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# YEAR-END REPORT 2022

SURGICAL SCIENCE SWEDEN AB (PUBL)



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

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

**surgicalscience**

# STRONG END TO AN AMAZING YEAR

## FOURTH QUARTER 2022 (OCT – DEC)

- Net sales amounted to SEK 250.1 million (197.7), corresponding to an increase of 27 percent compared with the corresponding period in the preceding year. The preceding year's figure included an item of SEK 9.5 million attributable to the adjustment of accounting principles regarding the period in which certain income is reported. Adjusted for this item, sales increased by 33 percent.
- Operating profit amounted to SEK 61.2 million (44.5).
- Net profit amounted to SEK 116.5 million (66.9), corresponding to earnings per share of SEK 2.29 (1.32).
- Cash flow from operating activities amounted to an inflow of SEK 78.5 million (outflow 13.0). As of December 31, 2022, cash and cash equivalents amounted to SEK 433.7 million (316.7).

## FULL-YEAR 2022

- Net sales amounted to SEK 802.5 million (366.8), corresponding to an increase of 119 percent compared with the corresponding period in the preceding year.
- For comparable units, sales increased by 34 percent.
- Operating profit amounted to SEK 162.5 million (56.5).
- Net profit amounted to SEK 188.0 million (86.2), corresponding to earnings per share of SEK 3.70 (2.03).
- Cash flow from operating activities amounted to an inflow of SEK 129.5 million (39.1).

### Key figures

	October – December		January – December	
	2022	2021	2022	2021
Net sales, SEK million	250.1	197.7	802.5	366.8
Operating profit (EBIT), SEK million	61.2	44.5	162.5	56.5
Adjusted EBIT, SEK million	67.4	51.0	186.0	68.7
Adjusted EBIT margin, %	26.9	25.8	23.2	18.7
Profit after financial items, SEK million	127.0	60.4	208.2	65.8
Net profit, SEK million	116.5	66.9	188.0	86.2
No. employees at end of period	243	209	243	209
Equity/assets ratio, %	91.1	90.1	91.1	90.1
Earnings per share, SEK	2.29	1.32	3.70	2.03
Shareholders' equity per share, SEK	83.39	70.57	83.39	70.57
Share price on the balance sheet date, SEK	164.70	281.50	164.70	281.50
Market cap. on balance sheet date, SEK million	8,367.0	14,300.5	8,367.0	14,300.5

For definitions, see page 17.

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## A MESSAGE FROM THE CEO

**Surgical Science ended 2022 with another record quarter, reaching more than SEK 250 million in sales, with an operating profit of SEK 61 million. We are satisfied with the cash flow for the fourth quarter, with our cash and cash equivalents increasing by SEK 64 million. Having grown by 34 percent over the full year to sales of more than SEK 800 million and with an adjusted EBIT margin of about 23 percent, we are well positioned to achieve our financial targets for 2026.**

The Educational Products business area ended the year with fully 37 percent growth for the fourth quarter compared with the corresponding period in 2021. Increasing our sales of simulators for specialist medical training to hospitals around the world from SEK 113 million to SEK 154 million is an achievement. This is especially true given that the comparison quarter was strong and included particularly favorable sales to Russia, which is currently not a market for us. More or less all other markets, such as China, Japan, Europe and also Latin America contributed to the business area's high sales. The proportion of sales made through distributors was greater than in previous quarters during 2022. While our direct sales in the US experienced a favorable quarter, the increase did not match the second and third quarters when we delivered most of the major USD 6.7 million order announced in May. Our global service/support is included in the revenue stream Simulators (see Note 2) and continues to develop positively as we grow. This forms a backbone in our customer relations and there has been considerable need for help "getting started again" following the pandemic.

Industry/OEM, the business area in which we customize product-specific training together with medical technology companies, experienced a good final quarter with growth of 27 percent. Sales amounted to SEK 96 million, which is an increase compared with SEK 76 million (cleared for the one-off item of SEK 10 million mentioned on page 2) for the corresponding period in 2021. We expect continued strong growth going forward as we have now implemented a strategy focusing on major global key customers and have recruited a strong team to implement this.



**Having grown by 34 percent over the full year to sales of more than SEK 800 million and with 23 percent in adjusted EBIT margin, we are well positioned to achieve our financial targets for 2026.**

License revenue for the fourth quarter was SEK 63 million. Compared with the preceding three quarters (SEK 36/45/40 million per quarter), this is a significant increase and in line with what we are experiencing from the handful of customers having launched their surgical robots following regulatory approval. The market for robot-assisted surgery is growing as expected and our 10-15 customers within this Industry/OEM segment testify to the value contributed by simulation as they progress from the development of a new robot to end-customer surgeon training.

The gross margin of 66 percent - the same for both the fourth quarter and the full year - was lower than we hoped. In Educational Products, the proportion of direct sales was lower in the fourth quarter, the product mix somewhat unfavorable in terms of margins, and we must work more to coordinate our purchasing of direct materials, to streamline production and to adjust price changes without excessive lead times. At the same time, our global supply organization has performed amazingly as a team in being able to ramp up production to match the increase in simulator sales. An important objective in 2023 is to continue to work with the gross margin in those areas that are within our control. In calculating the cost of

goods sold, we include not only direct materials but also all attributable personnel costs, as well as a share of the company's fixed costs, including premises, IT and other overheads.

At the end of the year, cash flow was strong. Even with strong sales growth, accounts receivable increased only marginally. It is good to have ended the year with cash flow from operating activities of SEK 79 million and with our cash balances increasing by SEK 64 million. This is in line with what we communicated in the interim report for the third quarter when we had a period of weaker cash flow.

