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# YEAR-END REPORT 2021

## SURGICAL SCIENCE SWEDEN AB (PUBL)



One of the biggest challenges within healthcare globally is how injuries during care can be reduced. Medical education and training are key, as a large part of the training today can be performed outside the operating room. Surgical Science is a world leader in the manufacture of virtual reality simulators for evidence-based training. The simulators enable surgeons and other medical specialists to train and improve their psycho-motor skills and instrument handling before entering the operating room. 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, US. Through sales offices in the US, France and China, as well as a global network of distributors, Surgical Science maintains a presence in most markets. Surgical Science Sweden AB (publ) is traded on Nasdaq First North Growth Market.

# STRONG END TO A TRANSFORMATIVE YEAR

## FOURTH QUARTER 2021 (OCT – DEC)

- Net sales amounted to SEK 197.7 million (39.6), corresponding to an increase of 399 percent compared with the corresponding period in the preceding year. Fourth quarter sales included an item of SEK 9.5 million attributable to the adjustment of accounting principles regarding the period in which certain income is reported.
- Simbionix and Mimic are included in the amount of SEK 138.7 million combined. For comparable units, sales increased by 31 percent.
- Operating profit amounted to SEK 44.5 million (12.6).
- Net profit amounted to SEK 66.9 million (10.6), corresponding to earnings per share of SEK 1.32 (0.31).
- Cash flow from operating activities amounted to a net outflow of SEK 13.0 million (inflow 16.7). As of December 31, 2021, cash and cash equivalents amounted to SEK 316.7 million (87.2).

## FULL-YEAR 2021

- Net sales amounted to SEK 366.8 million (104.8), corresponding to an increase of 250 percent compared with the preceding year.
- For comparable units, sales increased by 34 percent.
- Pro forma, the Group's sales for 2021 amounted to SEK 597.0 million (500.9), an increase of 19 percent.
- Operating profit amounted to SEK 56.5 million (20.0). The outcome includes acquisition costs of SEK 28.5 million.
- Net profit amounted to SEK 86.2 million (15.6), corresponding to earnings per share of SEK 2.03 (0.45).
- Cash flow from operating activities amounted to SEK 39.1 million (23.2).
- In January, Mimic Technologies was acquired, with operations in robotic surgery. The transfer of ownership took place on January 27. See also Note 5 on page 16.
- In August, Simbionix was acquired, further strengthening Surgical Science's position in simulation for robotic surgery and broadening the operations with new application areas. The transfer of ownership took place on August 24. See also Note 6 on page 17.

### KEY FIGURES

	January – December		October – December	
	2021	2020	2021	2020
Net sales, SEK million	366.8	104.8	197.7	39.6
Operating profit, SEK million	56.5	20.0	44.5	12.6
Profit after financial items, SEK million	65.8	19.7	60.4	12.5
Net profit, SEK million	86.2	15.6	66.9	10.6
No. employees at end of period	209	61	209	61
Equity/assets ratio, %	90.1	90.4	90.1	90.4
Earnings per share, SEK	2.03	0.45	1.32	0.31
Shareholders' equity per share, SEK	70.57	12.38	70.57	12.38
Share price on balance sheet date, SEK	281.50	93.50	281.50	93.50
Market cap. on balance sheet date, SEK million	14,300.5	3,225.3	14,300.5	3,225.3

For definitions, see page 19.

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## A MESSAGE FROM THE CEO

In 2021, we transformed Surgical Sciences' business through two amazing acquisitions. When uncertainty caused by the pandemic was at its worst, we saw opportunities. Our strategy was prepared, we had the ability to act and the determination to execute. We are now seeing the result of this in our fourth quarter sales of just below SEK 200 million at a 26-percent profit margin expressed as adjusted EBIT. Currency-adjusted growth was fully 38 percent. Even with 2022 starting off with shaky financial markets, as a growing and profitable company with a strong cash position we are optimistic about the new year.

Our sales of SEK 198 million in the fourth quarter were a sign of strength. This is the first quarter to fully encompass all of the company's operations, including the acquired operations in Symbionix. For Educational Products, with 57 percent of sales, demand was greater than we were able to deliver. Challenges in our production and limited transport capacity meant that we had a significantly larger order backlog than normal at the end of the quarter. For Industry/OEM, with 43 percent of sales, shortages of components among our customers entailed license revenues being postponed. Without these effects, sales would have been even higher. Conversely, we had a non-recurring effect of SEK 9.5 million attributable to the aggregation of our accounting principles in the Group – absolutely attributable to “actual sales”, but the effect arises from in which period these revenues are reported. It is with pride and admiration for Surgical Sciences' more than 200 employees that I note that we have again succeeded in putting our customers first. Following the acquisitions, we have balanced our internal efforts to establish a new organization with keeping the sales engine running.

In terms of earnings, adjusted EBIT amounted to SEK 51 million, corresponding to a margin of 26 percent. We believe that the adjusted EBIT profit measure best shows the underlying profit-generating operations, as it includes all costs, including depreciation due to IFRS16 for example, while acquisition-related amortization is deducted. Further down in the income statement, the net result was as much as SEK 67 million, which included positive tax adjustments of SEK 6.5 million.



