospital Systems** business area covers all sales to the hospital sector including academic and university hospitals, their training activities and sales to specialist hospital departments. The latter area focuses on solutions for continuous professional development, maintenance of competences and planning, training and physical guidance.

Strategic partnerships reference Mentice integrated solutions with leading cath lab systems from leading vendors such as Siemens Healthineers, Philips Healthcare and Laerdal.

The company's largest customer represents 15% (11%) of the Group's total net sales, which is SEK 40 (24) million.

	The group		Parent company	
Net sales by business area TSEK	**2023**	**2022**	**2023**	**2022**
Medical devices industry	215,764	160,425	83,481	76,027
Hospital system	44,000	37,908	31,386	27,577
Strategic partnerships	13,846	19,621	8,043	10,614
Internal group sales			64,256	20,888
Total	**273,610**	**217,954**	**187,166**	**135,105**

CONTRACTUAL BALANCES

Information on contract assets and contract liabilities from contracts with customers is summarized below.

	The group		Parent company	
Contractual balances	**2023**	**2022**	**2023**	**2022**
TSEK				
Contract assets	1,893	1,132	15,700	1,130
Contractual liabilities	108,019	102,514	70,019	67,187

AGE DISTRIBUTION

				2023				2022
Contractual balances	**1 year**	**2–5 years**	**>5 years**	**Total**	**1 year**	**2–5 years**	**>5 years**	**Total**
TSEK								
Parent company								
Contract assets	14,448	1,239	13	15,700	369	695	66	1,130
Contractual liabilities	41,403	28,585	31	70,019	46,008	21,065	114	67,187
Total	**55,851**	**29,824**	**44**	**85,719**	**46,377**	**21,760**	**180**	**68,317**
The group								
Contract assets	640	1,239	13	1,893	371	695	66	1,132
Contractual liabilities	70,938	37,050	31	108,019	70,583	31,742	190	102,514
Total	**71,578**	**38,289**	**44**	**109,912**	**70,954**	**32,436**	**256**	**103,646**

Contract assets are primarily attributable to the Group's right to compensation for work performed but not invoiced at the balance sheet date and relate mainly to consultancy work. Contractual liabilities relate mainly to the advances received from the customer, which mainly relate to consultancy work and service commitments.

Note 3 Operating segments

Mentice's business is divided into three operating segments that reflect the Group's operations, financial governance and management structure. The three operating segments are Systems, Software Licenses and Service. We also report accessories and spare parts as separate information but it is included in Systems from a governance perspective. As our sales model is divided into perpetual and recurring sales, we allocate our operating segments in the same way.

Description of the defined operating segments:

- **System** sales – sales of hardware for customer investment and rental and hardware accessories and spare parts.
- **Software licenses** – sale of licenses both for customer investment and by subscription
- **Service** – sales of support, development and other service contracts

The group	System				Software licenses		Service		Group total	
	System sales		Accessories and spare parts							
TSEK	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Sales for customer investment 'capex'	133,797	83,268	12,142	17,498	32,004	28,108	38,791	37,374	216,733	166,249
Recurrent sales	13,915	17,584	–	–	42,962	34,122	–	–	56,877	51,706
Total	**147,712**	**100,852**	**12,142**	**17,498**	**74,966**	**62,230**	**38,791**	**37,374**	**273,610**	**217,954**
Raw materials and supplies	–34,067	–25,944	–5,147	–5,754	–	–	–872	–219	–40,085	–31,917
Gross profit	113,645	74,908	6,995	11,744	74,966	62,230	37,919	37,155	233,525	186,037
Gross profit	76.90%	74.3%	57.60%	67.1%	100%	100%	97.80%	99.4%	85.30%	85.4%

Note 4 Other operating income

	The group		Parent company	
TSEK	2023	2022	2023	2022
Exchange rate gains on operating receivables/ liabilities	–	906	11,960	9,925
Other	1,514	1,464	1,051	1,464
Total	**1,514**	**2,370**	**13,011**	**11,389**

Other operating income in 2023 refers to SEK 669 thousand of state aid totaling SEK 1,514 thousand, SEK 147 thousand in insurance compensation and SEK 698 thousand for the disposal of fixed assets.

Note 5 Employees, personnel costs and senior management, and stock option schemes

Employee benefit costs

	The group		Parent company	
TSEK	2023	2022	2023	2022
Salaries and other remuneration	108,958	109,985	63,163	64,513
Pension costs	8,580	11,003	7,596	5,275
Social costs	24,524	19,149	20,378	17,102
Activated own-account work	–1,949	–7,528	–2,043	–7,528
	140,113	**132,609**	**89,094**	**79,362**

Average number of employees

	Total		of which men	
TSEK	2023	2022	2023	2022
Sweden	68	71	49	46
Germany	1	1	1	1
France	2	1	2	1
India	1	1	1	1
Singapore	1	1	1	1
TOTAL PARENT COMPANY	73	75	54	50
USA	30	33	22	27
China	4	4	4	4
Japan	3	2	3	2
Spanien	6	0	5	0
TOTAL SUBSIDIARIES	43	39	34	33
TOTAL GROUP	**116**	**114**	**88**	**83**

The average number of employees is defined as the average of four measurement points during the year.