A little over a year ago, we communicated ambitious new financial targets. We then left 2021 with annual sales, pro forma, of SEK 600 million. With sales of slightly more than SEK 800 million in 2022, we have taken a major step towards our target of SEK 1.5 billion in sales in 2026. Robotic surgery, our most important niche in Industry/OEM, is experiencing favorable momentum and we feel confident that our assumptions regarding licensing revenues going forward are correct. We expect a progressive trend in these revenues rather than linear growth. To date, Educational Products, which in 2022 significantly surpassed its stated target of an average 10-15 percent annual growth over the period, has exceeded expectations. Even if growth were to be at the lower end of the range for that area for much of the period remaining until 2026, we would still meet our targets.

If sales develop as planned, we will reach our profitability target of 40 percent adjusted EBIT for 2026. From the adjusted EBIT margin for 2022 of 23 percent, the gross margin needs to increase from the current level of 66 percent. This will mainly be achieved by increasing the proportion of license

revenue over the period, while operating costs are decreasing in relation to sales. We believe the impact on the operations will be most evident in our sales costs (17 percent of sales for the 2022 full year) and, to some extent, in our administration costs (8 percent of sales in 2022). As for research and development costs (22 percent of sales in 2022), we believe that these will also go down as a share of sales, but it is extremely important for us to keep on investing long-term in continued technology leadership to build the simulation solutions of the future.

To grow as Surgical Science did in 2022 while also merging companies to form a global organization is incredibly exciting, it is also challenging and a lot of hard work. Our shared values of respect, curiosity and perseverance bring the Surgical Science team together in manner of which we can all be proud. Being able to contribute to a better world while also conducting business that contributes to shareholder value is a privilege. I am proud of having the honor to lead this amazingly committed organization of some today 240 people, and I am grateful for the long-term perspective that our supportive Board of Directors has taken in building up the company. A balance sheet with no loan financing and slightly more than SEK 430 million in the bank account both inspires self-confidence and provides room for action. We are now moving into 2023 in a positive spirit and thank our shareholders for their trust in us over the past year.

Gothenburg, February 2023



Gisle Hennermark, CEO

## FOURTH QUARTER 2022 (OCTOBER – DECEMBER)

### Net sales

Net sales for the fourth quarter of the year amounted to SEK 250.1 million (197.7), an increase of 27 percent compared with the same period in the preceding year. Calculated in local currencies, sales increased by 14 percent. An item of SEK 9.5 million, attributable to the adaptation of accounting principles in Simbionix following the acquisition, is included in the sales for the comparison quarter for the Industry/OEM business area. Adjusted for this item, sales increased by 33 percent.

Of the sales for the quarter, SEK 153.9 million (112.5) consisted of sales within the Educational Products business area and SEK 96.2 million (85.2) of sales within the Industry/OEM business area.

Within Educational Products, several markets showed good sales. The USA continued to do well, while countries in South America and Asia (China) also performed well. In the fourth quarter of 2021, sales to Russia were highly favorable, entailing a negative effect when comparing the figure for 2022.

At the end of May, Surgical Science announced that its US operations had secured an order valued at USD 6.7 million from a major US hospital chain. The order is for a larger number of products including simulators for training endoscopy, laparoscopy and ultrasound. The plan was for the products to be delivered over the ensuing six months from the time of the order, with most of the revenue also being recognized during that time. USD 2.1 million was recognized as revenue for the second quarter, and USD 3.9 million for the third quarter. The final deliveries within the order were completed in the fourth quarter, with the remaining USD 0.7 million being recognized as revenue.



Within Industry/OEM, the largest source of income consisted of license revenues deriving from a number of customers. The area also includes sales of proprietary simulators to OEM customers, mainly in the vascular and laparoscopy areas. Development income is also included, which is obtained when Surgical Science works to adapt the company's software to the customer's hardware platform, primarily in the field of robotic surgery.

License revenue for the fourth quarter amounted to SEK 63.1 million, a 56-percent increase compared with the third quarter. The customers who have just started selling the products from which Surgical Science earns licensing income, buy these licenses in packages. This means that sales vary more between periods initially.

Development revenue was slightly lower in the fourth quarter than in earlier quarters of the year. This was partly due to final deliveries being made in some projects and partly to there being less activity in some projects. Larger projects are conducted in several phases, with the assignment possibly needing to be reformulated in between, entailing a lower level of activity until this work has been completed.

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

## Costs and results

The cost of goods sold amounted to SEK 85.9 million (63.4), corresponding to a gross margin of 66 percent (68). As Surgical Science applies a functionally arranged income statement, the gross margin includes, besides direct materials and spare parts, also the salaries of employees working with production, quality control, quality assurance and support. In addition, the salaries of development department employees working on development revenue-generating projects are also included. Additional charges are made for all shared costs, such as premises and IT, in accordance with an allocation template.

Sales costs amounted to SEK 41.4 million (40.7), corresponding to 17 percent (21) of sales. During the quarter, four sales resources took up their employment in Industry/OEM, three in the US and one in Israel. During the first quarter 2023, another individual joins in Germany. The new recruitments are in accordance with the targets set for 2022 (see further on page 8) with regard to expanding the sales organization in Industry/OEM and taking advantage of opportunities in more areas of application. Sales costs include amortizations of surplus values classified as customer contracts in connection with acquisitions, see also below under amortization.

Administration costs amounted to SEK 16.3 million (16.1), corresponding to 7 percent (8) of sales. The previous year's

figure includes a cost of SEK 1.2 million attributable to adapting accounting principles for depreciation periods in Simbionix.

Research and development costs for the quarter amounted to SEK 46.6 million (33.0), corresponding to 19 percent (17) of sales. Of the development costs, SEK 7.6 million (3.4) have been capitalized as an intangible asset. Research and development costs include amortizations of surplus values classified as technology in connection with acquisitions, see also below under amortization.

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

Operating profit for the fourth quarter amounted to SEK 61.2 million (44.5), corresponding to an operating margin of 24 percent (22).

Depreciation and amortization burdened profit by SEK 13.7 million (15.3) in total. Depreciation and amortization burdened the cost of goods sold by SEK 0.4 million (0.5), sales costs by SEK 4.6 million (4.1), administration costs by SEK 4.6 million (6.4) and research and development costs by SEK 4.1 million (4.2). Sales costs include amortization of SEK 4.1 million (4.1) on those parts of the company's acquisitions that are classified as customer contracts, while research and development costs include amortization of SEK 2.1 million (2.4) on those parts of the company's acquisitions that are classified as technology. Depreciation attributable to the application of IFRS 16 amounts to SEK 4.2 million (3.7), this being included in its entirety under administration costs.

Adjusted EBIT amounted to SEK 67.4 million (51.0), corresponding to a margin of 27 percent (26).

EBITDA amounted to SEK 74.9 million (59.7), corresponding to a margin of 30 percent (30).

In addition to an initial purchase consideration, the acquisition of Mimic Technologies also included a deferred contingent consideration linked to certain sales outcomes in 2021, 2022 and 2023. The maximum deferred contingent consideration totaled USD 15.6 million (approximately SEK 130 million on the acquisition date). For 2021, the outcome of the deferred contingent consideration amounted to SEK 3.1 million (USD 340 thousand). As of December 31, 2022, the deferred contingent consideration for 2022 has been calculated at SEK 0 million. The liability for 2022, SEK 57.1 million, was fully recognized

as income in net financial items in the fourth quarter. The remainder of the deferred contingent consideration for 2023, is included in the balance sheet as a current liability (USD 7.8 million, SEK 81.6 million). This item is recalculated quarterly at the exchange rate on the balance sheet date.

Net profit for the quarter amounted to SEK 116.5 million (66.9). The tax expense for the quarter of SEK 10.5 million (positive tax receivable 6.5) consists of estimated tax on profit for the period and a change in deferred tax assets. In Sweden, Israel and the US alike, tax-loss carry-forwards from previous years exist that can be applied, to some extent affecting the tax expense for the quarter.

## Cash flow

During the period October – December 2022, cash flow from operating activities amounted to a net inflow of SEK 78.5 million, compared with a net outflow of SEK 13.0 million for the corresponding period in 2021. Cash flow from changes in working capital amounted to a net outflow of SEK 4.8 million (69.8). Inventories decreased over the quarter, while accounts receivable increased slightly. Accounts receivable generally increase in the fourth quarter, which is generally the strongest in terms of sales. The third quarter report commented that accounts receivable had increased substantially, mainly in the US. The amount then comprising the increase, mainly associated with the large US order announced in May, has now been fully paid. The structure of the company's accounts receivable is favorable with no increased risk being detected in terms of customers' payment capacity. As the Group has a strong financial position with favorable cash flow, longer credit terms can be used as a means of competition in certain procurement procedures.

Cash flow from investing activities amounted to an outflow of SEK 13.5 million (inflow 21.7), mainly comprising investments in development costs related to the company's software. The previous year's figure also included final settlement of the purchase consideration for the acquisition of Simbionix.

Cash flow from financing activities amounted to an outflow of SEK 1.3 million (2.8), where an inflow of SEK 14.8 million (outflow 3.3) was attributable to changes in lease liabilities in accordance with IFRS 16 and where an outflow of SEK 16.0 million (inflow 0.5) was attributable to a change in non-current liabilities; for the quarter, mainly currency fluctuations on the deferred contingent consideration attributable to the acquisition of Mimic Technologies.

# FULL-YEAR 2022

## Net sales

Net sales for 2022 amounted to SEK 802.5 million (366.8), an increase of 119 percent compared with the preceding year. Calculated in local currencies, sales increased by 97 percent.

In percentage terms, Surgical Science's revenues are distributed between the stated currencies roughly as follows: USD 82%, EUR 12%, SEK 3%, other (e.g. GBP) 3%.

Pro forma, the Group's sales for 2021 amounted to SEK 597.0 million, corresponding to an increase of 34 percent for comparable units. Taking exchange rate fluctuations into account, sales increased by 21 percent.

Of the sales for the year, SEK 507.9 million (197.4) consisted of sales within the Educational Products business area and SEK 294.6 million (169.4) of sales within the Industry/OEM business area.

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

## Costs and results

The cost of goods sold amounted to SEK 271.0 million (100.8), corresponding to a gross margin of 66 percent (73). The gross margin is affected by the distribution of revenues, as the different revenue streams, "proprietary simulators containing hardware", "development revenues" and "license revenues", have different gross margins. A higher share of license revenues means a higher gross margin. Following the acquisition of Simbionix, the gross margin has decreased, see the account provided in previous reports.

Sales costs amounted to SEK 138.2 million (79.9), corresponding to 17 percent (22) of sales. Sales costs include amortizations of surplus values classified as customer contracts in connection with acquisitions, see also below under amortization.

Administration costs amounted to SEK 63.7 million (66.0), corresponding to 8 percent (18) of sales. The previous year's figure includes non-recurring costs attributable to the acquisitions of Mimic Technologies and Simbionix of SEK 28.5 million. Costs attributable to the integration of IT systems following the acquisition of Simbionix amounted to SEK 6.0 million (0.2), with SEK 5.6 million (0.7) in investment.

Research and development costs for the year amounted to SEK 172.8 million (65.7), corresponding to 22 percent (18) of sales. Over the year, SEK 22.8 million (10.8) of the development costs were capitalized as an intangible asset. Research and development costs include amortizations of surplus values classified as technology in connection with acquisitions, see also below under amortization.

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

Over the year, with the harmonization of the Group's way of reporting different cost types, certain payroll expenses, for

2022 compared with 2021, were reclassified from sales costs to research and development costs. The amount totaled SEK 20.0 million.