Gender balance in the Board of Directors and Group Management

	Proportion of women			
	The group		Parent company	
Percentage	2023	2022	2023	2022
Board of Directors	14%	14%	14%	14%
Senior executives	17%	20%	17%	20%

Note 5 Employees, personnel costs and senior executives and option programs, cont.

Salaries and remunerations broken down by board of directors, CEO and other employees

	Management Board/CEO		other employees			Total
TSEK	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
THE PARENT COMPANY	6,986	6,003	56,177	58,510	63,163	64,513
of which bonuses etc.	(497)	(–)	(9,769)	(10,028)	(10,266)	(10,028)
SUBSIDIARIES		–	45,795	45,472	45,795	45,472
of which bonuses etc.		(–)	(12,547)	(13,461)	(12,547)	(13,461)
TOTAL	**6,986**	**6,003**	**101,972**	**103,982**	**108,958**	**109,985**
of which bonuses etc.	(497)	(–)	(22,316)	(23,489)	(22,813)	(23,489)

Options program

TSEK	Total number of options	allocated	unallocated
Opening balance 1 January 2022	1,429,922	1,075,112	354,810
Awarded during the period			
Forfeited during the period			
Redeemed during the period		−19,782	19,782
Due during the period			
Closing balance 31 December 2022	1,429,922	1,055,330	374,592
Opening balance 1 January 2023	1,429,922	1,055,330	374,592
Awarded during the period	50,000	50,000	
Forfeited during the period			
Redeemed during the period		−22,871	22,871
Due during the period			
Closing balance 31 December 2023	1,479,922	1,082,459	397,463

Note 6 Remuneration of auditors

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
KPMG				
Audit assignments	1,350	1,661	1,350	1,661
Other missions		–		–
Michael Richter Inc				
Audit assignments	317	224		–
Other missions		–		–

An audit engagement refers to the statutory audit of the annual and consolidated financial statements and accounting records and the administration of the Board of Directors and the CEO, as well as audits and other reviews carried out in accordance with agreements or contracts. This includes other tasks that the company's auditor is required to perform as well as advice or other assistance resulting from observations made during such an audit or the performance of such other tasks.

Note 7 Net financial items

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
Interest income and similar items				
Interest income	1,255		822	51
Exchange rate gain	−183	1,280	184	5,629
Reversal of impairment of financial loan				
Other financial income		5		
Gain on disposal of subsidiaries				10,072
Total	**1,072**	**1,285**	**1,006**	**15,752**
Of which group companies			157	10,296
Of which others			849	5,456
Interest expense and similar items				
Interest costs	−1,178	−1,368	−379	
Exchange rate loss	773		182	−4,269
Total	**−405**	**−1,368**	**−197**	**−4,269**
Of which group companies			−43	
Of which others			−154	−4,269

Reversal of impairment refers to the parent company's previous impairment of the receivable from the US subsidiary, which was reversed in 2021.

Note 8 Taxes

Reported tax

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
Current tax expense (–) Tax income (+)				
Tax expense for the year	–1,395	–642	–41	–38
Deferred tax expense (–) Tax income (+)				
Deferred tax on temporary differences	–1930	–1,701	–	–
Deferred tax on loss carry-forwards	520	–4,287	–	–1,351
Total tax expense recognized in the income statement	–2,805	–6,630	–41	–1,389

Reconciliation of reported tax and effective tax rate

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
Profit before tax	–12	–24,035	–16,859	–31,446
Tax according to the tax rate applicable to the parent company	3	4,951	3,473	6,516
Effect of other tax rates for foreign subsidiaries	–481	–5,593	–	–
Non-deductible expenses	–511	–191	–511	–191
Non-taxable income	101	2,238	101	2,238
Deferred tax on losses used or not capitalized	–1,917	–8,035	–3,104	–9,953
Effective book tax	–2,805	–6,630	–41	–1,389
		–27.6%		–4.4%

The total amount of loss carryforwards capitalized in the balance sheet as deferred tax assets amounts to SEK 61 million for the Group, of which SEK 32 million relates to the parent company and SEK 27 million to Mentice Inc. Deferred tax assets are recognized at SEK 12.8 (12.0) million for the Group and SEK 6.6 (6.6) million for the Parent Company.