The warrants program that was approved by the Annual General Meeting in May 2022 burdened the profit for the third and fourth quarters by SEK 2.4 million, of which SEK 0.4 million pertains to social security contributions on the Swedish participants' premiums, which were received free of charge. This cost is included on the relevant line in the income statement, based on the function in which the recipient of the premium is employed. The remainder of the cost, SEK 2.0 million, is attributable to the calculation of IFRS2 and is posted under Other operating costs. The amount comprises the entire IFRS2 cost for the Swedish portion of the program (SEK 1.3 million), the remainder is attributable to Israel and the US and is distributed across the term of the program until July 2025.

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

In percentage terms, Surgical Science's costs are distributed between the stated currencies roughly as follows: USD 40%, ILS 40%, SEK 15%, others (e.g. EUR, GBP) 5%.

Operating profit for 2022 amounted to SEK 162.5 million (56.5), corresponding to an operating margin of 20 percent (15).

Depreciation and amortization burdened profit by SEK 51.6 million (33.5) in total. Depreciation and amortization burdened the cost of goods sold by SEK 1.5 million (0.9), sales costs by SEK 17.5 million (11.3), administration costs by SEK 16.6 million (11.7) and research and development costs by SEK 15.9 million (9.6). Sales costs include amortization of SEK 15.5 million (9.8) on those parts of the company's acquisitions that are classified as customer contracts, while research and development costs include amortization of SEK 8.0 million (2.4) on those parts of the company's acquisitions that are classified as technology. Depreciation attributable to the application of IFRS 16 amounts to SEK 15.0 million (7.9), this being included in its entirety under administration costs.

Adjusted EBIT amounted to SEK 186.0 million (68.7), corresponding to a margin of 23 percent (19).

EBITDA amounted to SEK 214.1 million (90.0), corresponding to a margin of 27 percent (25). All margin measures for the previous year include acquisition costs of SEK 28.5 million.

Net financial items include a larger item attributable to the acquisition of Mimic Technologies, see above under the comments on the quarter. As Surgical Science has no loan

financing, other net financial items consist mainly of revaluations of internal loan receivables from the subsidiaries, the effects of IFRS 16 and the revaluation of the remaining contingent consideration (recognized in liabilities) attributable to the acquisition of Mimic Technologies.

Net profit for 2022 amounted to SEK 188.0 million (86.2). The tax expense for the year of SEK 20.2 million (positive tax receivable 20.4) consists of estimated tax on profit for the year and the change in deferred tax assets. In Sweden, Israel and the US alike, tax-loss carry-forwards from previous years exist that can be applied, to some extent affecting the tax expense for the year.

## Cash flow

For 2022, cash flow from operating activities amounted to an inflow of SEK 129.5 million, compared with an inflow of SEK 39.1 million for 2021. Cash flow from changes in working capital amounted to an outflow of SEK 65.6 million (46.7). On the asset side, accounts receivable and inventories have increased, with this being offset to some extent by an increase in current liabilities on the liabilities side.

Cash flow from investing activities amounted to an outflow of SEK 34.5 million (2,732.6), mainly comprising investments in development costs related to the company's software. For 2021, an outflow of SEK 2,718.2 million was attributable to the acquisitions of Mimic Technologies and Simbionix.

Cash flow from financing activities amounted to an inflow of SEK 17.1 million (2,922.5), where an inflow of SEK 4.9 million (outflow 7.6) is attributable to changes in lease liabilities in accordance with IFRS 16 and an inflow of SEK 12.2 million (outflow 24.2) is attributable to changes in non-current liabilities, such as increases in pension liabilities and prepaid revenues (e.g. prepaid support agreements). The figure for the preceding year included the new share issues in the amount of SEK 3,039.1 million, conducted in connection with the acquisitions of Mimic Technologies and Simbionix.

## Financial standing

As of December 31, 2022, the Group's cash and cash equivalents amounted to SEK 433.7 million, shareholders' equity was SEK 4,236.5 million and the equity/assets ratio was 91 percent. As of December 31, 2021, the Group's cash and cash equivalents amounted to SEK 316.7 million, shareholders' equity was SEK 3,585.1 million and the equity/assets ratio was 90 percent. As of December 31, 2022 shareholders' equity per share amounted to SEK 83.39 (70.57).

## Parent Company

The Parent Company, Surgical Science Sweden AB, holds shares in the subsidiaries, and Surgical Sciences' Gothenburg-based Swedish operations are conducted

directly within the Parent Company. Several Group-wide functions are also organized within the Parent Company. Due to internal transactions between the various Group companies, it is not possible to draw general conclusions from the Parent Company's figures regarding sales and operating costs.

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

In the fourth quarter, the portion of the provision for the deferred contingent consideration for the acquisition of Mimic Technologies (corresponding to SEK 57.1 million) not payable for 2022 was, in the Parent Company, booked against shares in subsidiaries. In the Group, this is reversed against net financial items, see comments above under the Group.

As the Parent Company has tax-loss carry-forwards to be utilized, the tax expense in the profit for the year comprises the reversal of the deferred tax asset.

## OUTLOOK

Surgical Science's strategy is to have two separate business areas. Educational Products focuses on customers in education and training, who use the company's in-house-developed simulators to increase patient safety through effective, generic training, the results of which can be measured objectively. Customers validate the simulators over many years through clinical studies. The other business area, Industry/OEM, mainly makes use of Surgical Science's software resources, which allow medical technology companies to integrate product-specific simulation into their clinical products. This makes it possible to generate a return on Surgical Science's development work over more than 20 years, and this is the area in which the company perceives the strongest future growth. In robotic surgery, the principal business model involves a development fee for customization/integration with the customer's products and then a software license per unit alternatively based on the installed base or on usage. Surgical Science retains full copyright on its product.

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

The overarching objectives for Surgical Science in 2022 were to:

- Continue expanding the value content for existing customers in Industry/OEM who license the company's technology.
- Expand the sales organization within Industry/OEM and take advantage of opportunities in additional application areas.
- Achieve the growth target for Educational Products and improve the gross margin. Continue to expand the product portfolio with additional product launches.
- Be prepared to make further acquisitions when the time is right.

Surgical Science has an organization where a large portion of its employees are the world's leading software developers in medical simulation. This gives the company the capacity to work with the development of the core technology for future simulation, with on-time delivery of adaptations of simulation software to customers in Industry/OEM and with continuing to launch new applications for its own products in Educational Products. To remain a world leader in realistic real-time simulations of medical procedures, improving the core technology is critical. In 2022, Surgical Science invested more than ever in this area.

Additional acquisitions are part of the plan when the right pieces of the puzzle can be obtained at the right price. In 2022, Surgical Science continued to integrate the companies acquired in 2021, building a strong company with common global functions.

## THE COMPANY IN BRIEF

### Operations

Surgical Science was founded in 1999 and works with simulation technologies. The company's core is its proprietary software and hardware for simulating interactions between instruments and anatomy. Based on its proprietary technologies, Surgical Science develops and sells turnkey simulation systems used to train surgeons and other medical specialists. The operations are conducted within the framework of the Educational Products business area. Since 2017, Surgical Science has also been working with simulation solutions for medical technology companies that develop surgical instruments for clinical applications (such as robot-assisted surgery) – this work is conducted in the Industry/OEM business area. In 2019, Surgical Science acquired the company SenseGraphics (founded in 2004), which has worked with medical simulation sales to medical device companies for many years. In early 2021, Mimic Technologies was acquired, a US-based company with operations in both Educational Products and Industry/OEM and that has worked in the area



of robotic surgery for almost 20 years. The acquisition of Simbionix, with principal operations in Tel Aviv, Israel was completed in August 2021. Simbionix is active in simulation for training of surgeons and other medical specialists in a wide range of areas and was founded in 1998. The business partly generates revenue through its own simulators in areas including general surgery, endovascular procedures, endoscopy, urology, orthopedics, ultrasound and robotic surgery, and partly through partnerships with medical technology companies in robotic surgery, for example.

## Vision

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

## Financial targets

In January 2022, Surgical Science presented new financial targets.

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

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

## Strategy

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

training and for future surgeons to be certified before performing their first operation on a human patient.

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

One of the macro trends in healthcare driving this development is digitalization, which allows simulation software to be applied directly in medical device products without separate hardware. Another macro trend is increasing patient safety awareness especially with regard to new technologies. This is evident in, for example, regulatory authorities' requirements for verified surgeon training solutions when granting approval for the clinical use of, for example, new surgical robots.

# OTHER INFORMATION

## Organization and personnel

At the end of the year, there were 243 (209) employees, of whom 66 (51) were women and 177 (158) men. Of these, 57 (50) were employed in Sweden, 121 (99) in Israel, 53 (50) in the US and the remaining 12 (10) people in China, Germany, France, Poland, the UK, Greece and Costa Rica.

## Information on transactions with related parties

In addition to his Board fees, Board Member Thomas Eklund received consulting fees of SEK 248 thousand in the second quarter for his work on the company's strategies during 2022.

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

## Proposed appropriation of profits

The Board of Directors intends to propose to the Annual General Meeting that no dividend be paid in 2023, that is, SEK 0.00/share.

## Risk management

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

The most significant strategic and operational risks affecting Surgical Science's operations and sector are described on page 42 of the company's 2021 Annual Report. The principal

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

### Seasonal effects

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

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

### Annual General Meeting and Annual Report

The Annual General Meeting of Surgical Science Sweden AB (publ) will be held on May 17, 2023. Shareholders wishing to have a matter considered by the Meeting may request this in writing from the Board of Directors. Such requests for matters to be addressed shall be submitted to Surgical Science Sweden AB (publ), Att: Chairman of the Board, Drakegatan 7A, SE-412 50 Gothenburg, and must be received by the Board of Directors no later than seven weeks prior to the Meeting and, in all instances, sufficiently early that the matter, if necessary, can be included in the notice convening the Meeting.

Surgical Science's 2022 Annual Report is expected to be available for download from Surgical Science's website during the week of April 17-21.

### Events after the balance sheet date

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

### Assurance

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

Gothenburg, February 22, 2023  
Board of Directors

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

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### Financial reports

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

### The following reports are planned for release:

Interim report January–March 2023: Tuesday, May 16, 2023

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

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

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

### Other dates:

Annual General Meeting 2023: Wednesday, May 17, 2023

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### Marketplace and Certified Adviser

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

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### Please address any questions to

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*This is information that Surgical Science Sweden AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons above, on February 22, 2023 at 7:30 a.m. (CET).*

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

## CONDENSED CONSOLIDATED INCOME STATEMENTS

SEK thousands	January – December		October – December	
	2022	2021	2022	2021
Net sales	802,540	366,778	250,108	197,694
Cost of goods sold	-271,023	-100,836	-85,859	-63,354
<b>Gross profit</b>	<b>531,517</b>	<b>265,942</b>	<b>164,249</b>	<b>134,340</b>
Sales costs	-138,223	-79,917	-41,430	-40,688
Administration costs	-63,652	-66,043	-16,346	-16,077
Research and development costs	-172,786	-65,707	-46,598	-33,045
Other operating income and costs	5,681	2,248	1,343	-51
<b>Operating profit</b>	<b>162,537</b>	<b>56,523</b>	<b>61,218</b>	<b>44,479</b>
Financial income and costs	45,636	9,281	65,769	15,949
<b>Profit after financial items</b>	<b>208,173</b>	<b>65,804</b>	<b>126,987</b>	<b>60,428</b>
Taxes	-20,199	20,444	-10,467	6,465
<b>Net profit</b>	<b>187,974</b>	<b>86,248</b>	<b>116,520</b>	<b>66,893</b>
<b>Attributable to</b>				
Parent Company shareholders	187,974	86,248	116,520	66,893
Earnings per share, SEK	3.70	2.03	2.29	1.32
Earnings per share, SEK*	3.69	2.02	2.29	1.31
Amortization of intangible assets	-31,931	-21,198	-8,186	-8,695
Depreciation of tangible assets	-19,654	-12,319	-5,500	-6,571