Change in deferred tax in temporary differences and loss carry-forwards for the Group and Parent Company

Group, TSEK	Balance sheet at 1 Jan 23	Recognized in profit or loss for the year	Equity capital	Balance sheet at 31 Dec 23
Tangible/intangible fixed assets	–3,003	–1,589	–613	–5,205
Warehouse	640	–244		396
Other receivables	97	–97		–
Capitalization of tax losses	12,043	520	274	12,837
Total	**9,777**	**–1,410**	**–339**	**8,028**

Group, TSEK	Balance sheet at 1 Jan 22	Recognized in profit or loss for the year	Equity capital	Balance sheet at 31 Dec 22
Tangible/intangible fixed assets	–1,830	–1,921	748	–3,003
Warehouse	265	375		640
Other receivables	97			97
Deferred income	143	–143		–
Capitalization of tax losses	15,291	–4,287	1,039	12,043
Total	**13,966**	**–5,976**	**1,787**	**9,777**

Parent company, TSEK	Balance sheet at 1 Jan 23	Recognized in profit or loss for the year	Equity capital	Balance sheet at 31 Dec 23
Capitalization of tax losses	6,615			6,615
Total	**6,615**	**0**	**0**	**6,615**

Parent company, TSEK	Balance sheet at 1 Jan 22	Recognized in profit or loss for the year	Equity capital	Balance sheet at 31 Dec 22
Capitalization of tax losses	7,966	–1,351		6,615
Total	**7,966**	**–1,351**		**6,615**

Note 9 Earnings per share

TSEK	Before dilution 2023	Before dilution 2022
Earnings per share	−0.11	−1.22

TSEK	After dilution 2023	After dilution 2022
Earnings per share	−0.11	−1.22

TSEK	2023	2022
Profit for the year attributable to the parent company's ordinary shares	−2,817	−30,665

TSEK	2023	2022
Weighted average number of ordinary shares during the year, before dilution	25,568,850	25,210,608
Weighted average number of ordinary shares during the year, after dilution	25,568,850	25,210,608

Note 10 Intangible assets

	Internal development Intangible assets	Acquired intangible assets			
Group, TSEK	**Development expenditure**	**Patent**	**Trademarks**	**Goodwill**	**Total**
ACCUMULATED ACQUISITION VALUES					
Opening balance 2022-01-01	66,141	25,246		42,613	134,000
Internally developed assets	4,609				4,609
Procurement		16,916	5,443	5,457	27,816
Closing balance 2022-12-31	**70,750**	**42,162**	**5,443**	**48,070**	**166,425**
Opening balance 2023-01-01	70,750	42,162	5,443	48,070	166,425
Internally developed assets	2,384				2,384
Procurement				273	273
Reallocation against depreciation		−7,192		9,753	2,561
Closing balance 2023-12-31	**73,134**	**34,970**	**5,443**	**58,096**	**171,643**
DEPRECIATION					
Opening balance 2022-01-01	−20,375	−7,301	–	−322	−27,998
Depreciation for the year	−9,009	−2,243			−11,252
Impairment losses for the year	2,919			322	3,241
Closing balance 2022-12-31	**−26,465**	**−9,544**	**–**	**–**	**−36,009**
Opening balance 2023-01-01	−26,465	−9,544	–	–	−36,009
Depreciation for the year	−9,526	−4,364	−1,814	−304	−16,008
Reallocation against cost		7,192		−9,284	−2,092
Closing balance 2023-12-31	**−35,991**	**−6,716**	**−1,814**	**−9,588**	**−54,109**
ACCOUNTING VALUES					
As of 2022-01-01	45,766	17,945	–	42,291	106,002
As of 2022-12-31	44,285	32,618	5,443	48,070	130,416
As of 2023-01-01	44,285	32,618	5,443	48,070	130,416
Per 2023-12-31	37,144	28,253	3,628	48,508	117,533

Note 10 Intangible assets, continued

	Internal development Intangible assets	Acquired intangible assets			
Parent company, TSEK	**Development expenditure**	**Patent**	**Trademarks**	**Goodwill**	**Total**
ACCUMULATED ACQUISITION VALUES					
Opening balance 2022-01-01	65,744	26,720	–	43,081	135,545
Internally developed assets	5,006				5,006
Procurement		16,916	5,442	5,605	27,963
Closing balance 2022-12-31	**70,750**	**43,636**	**5,442**	**48,686**	**168,514**
Opening balance 2023-01-01	70,750	43,636	5,442	48,686	168,514
Internally developed assets	2,384				2,384
Procurement				273	273
Closing balance 2023-12-31	**73,134**	**43,636**	**5,442**	**48,959**	**171,171**
DEPRECIATION					
Opening balance 2022-01-01	–19,978	–7,704	0	–8,989	–36,671
Depreciation for the year	–9,009	–2,644		–9,146	–20,799
Impairment losses for the year	2,522				2,522
Closing balance 2022-12-31	**–26,465**	**–10,348**		**–18,134**	**–54,947**
Opening balance 2023-01-01	–26,465	–10,348	–	–18,134	–54,947
Depreciation for the year	–9,432	–4,766	–1,814	–9,999	–26,011
Closing balance 2023-12-31	**–35,897**	**–15,114**	**–1,814**	**–28,133**	**–80,958**
ACCOUNTING VALUES					
As of 2022-01-01	45,766	19,016		34,092	98,874
As of 2022-12-31	44,285	33,288	5,442	30,552	113,567
As of 2023-01-01	44,285	33,288	5,442	30,552	113,567
Per 2023-12-31	37,237	28,522	3,628	20,827	90,214

Goodwill and capitalized expenses have been tested for impairment based on budgets and forecasts, with the first year of the forecast based on the Company's budget and the subsequent four years based on the historical growth rate adjusted by management's forecasts for the future. The forecasts have been prepared internally by management on the basis of historical data, the collective experience of management and their best assessment of the company's development potential and market growth. The present value of projected cash flows has been calculated using a discount rate of 20.4 (21.9) percent. The key variables in the forecast are growth, gross margin, cost of sales and investments. The calculation is based on a continued good gross margin and that the investment need to replace existing assets has been assessed to be relatively low.