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

## CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

SEK thousands	January – December		October – December	
	2022	2021	2022	2021
<b>Net profit</b>	<b>187,974</b>	<b>86,248</b>	<b>116,520</b>	<b>66,893</b>
<b>Other comprehensive income</b>				
<i>Items that have been or can be reclassified to net profit</i>				
Translation differences on translation of foreign operations	461,391	117,592	-236,515	117,724
<b>Total other comprehensive income</b>	<b>461,391</b>	<b>117,592</b>	<b>-236,515</b>	<b>117,724</b>
<b>Comprehensive income</b>	<b>649,365</b>	<b>203,840</b>	<b>-119,995</b>	<b>184,617</b>
<b>Comprehensive income attributable to</b>				
Parent Company shareholders	649,365	203,840	-119,995	184,617

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Dec 31, 2022	Dec 31, 2021
<b>ASSETS</b>		
<b>Fixed assets</b>		
Capitalized expenditure for product development	42,887	28,070
Patents, trademarks, concessions	59,939	51,880
Customer contracts	125,690	125,753
Technology	70,593	68,327
Goodwill	3,444,289	3,019,238
Other intangible fixed assets	1,912	–
Tangible fixed assets	51,357	38,393
Deferred tax assets	22,158	24,597
Other financial fixed assets	4,367	4,966
<b>Total fixed assets</b>	<b>3,823,192</b>	<b>3,361,224</b>
<b>Current assets</b>		
Inventories	134,883	113,107
Accounts receivable	176,311	110,645
Other current receivables	17,798	22,316
Prepaid costs and accrued income	63,646	54,161
Cash and cash equivalents	433,733	316,680
<b>Total current assets</b>	<b>826,371</b>	<b>616,909</b>
<b>TOTAL ASSETS</b>	<b>4,649,563</b>	<b>3,978,133</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity, attributable to Parent Company shareholders	4,236,451	3,585,074
Non-current liabilities	107,204	160,682
Current liabilities	305,908	232,377
<b>Total liabilities</b>	<b>413,112</b>	<b>393,059</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>4,649,563</b>	<b>3,978,133</b>

# CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

SEK thousands	Attributable to Parent Company shareholders				Total shareholders' equity
	Share capital	Other capital contributions	Provisions	Profit and loss carried forward, incl. profit for the period	
<b>Opening balance, January 1, 2021</b>	<b>1,725</b>	<b>425,615</b>	<b>140</b>	<b>-431</b>	<b>427,049</b>
Profit for the year				86,248	86,248
Other comprehensive income for the year			117,592		117,592
Cash issues	807	3,021,555			3,022,362
Private placement	8	16,683			16,691
Issue costs		-84,868			-84,868
<b>Closing balance, December 31, 2021</b>	<b>2,540</b>	<b>3,378,985</b>	<b>117,732</b>	<b>85,817</b>	<b>3,585,074</b>
<b>Opening balance, January 1, 2022</b>	<b>2,540</b>	<b>3,378,985</b>	<b>117,732</b>	<b>85,817</b>	<b>3,585,074</b>
Profit for the year				187,974	187,974
Other comprehensive income for the year			461,391		461,391
Warrants program			2,012		2,012
<b>Closing balance, December 31, 2022</b>	<b>2,540</b>	<b>3,378,985</b>	<b>581,135</b>	<b>273,791</b>	<b>4,236,451</b>



# CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

SEK thousands	January – December		October – December	
	2022	2021	2022	2021
<b>Operating activities</b>				
Profit before financial items	162,537	56,523	61,218	44,479
Adjustment for non-cash items, etc.	40,500	32,926	26,538	14,691
Interest paid/received	536	-254	536	-250
Tax paid	-8,477	-3,425	-4,957	-2,135
<b>Cash flow from operating activities before changes in working capital</b>	<b>195,096</b>	<b>85,770</b>	<b>83,335</b>	<b>56,785</b>
<b>Changes in working capital</b>				
Increase (-)/Decrease (+) in inventories	-21,720	6,459	3,164	7,522
Increase (-)/Decrease (+) in operating receivables	-70,760	-84,573	-4,902	-63,757
Increase (+)/Decrease (-) in operating liabilities	26,871	31,427	-3,048	-13,586
<b>Cash flow from changes in working capital</b>	<b>-65,609</b>	<b>-46,687</b>	<b>-4,786</b>	<b>-69,821</b>
<b>Cash flow from operating activities</b>	<b>129,487</b>	<b>39,083</b>	<b>78,549</b>	<b>-13,036</b>
<b>Investing activities</b>				
Investments in tangible fixed assets	-9,352	-3,871	-3,715	-2,902
Investments in intangible fixed assets	-25,196	-10,506	-9,750	-2,449
Investment in business	–	-2,718,237	–	27,097
<b>Cash flow from investing activities</b>	<b>-34,548</b>	<b>-2,732,614</b>	<b>-13,465</b>	<b>21,746</b>
<b>Financing activities</b>				
Changes in long-term debts	12,194	-24,169	-16,045	548
Change in lease liabilities	4,899	-7,553	14,757	-3,348
New share issues	–	3,039,053	–	–
Cost of new share issues	–	-84,868	–	–
<b>Cash flow from financing activities</b>	<b>17,093</b>	<b>2,922,463</b>	<b>-1,288</b>	<b>-2,800</b>
<b>Cash flow for the period</b>	<b>112,032</b>	<b>228,932</b>	<b>63,796</b>	<b>5,910</b>
Opening cash and cash equivalents	316,680	87,157	370,106	310,599
Exchange-rate difference in cash and cash equivalents	5,021	591	-169	171
<b>Closing cash and cash equivalents</b>	<b>433,733</b>	<b>316,680</b>	<b>433,733</b>	<b>316,680</b>