Working capital has been assumed to change in proportion to turnover. The recoverable amount, which in the Group is calculated as value in use, exceeds the carrying amount of all impaired assets. Management believes that no reasonable changes in the key variables and assumptions will cause the recoverable amount of the entity to be less than the carrying amounts. Potential changes in these assumptions over time are not expected to result in any indication that the carrying amount of goodwill is not justifiable. In order to support the impairment testing of goodwill, an analysis of the sensitivity of the variables used in the model has been carried out. An assumed 2% increase in the discount rate shows that the recoverable values are still greater than the reported values. Other assumptions, such as the gross margin, the investment requirement and the growth rate, have been assumed to be constant.

Note 11 Tangible assets

	The group			Parent company		
TSEK	Inventories	Rented premises	Total inventory	Inventories	Rented premises	Total inventory
Acquisition value						
Opening balance 1 January 2022	31,028		31,028	8,036		8,036
Purchasing	5,097	429	5,526	983	429	1,412
Divestments			–			
Exchange rate differences	1,100		1,100			
Closing balance 31 December 2022	**37,225**	**429**	**37,654**	**9,019**	**429**	**9,448**
Opening balance 1 January 2023	37,225	429	37,654	9,019	429	9,448
Purchasing	4,330		4,330	3,332		3,332
Divestments	−3,838		−3,838	−3,838		−3,838
Exchange rate differences	−1,184		−1,184			–
Closing balance 31 December 2023	**36,533**	**429**	**36,962**	**8,513**	**429**	**8,942**
Depreciation and amortization						
Opening balance 1 January 2022	−16,937		−16,937	−4,878		−4,878
Depreciation for the year	−5,611	−46	−5,657	−1,042	−46	−1,088
Divestments	374		374			
Exchange rate differences	−1,934		−1,934			
Closing balance 31 December 2023	**−24,108**	**−46**	**−24,154**	**−5,920**	**−46**	**−5,966**
Depreciation and amortization						
Opening balance 1 January 2023	−24,108	−46	−24,154	−5,920	−46	−5,966
Depreciation for the year	−5,717	−165	−5,882	−1,082	−165	−1,247
Divestments	3,668		3,668	3,668		3,668
Exchange rate differences	972		972			–
Closing balance 31 December 2023	**−25,185**	**−211**	**−25,396**	**−3,334**	**−211**	**−3,545**
Reported values						
As of 2022-01-01	14,091	–	14,091	3,158	–	3,158
As of 2022-12-31	13,117	383	13,500	3,099	383	3,482
As of 2023-01-01	13,117	383	13,500	3,099	383	3,482
Per 2023-12-31	11,348	218	11,566	5,178	218	5,396

Note 12 Right-of-use asset

Group, TSEK	Leasing assets
Acquisition value	
Opening balance 1 January 2022	22,217
New contracts	8,633
Right of use adjustment	4,748
Closed contracts	
Exchange rate differences	2,195
Closing balance 31 December 2022	**37,793**
Opening balance 1 January 2023	37,793
New contracts	352
Right of use adjustment	
Exchange rate differences	−822
Closing balance 31 December 2023	**37,323**
Depreciation and amortization	
Opening balance 1 January 2022	−8,155
Depreciation for the year	−6,199
Right of use adjustment	−7,891
Exchange rate differences	−1,106
Closing balance 31 December 2022	**−23,351**
Opening balance 1 January 2023	−23,351
Depreciation for the year	−6,293
Right of use adjustment	
Exchange rate differences	657
Closing balance 31 December 2023	**−28,987**
Reported values	
As of 2022-01-01	14,062
As of 2022-12-31	14,442
As of 2023-01-01	14,442
Per 2023-12-31	8,336

Note 13 Accounts receivable

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
Accounts receivable	85,496	85,582	52,254	50,087
Total	**85,496**	**85,582**	**52,254**	**50,087**
Age structure of accounts receivable				
Not past due	44,284	55,888	25,565	26,736
Overdue 1–31 days	11,387	9,634	5,580	9,634
Overdue 32–62 days	1,592	14,242	1,592	11,026
Overdue 63–92 days	6,546	2,804	1,270	2,151
Overdue > 92 days	21,688	3,013	18,247	540
Total	**85,496**	**85,582**	**52,254**	**50,087**
Accounts receivable by geographical market (region)				
EMEA	18,774	25,546	18,774	25,546
The Americas	35,613	36,498	2,371	1,003
APAC	31,109	23,538	31,109	23,538
Total	**85,496**	**85,582**	**52,254**	**50,087**

Note 14 Inventories

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
Finished goods and merchandise	14,104	16,861	10,304	10,104

The parent company has included SEK 0 (0) thousand in inventory write-down in cost of goods sold.