## KEY FIGURES, GROUP

	January – December		October – December	
	2022	2021	2022	2021
Net sales growth, %	118.8	250.0	26.5	399.3
Gross margin, %	66.2	72.5	65.7	68.0
EBITDA margin, %	26.7	24.5	29.9	30.2
Operating margin, %	20.3	15.4	24.5	22.5
Profit margin, %	23.4	23.5	46.6	33.8
Equity/assets ratio, %	91.1	90.1	91.1	90.1
Shares outstanding at end of period	50,801,236	50,801,236	50,801,236	50,801,236
Shares outstanding at end of period*	50,910,759	51,010,413	50,910,759	51,010,413
Average shares outstanding	50,801,236	42,488,247	50,801,236	50,801,236
Average shares outstanding*	50,913,936	42,669,282	50,899,171	51,008,175
Shareholders' equity per share, SEK	83.39	70.57	83.39	70.57
Shareholders' equity per share, SEK*	83.21	70.28	83.21	70.28
Dividend per share, SEK	0.00**	0.00	0.00**	0.00
Share price on the balance sheet date, SEK*	164.70	281.50	164.70	281.50
Average number of employees	227	121	237	206

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

## CONSOLIDATED INCOME STATEMENTS BY QUARTER

	Oct – Dec 2022	Jul – Sep 2022	Apr – Jun 2022	Jan – Mar 2022	Oct – Dec 2021	Jul – Sep 2021	Apr – Jun 2021	Jan – Mar 2021
SEK thousands								
Net sales	250,108	205,079	188,216	159,137	197,694	95,319	36,562	37,203
Cost of goods sold	-85,859	-67,743	-61,055	-56,366	-63,354	-26,410	-5,032	-6,040
<b>Gross profit</b>	<b>164,249</b>	<b>137,336</b>	<b>127,161</b>	<b>102,771</b>	<b>134,340</b>	<b>68,909</b>	<b>31,530</b>	<b>31,163</b>
Sales costs	-41,430	-33,691	-33,954	-29,148	-40,688	-16,272	-12,362	-10,595
Administration costs	-16,346	-16,840	-15,268	-15,198	-16,077	-31,842	-7,230	-10,894
Research and development costs	-46,598	-44,096	-42,090	-40,002	-33,045	-14,378	-9,470	-8,814
Other operating income and costs	1,343	0	2,743	1,595	-51	1,154	-238	1,383
<b>Operating profit</b>	<b>61,218</b>	<b>42,709</b>	<b>38,592</b>	<b>20,018</b>	<b>44,479</b>	<b>7,571</b>	<b>2,230</b>	<b>2,243</b>
Financial income and costs	65,769	-9,030	-8,990	-2,113	15,949	-4,699	2,268	-4,237
<b>Profit after financial items</b>	<b>126,987</b>	<b>33,679</b>	<b>29,602</b>	<b>17,905</b>	<b>60,428</b>	<b>2,872</b>	<b>4,498</b>	<b>-1,994</b>
Taxes	-10,467	-5,176	-3,130	-1,426	6,465	11,496	-1,035	3,518
<b>Net profit</b>	<b>116,520</b>	<b>28,503</b>	<b>26,472</b>	<b>16,479</b>	<b>66,893</b>	<b>14,368</b>	<b>3,463</b>	<b>1,524</b>
<b>Attributable to</b>								
Parent Company shareholders	116,520	28,503	26,472	16,479	66,893	14,368	3,463	1,524
Earnings per share, SEK	2.29	0.56	0.52	0.32	1.32	0.33	0.09	0.04
Earnings per share, SEK*	2.29	0.56	0.52	0.32	1.32	0.32	0.09	0.04
Average shares outstanding	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236	44,093,249	37,944,236	37,120,492
Average shares outstanding*	50,899,171	50,904,414	50,912,107	50,972,916	51,008,175	44,288,101	38,058,730	37,200,475
Shares outstanding at end of period	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236	37,944,236	37,944,236
Shares outstanding at end of period*	50,910,759	50,900,327	50,901,538	50,977,120	51,010,413	50,994,903	38,090,143	38,022,523

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

## PARENT COMPANY INCOME STATEMENTS

SEK thousands	January – December		October – December	
	2022	2021	2022	2021
Net sales	87,015	89,626	17,648	42,002
Cost of goods sold	-28,562	-18,315	-4,402	-7,983
<b>Gross profit</b>	<b>58,453</b>	<b>71,311</b>	<b>13,246</b>	<b>34,019</b>
Sales costs	-30,375	-18,658	-8,940	-5,542
Administration costs	-26,653	-17,371	-7,875	-5,806
Research and development costs	-19,935	-15,508	-5,799	-4,210
Other operating income and costs	796	1,758	-758	496
<b>Operating profit</b>	<b>-17,714</b>	<b>21,532</b>	<b>-10,126</b>	<b>18,957</b>
Impairment of shares in subsidiaries	-480	-32,950	-480	-32,950
Financial income and costs	-2,001	-7,295	19,115	-2,218
<b>Profit after financial items</b>	<b>-20,195</b>	<b>-18,713</b>	<b>9,469</b>	<b>-16,211</b>
Appropriations (Group contributions)	40,118	42,720	40,118	42,720
Taxes	-4,388	5,572	-4,378	-7,830
<b>Net profit</b>	<b>15,535</b>	<b>29,579</b>	<b>45,209</b>	<b>18,679</b>
Amortization of intangible assets	-6,953	-7,366	-1,637	-1,841
Depreciation of tangible assets	-765	-959	-204	-248