Note 15 Prepaid expenses and accrued income

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
Rent	1,321	81	1,321	1,258
Leasing				
Insurance	742	289	287	260
Accrued income	1,893	1,132	15,700	1,130
Other prepaid expenses	9,532	8,356	7,425	5,274
Total	**13,488**	**9,858**	**24,733**	**7,922**

Note 16 Cash / cash equivalents and bank and overdraft facilities

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
The following sub-components are included in liquid assets/cash and bank balances				
Cash and bank balances	59,121	47,285	31,341	36,419
Total according to the statement of financial position	**59,121**	**47,285**	**31,341**	**36,419**

Utilized overdraft facilities on the balance sheet date amounted to SEK 0 (0) million in the Group and SEK 0 (0) million in the parent company. The approved amount of the overdraft facility is SEK 20 (20) million for the Group and SEK 20 (20) million for the Parent Company.

Note 17 Equity

SHARE CAPITAL

Only one class of shares exists, all shares have the same rights. As of December 31, 2023, the registered share capital comprised 25,568,850 ordinary shares with a value of SEK 0.05 per ordinary share. Holders of ordinary shares are entitled to receive dividends on a *pro rata* basis and their shares entitle them to vote at general meetings with one vote per share.

Other contributed capital

Refers to equity capital contributed in a new issue.

Translation reserve

Translation reserve refers to the translation of the effect of foreign subsidiaries on equity.

Retained earnings and profit for the year

Retained earnings and profit for the year consist of retained earnings and profit for the year from the profit and loss account.

For the parent company, equity is divided into restricted equity, which consists of share capital and the fund for development costs, and non-restricted equity, which consists of the share premium reserve and the profit for the year and the previous year's retained earnings.

The fund for development costs is reduced as the capitalized expenditure is amortized or impaired.

Types of shares

Group, TSEK	**2023**	**2022**
ordinary shares		
Issued as of January 1	25,569	24,769
New issue	–	800
Issued at 31 December	**25,569**	**25,569**

Note 18 Other long-term liabilities and long-term liabilities to group companies

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
Long-term liabilities				
Liabilities to group companies			829	970
Other long-term liabilities	2,144	8,875		
	2,144	**8,875**	**829**	**970**

The Group's long-term liabilities relate to lease liabilities.

The parent company has long-term liabilities to the subsidiary Mentice Japan amounting to SEK 829 thousand.

Note 19 Accrued expenses and deferred income

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
Prepaid service revenues	26,830	40,590	15,678	24,412
Deferred income and accrued expenses	81,189	61,924	54,341	42,775
Accrued vacation pay	8,885	6,816	7,612	6,816
Accrued sales bonus	3,664	3,068	2,446	1,767
Accrued social contributions	7,066	6,030	7,066	6,014
Accrued acquisition cost for acquisitions	–	9,049	–	9,049
Other	6,647	8,306	4,560	4,537
	134,281	**135,782**	**91,703**	**95,370**

Note 20 Valuation of financial assets and liabilities and fair value and level in the value hierarchy.

	Carrying amount		Fair value
Group 2023, TSEK	**Valued at amortized cost**	**Total**	**Total**
Financial assets			
Accounts receivable	85,496	85,496	85,496
Other current receivables	4,855	4,855	4,855
Cash and cash equivalents	59,121	59,121	59,121
	149,472	**149,472**	**149,472**
Financial liabilities			
Trade payables	15,582	15,582	15,582
Leasing liabilities	9,557	9,557	9,557
Other current liabilities	4,134	4,134	4,134
	29,273	**29,273**	**29,273**

	Carrying amount		Fair value
Group 2022, TSEK	**Valued at amortized cost**	**Total**	**Total**
Financial assets			
Accounts receivable	85,582	85,582	85,582
Other current receivables	5,255	5,255	5,255
Cash and cash equivalents	47,285	47,285	47,285
	138,122	**138,122**	**138,122**
Financial liabilities			
Trade payables	14,231	14,231	14,231
Leasing liabilities	16,675	16,675	16,675
Other current liabilities	3,554	3,554	3,554
	34,460	**34,460**	**34,460**

	Carrying amount		Fair value
Parent company 2023, TSEK	**Valued at amortized cost**	**Total**	**Total**
Financial assets			
Accounts receivable	52,254	52,254	52,254
Other current receivables	4,746	4,746	4,746
Cash and cash equivalents	31,341	31,341	31,341
	88,341	**88,341**	**88,341**
Financial liabilities			
Trade payables	12,481	12,481	12,481
Liabilities to group companies	3,279	3,279	3,279
Other current liabilities	2,533	2,533	2,533
	18,293	**18,293**	**18,293**

	Carrying amount		Fair value
Parent company 2022, TSEK	**Valued at amortized cost**	**Total**	**Total**
Financial assets			
Accounts receivable	50,087	50,087	50,087
Other current receivables	4,768	4,768	4,768
Cash and cash equivalents	36,419	36,419	36,419
	91,274	**91,274**	**91,274**
Financial liabilities			
Trade payables	9,383	9,383	9,383
Liabilities to group companies	3,038	3,038	3,038
Other current liabilities	1,778	1,778	1,778
	14,199	**14,199**	**14,199**

Note 21 Financial risks and risk management

Through its activities, the Group is exposed to various financial risks.
– Market risk
– Currency risk
– Credit risk

MARKET RISK
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risks are classified by IFRS into three types, currency risk, interest rate risk and other price risks. The main market risks affecting the Group are currency risks.

CURRENCY RISK
Currency risk is the risk that the value of assets and liabilities will fluctuate due to changes in exchange rates. Currency risk is divided into translation exposure and transaction exposure. Translation exposure refers to the exposure in net assets of foreign subsidiaries. Transaction exposure refers to risks related to purchases and sales in foreign currency. The Group's external sales are conducted exclusively in the currencies EUR and USD. In the parent company, 70% of external sales are in EUR and the majority of costs are in SEK. The external sales of the US subsidiary are exclusively in USD. The inflow is matched with the subsidiary's outflow, which consists of expenses that are also exclusively in USD. Mentice uses forward currency contracts to manage currency risk. Forward exchange contracts are used to hedge risk in accordance with the Group's financial policy.

SENSITIVITY ANALYSIS
To manage currency risk, the Group aims to reduce the impact of short-term fluctuations on the Group's results. The Group's currency management policy is to hedge 60% of the total order value in EUR on an ongoing basis. The Group uses forward contracts to hedge its currency risk, with most contracts maturing within 3 months of the balance sheet date. However, in the long term, permanent changes in exchange rates will have an impact on the consolidated results.

CREDIT RISK IN ACCOUNTS RECEIVABLE
The Group's exposure to credit risk is mainly related to trade receivables. The financial situation of existing customers is also continuously monitored in order to identify warning signs at an early stage. In monitoring customer credit risk, customers are grouped according to their credit characteristics, their geographical location, industry and trading history with the group and the existence of any previous financial difficulties.

Trade receivables are spread over a large number of customers and no single customer accounts for a significant proportion of total trade receivables.

The accounts receivable are also not concentrated in a specific geographical area. The Group therefore considers the concentration risks to be limited. The Group has not recognized any bad debt provisions or bad debt losses.

Note 22 Accounts payable and its maturity analysis

	The group							Parent company						
2023	**Nominal amount original currency**	**Currency**	**Nominal amount original currency**	**Total**	**< 1 month**	**1–3 months**	**3–6 months**	**Nominal amount original currency**	**Currency**	**Nominal amount original currency**	**Total**	**< 1 month**	**1–3 months**	**3–6 months**
Trade payables	15,582	SEK	15,582	15,582	15,582	–	–	12,481	SEK	12,481	12,481	12,481	–	–
Other current liabilities														

	The group							Parent company						
2022	**Nominal amount original currency**	**Currency**	**Nominal amount original currency**	**Total**	**< 1 month**	**1–3 months**	**3–6 months**	**Nominal amount original currency**	**Currency**	**Nominal amount original currency**	**Total**	**< 1 month**	**1–3 months**	**3–6 months**
Trade payables	14,231	SEK	14,231	14,231	14,231	–	–	9,383	SEK	9,383	9,383	9,383	–	–
Other current liabilities														

Note 23 Leasing

Rental contract

	Duration
Gothenburg, Sweden	30 April 2025
Chicago, USA	30 June 2025
Denver, USA	31 October 2025
Tokyo, Japan	31 May 2024
Beijing, China	31 October 2024
Paris, France	30 November 2027

Right-of-use assets included in the statement of financial position

	Premises	
TSEK	**2023**	**2022**
The group		
Right-of-use assets	37,323	37,793
Accumulated depreciation	−28,987	−23,351
	8,336	**14,442**

Lease liabilities included in the statement of financial position

	Premises	
TSEK	**2023**	**2022**
The group		
Short-term	7,413	7,800
Long-term	2,144	8,875
	9,557	**16,675**

Change in lease liability

TSEK	Leasing debt
Opening balance 1 January 2022	14,704
Cash outflows	−7,468
Contracts signed	8,633
Exchange rate differences	806
Closing balance 31 December 2022	**16,675**
Opening balance 1 January 2023	16,675
Cash outflows	−7,271
Contracts signed	352
Exchange rate differences	−199
Closing balance 31 December 2023	**9,557**

Amounts recognized in profit or loss

TSEK	2023	2022
The group		
Depreciation of right-of-use assets	−6,293	−6,199
Interest on lease liabilities	−842	−1,205
Leasing costs for short-term leases		−1,027
Leasing cost of low value asset		−63
	−7,135	**−8,494**

Cash flow statement for leasing

TSEK	2023	2022
The group		
Amortization of lease liability	−7,271	−7,468
Interest on lease liabilities	−841	−1,205
Leasing costs for short-term leases		−1,027
Leasing cost of low value asset		−63
	−8,112	**−9,763**

Maturity analysis of lease contracts, showing the undiscounted lease payments to be made after the balance sheet date.