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

## CONDENSED PARENT COMPANY BALANCE SHEETS

SEK thousands	Dec 31, 2022	Dec 31, 2021
<b>ASSETS</b>		
<b>Fixed assets</b>		
Capitalized expenditure for product development	20,494	22,416
Patents, trademarks, concessions	3	73
Other intangible fixed assets	1,022	–
Tangible fixed assets	2,023	2,155
Participations in Group companies	3,188,957	3,234,685
Deferred tax assets	7,844	12,232
<b>Total fixed assets</b>	<b>3,220,343</b>	<b>3,271,561</b>
<b>Current assets</b>		
Inventories	12,172	9,530
Accounts receivable	19,039	15,496
Current receivables from Group companies	41,122	86,549
Other current receivables	1,560	1,972
Prepaid costs and accrued income	3,159	15,799
Cash and bank balances	234,887	143,203
<b>Total current assets</b>	<b>311,939</b>	<b>272,549</b>
<b>TOTAL ASSETS</b>	<b>3,532,282</b>	<b>3,544,110</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>	<b>3,409,532</b>	<b>3,391,986</b>
Long-term provisions	–	70,686
Total non-current liabilities	150	450
Current provisions	81,576	52,552
Current receivables from Group companies	12,637	1,735
Other current liabilities	28,387	26,701
<b>Total liabilities and provisions</b>	<b>122,750</b>	<b>152,124</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>3,532,282</b>	<b>3,544,110</b>

## NOTE 1 ACCOUNTING PRINCIPLES

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

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

## NOTE 2 GROUP OPERATING SEGMENTS

### Revenue by business area

SEK thousands	January – December		October – December	
	2022	2021	2022	2021
Educational Products	507,949	197,408	153,895	112,522
Industry/OEM	294,591	169,370	96,213	85,172
<b>Net sales</b>	<b>802,540</b>	<b>366,778</b>	<b>250,108</b>	<b>197,694</b>

### Revenue by geographic area

SEK thousands	January – December		October – December	
	2022	2021	2022	2021
Europe	130,856	96,347	39,142	58,570
North and South America	504,949	221,274	152,087	121,290
Asia	140,788	44,000	45,867	15,181
Other	25,947	5,157	13,012	2,654
<b>Net sales</b>	<b>802,540</b>	<b>366,778</b>	<b>250,108</b>	<b>197,694</b>

### Revenue by revenue stream

SEK thousands	January – December		October – December	
	2022	2021	2022	2021
Simulators, hardware and software*	576,620	N/A	178,679	N/A
Development revenue	41,371	N/A	8,288	N/A
License revenue	184,549	N/A	63,141	N/A
<b>Net sales**</b>	<b>802,540</b>	<b>N/A</b>	<b>250,108</b>	<b>N/A</b>

\* incl. support agreement

\*\* Surgical Science began applying the operating segment sales by revenue stream as of January 1, 2022.

## NOTE 3 FINANCIAL INSTRUMENTS

SEK thousands	Dec 31, 2022	Dec 31, 2021
Financial assets	619,537	439,518
Financial liabilities	231,731	317,593

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

## NOTE 4 WARRANT PROGRAM

### Warrants 2020\_23

Surgical Science's Annual General Meeting on May 6, 2020 resolved to establish an incentive program for company employees. The incentive program allowed company employees to acquire warrants for a premium of SEK 6.60 each. Each warrant entitles the holder to subscribe for one share in the company for SEK 85.10 during the period May 15 – July 15, 2023. Of the initial 300,000 warrants in the program, 225,000 were subscribed for. The remaining 75,000 warrants were canceled in May 2022.

During the period October – December 2022, both the average share price for the period and the closing price as of the balance sheet date exceeded the exercise price for the warrants program. The dilution effect for the rolling 12-month period has been calculated at 112,700 shares, for the quarter October–December 2022 at 97,935 shares and for the balance sheet date at 109,523 shares. Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 11,250 and the number of shares by 225,000, corresponding to the dilution of the total number of shares and votes by about 0.4 percent.

### Warrants 2022\_25

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

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

Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 10,000 and the number of shares by 200,000, corresponding to the dilution of the total number of shares and votes by slightly less than 0.4 percent. As of the balance sheet date of December 31, 2022, the warrants program entailed no dilution.

### Incentive program costs

Preliminarily, the incentive program is estimated to entail social security contributions of SEK 0.9 million, as well as costs of SEK 5.8 million in accordance with the accounting rules under IFRS2. For 2022, the program burdened profit by SEK 2.4 million, of which SEK 0.4 million pertains to social security contributions on the Swedish participants' premiums, which were provided free of charge. The remainder of the cost, SEK 2.0 million, is attributable to the calculation of IFRS2. The amount comprises the entire IFRS2 cost for the Swedish portion of the program (SEK 1.3 million), the remainder is attributable to Israel and the US and is distributed across the term of the program until July 2025.



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# DEFINITIONS OF KEY FIGURES

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

## Net sales growth

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

## Adjusted EBIT margin

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

## EBITDA margin

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

## Operating profit

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

## Operating margin

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

## Profit margin

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

## Equity/assets ratio

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

## Average number of shares

The weighted average number of shares outstanding during the period.

## Average number of shares after dilution

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

## Earnings per share

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

## Earnings per share after dilution

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

## Shareholders' equity per share

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

## Dividend per share

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

## Average number of employees

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

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