TSEK	2023	2022
Parent company		
Within one year	4,047	4,016
Between one and two years	404	3,951
Between two and three years	96	308
Between three and four years	72	–
	4,619	**8,275**
Total leasing costs in the parent company during the year	**3,975**	**4,097**

Note 24 Collateral and contingent liabilities

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
Collateral provided	–	–	–	–
Business mortgages	21,500	21,500	21,500	21,500
Contingent liabilities	–	–	–	–
Guarantee commitment	–	–	1,671	1,671

The parent company has issued a guarantee for the US subsidiary's lease in Chicago.

Note 25 Allocation of the company's profit and loss

At the disposal of the AGM are the following amounts in SEK

Share premium reserve	201,384,948
Retained earnings	−39,812,651
Result for the year	−3,877,817
Total	157,694,480

The Board of Directors proposes that the profits be appropriated as follows

Capitalized in new account	157,694,480

Note 26 Group companies

Holdings in subsidiaries

TSEK	Subsidiary's registered office, country	Organization number	Carrying amount	Ownership in percent 2022-12-31
Mentice INC	Chicago, Illinois, US	EIN 36-4355601	19,012	100.0%
Mentice KK	Tokyo, Japan	0104-01-113133	101	100.0%
Mentice SA	Lausanne, Schweiz	CH-550-100855-0	0	0.0%
Mentice International Trading	Peking, Kina	91110105MA01HUX9Y	478	100.0%
Mentice Spain SL	Barcelona, Spanien	Z-0105086-G	114	100.0%

Parent company

TSEK	2023-12-31	2022-12-31
Accumulated cost		
At the beginning of the year	60,203	82,154
Outgoing liquidation Mentice SA		−22,065
Procurement Mentice SL		114
Shareholder contribution Mentice SL	2,181	
Closing balance 31 December	62,384	60,203
Accumulated impairments		
At the beginning of the year	−40,498	−40,498
Closing balance 31 December	−40,498	−40,498
Carrying amount at December 31	21,886	19,705

Note 27 Specification of the consolidated cash flow statement

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
The following sub-components are included in liquid assets and cash and cash equivalents				
Cash and bank balances	59,121	47,285	31,341	36,419
Total according to the balance sheet	**59,121**	**47,285**	**31,341**	**36,419**

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
Interest paid and dividends received				
Interest received	1,255	110	822	100
Interest paid	−336	−274	−336	−274
	919	**−164**	**486**	**−174**

	The group		Parent company	
TSEK	**2023**	**2022**	**2023**	**2022**
Adjustments for items not included in cash flow				
Depreciation	27,708	22,933	26,954	21,887
Unrealized exchange rate differences	382	−3,820	2,576	−380
Total	**28,090**	**19,113**	**29,530**	**21,507**

Note 28 Events after the balance sheet date

Events after the balance sheet date:
On April 2, it was announced that the company has secured an order worth USD 795,000. The deal includes Mentice VIST™ software development services, and the customer is a global medical device company.

Note 29 Information on the parent company

Mentice AB is a Swedish-registered limited liability company based in Gothenburg. The address of the head office is Odinsgatan 10 in Gothenburg.

The consolidated financial statements for the period January 1 to December 31, 2023 consist of the parent company and its subsidiaries, together referred to as the Group.

Declaration of the Management Board

The Board of Directors and the Managing Director certify that the annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards. The annual accounts and the consolidated accounts give a true and fair view of the financial position and performance of the parent company and the group. The Directors report for the parent company and the group gives a true and fair view of the development of the parent company's and the group's activities.

As stated above, the annual accounts and consolidated accounts have been approved for issue by the Board of Directors and the CEO on April 23, 2024. The consolidated statement of income and other comprehensive income and statement of financial position and the parent company's income statement and balance sheet will be subject to approval by the Annual General Meeting on May 23, 2024.

Gothenburg 23 April 2024,

Magnus Nilsson
Chairman of the board

Göran Malmberg
CEO

Eola Änggård Runsten
Board member

David J. Ballard
Board member

Johann Koss
Board member

Denis Gestin
Board member

Gösta Johannesson
Board member

Lawrence D. Howell
Board member

Our audit report was submitted on April 23, 2024.

KPMG AB

Johan Kratz
Authorized Public Accountant

Auditor's report

To the general meeting of Mentice AB (publ.), reg. no. 556556-4241.

Report on the annual accounts and consolidated accounts

STATEMENTS

We have audited the annual accounts and consolidated accounts of Mentice AB (publ.) for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 33–58 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 26–32. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The other information comprises of pages 1–25 and 61–63. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS Accounting Standards as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Mentice AB (publ.) for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 26–32 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, 23 April, 2024
KPMG AB

Johan Kratz
Authorized Public Accountant

Financial calendar

Annual Report 2023	April 24, 2024
Interim Report Jan–Mar 2024	May 3, 2024
Annual General Meeting	May 23, 2024
Interim Report Apr–Jun 2024	July 23, 2024
Interim Report Jul–Sep 2024	November 7, 2024

Mentice's interim and annual reports are available on www.mentice.com

Glossary of terms

Definition of key performance indicators reported

Alternative performance measures (APM) are financial measurements that cannot be directly discerned or ordered from financial statements. These financial measurements are intended to help the company management and investors to analyze the group's performance. Investors should view these alternative key performance indicators as a complement to the financial statements prepared in accordance with IFRS.

DEFINITION OF KEY PERFORMANCE INDICATORS REPORTED

Order intake	The value of orders received during the period.
Net sales	Sales of products and services are normally recognized in connection with delivery to customers, depending on the terms of delivery. Services, software, and projects that run over several periods are recognized as net sales over time.
Order book	Amount of not yet delivered products and services.
Order intake rolling 12 months	Mentice has had recurring growth phases, and it is important to view performance over time and not solely for an individual quarter as Mentice historically has had a strong fourth quarter.
Net sales rolling 12 months	Mentice has had recurring growth phases, and it is important to view performance over time and not solely for an individual quarter as Mentice historically has had a strong fourth quarter.
Gross profit	Net sales with deduction for raw materials and consumables used and depreciation of rented assets.
Gross profit margin	Gross profit as a part of net sales.
EBITDA	Mentice uses the key performance indicator EBITDA to demonstrate the earning power of the business from operating activities without taking into account the capital structure and tax situation and this is intended to make comparison easier with other companies in the same industry.
EBITDA margin	EBITDA as part of net sales. The measure is used to measure operating profitability, independent of financing, impairment and depreciation.
EBITDA rolling 12 months	Mentice has repeatedly had individual strong quarters, and it is therefore important to continuously see developments over time and not just focus on individual quarters.

Medical terms

Anesthesia	Narcosis.
Aneurysm	An aneurysm is an abnormal swelling or bulge in the wall of a blood vessel, such as an artery.
Angio room (see also Cath-lab)	An examination and operating room in a hospital for the treatment of neurological and cardiological diseases.
Apprenticeship model	Training under the supervision of an experienced doctor.
Big data	Large amounts of data that through analysis can be used to detect patterns, trends, and changes.
Cardiology	The doctrine of the heart and its diseases.
Cardiovascular diseases	Collective term for diseases that affect the circulatory system heart and/or blood vessels, such as heart attacks and strokes.
Catheterization laboratories (“Cath Labs”)	Cath Labs is an examination room in a hospital or clinic with diagnostic imaging equipment used to visualize heart vessels and heart chambers and treat stenosis or existing abnormality.
Clinical trial	A study on healthy or sick people to study the effect of a drug or treatment method.
DT-data	Sets of 2D-images.
Endovascular surgery	Minor intervention for the treatment of cardiovascular diseases. Interventions are made via small holes in the body as an alternative to open surgery.
Healthcare professionals	Personnel working in the healthcare sector and in the Med-tech industry.
Heart valve	A part of the heart that controls blood flow.
IGIT	image-guided interventional therapies (IGIT).
Image-guided interventions ("IGIs")	Surgery procedure for closed or local surgery as an alternative to open surgery.
Interventional neuroradiology	Interventional neuroradiology is a subcategory of interventional radiology that involves the use of medical imaging tests in the diagnosis and treatment of the central nervous system, head, neck, and spinal disorders.
Ischemic stroke	Cerebral infarction.
Mechanical thrombectomy	Recanalizing treatment of blood vessels used in, for instance, brain infarction.
Medical errors	Errors made by healthcare professionals during patient treatment.
Medical simulation	Simulators designed for education and training of surgical skills.
Neuroradiology	A medical branch specialty that includes in-depth knowledge and skills in radiological diagnosis of diseases, injuries, and malformations within the central nervous system, head, and back.
Neurovascular diseases	Collective term for diseases that involve forebrain cells in the spinal cord and peripheral nerves.
Performance-based fee structure	Fee structure where the fees are based on the clinical outcome.
Peripheral vascular diseases	Collection concept for blood vessels diseases outside the heart.
Radiology	The doctrine of the medical use of radioactive radiation.
Re-admission	Patient who has been called to the care center or hospital after initially being discharged.
SAVR-TV, SAVR-MV	Technology for open heart surgery.
Simulation-based training	Training and training using simulators.
Stent	A stent is a metal tube that are used, for example, to widen blood vessels so that blood or the fluid it carries can pass through.
Surgical complications	Undesirable effect during surgery.
Transcatheter aortic valve replacement (“TAVR”)	Image-guided minimal invasive procedures for heart valve replacement.

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