**Our strategy was prepared, we had the ability to act and the determination to execute.**

The gross margin for the period was 68 percent. Over time, we estimate that this will increase due to relatively higher share of license revenues, but we will also work actively with pricing and costs for direct materials as we streamline production within Educational Products. As usual, the capital tied up, particularly in accounts receivable, was higher on the final day of the year, as many deals arrive late. As sales were so high during the quarter, this had a negative effect on cash flow.

In 2021, we met our overall goals of expanding the value content to the customer base, primarily in robotic surgery, we grew Educational Products during challenging times and we were able to make acquisitions according to our strategy. The market for simulation is growing. Our offering and our market channels within Educational Products are, without doubt, the strongest in the business. For Industry/OEM, the year has been characterized by news from the world's largest medical device companies of continued major investments in robotic surgery. All major suppliers have our simulation technology embedded and it is becoming a standard for safeguarding patient safety. Intuitive, which has dominated the market, continues its growth, and, during the year, new players like Medtronic have been able to make commercial launches in certain markets after gaining regulatory approvals.

Surgical Sciences' long-term financial goal is to have sales of SEK 1,500 million in 2026 and for adjusted EBIT to then amount to 40 percent. The analysis behind the goal we have communicated is based on a large number of variables and we are convinced that surgical simulation will play an increasing role in the digitalization of healthcare in general and in medical devices in particular. We are the largest player in the fastest-growing segment, robotic surgery, and we are well-positioned with a broad portfolio of validated simulation technology in other areas of specialization. We are also running in-house development of technology with machine learning, in which our simulation can generate synthetic data for applications that our customers and partners develop. The interest in our solution is substantial. To gain perspective on our new financial target, we can look back in time five years. In 2016, Surgical Science had sales of just over SEK 50 million. For full year 2021, sales were almost SEK 600 million, calculated pro

forma as if Mimic and Symbionix had been part of the company as of 1 January. In 2026, we will have sales of SEK 1,500 million. Having ambitious growth goals that we meet is part of our DNA.

We love simulation and are proud to be doing something that benefits the world. I would like to extend my thanks to all of our employees, customers and shareholders who enable us to continue pushing the boundaries for how simulation technology increases patient safety and ultimately saves lives.

Gothenburg, February 2022



Gösta Hennermark, CEO

## FOURTH QUARTER 2021 (OCTOBER – DECEMBER)

### Net sales

Net sales for the fourth quarter of the year amounted to SEK 197.7 million (39.6), an increase of 399 percent compared with the same period in the preceding year. Calculated in local currencies, sales increased by 427 percent.

Mimic Technologies' net sales are included in sales for the fourth quarter of 2021 in the amount of SEK 10.1 million. For the corresponding period in 2020, the company's sales were SEK 4.7 million. Of the SEK 10.1 million, SEK 1.8 million corresponded to sales by the Educational Products business area and SEK 8.3 million corresponded to sales by the Industry/OEM business area.

Symbionix's net sales are included in sales for the fourth quarter of 2021 in the amount of SEK 128.6 million. For the corresponding period in 2020, the company's sales were SEK 106.9 million. Of the SEK 128.6 million, SEK 80.2 million corresponded to sales by the Educational Products business area and SEK 48.4 million corresponded to sales by the Industry/OEM business area. An item of SEK 9.5 million, attributable to the adaptation of accounting principles in Symbionix, is included in the quarter's sales for the Industry/OEM business area.

For comparable units, sales increased by 31 percent. Taking exchange rate fluctuations into account, sales increased by 38 percent.

Of the sales for the quarter, SEK 112.5 million (18.7) consisted of sales within the Educational Products business area and SEK 85.2 million (20.8) of sales within the Industry/OEM business area.

In Educational Products, sales were particularly good in the US, China and Russia. Within Industry/OEM, the largest source of income consisted of license revenues deriving from a number of customers. However, with the acquisition of Symbionix, the area now includes a greater hardware element, as Symbionix sells more of its own simulators to medical technology companies than Surgical Science did previously.

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

### Costs and results

The cost of goods sold amounted to SEK 63.4 million (7.1), corresponding to a gross margin of 68 percent (82).

Sales costs amounted to SEK 40.7 million (10.4), corresponding to 21 percent (26) 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 16.1 million (4.1), corresponding to 8 percent (10) of sales. In connection with the acquisition of Symbionix, it was communicated that structural investments in IT systems would be necessary as Symbionix was included in the IT environment of the seller, 3D Systems. These projects, such as new ERP and CRM systems, are ongoing. The quarter included SEK 0.7 million attributable to these projects, with SEK 0.2 million being charged against profit and the remainder being an investment.

A cost of SEK 1.2 million, attributable to the adaptation of accounting principles regarding depreciation periods in Symbionix, is included in administration costs for the quarter.

Research and development costs for the quarter amounted to SEK 33.0 million (4.5), corresponding to 17 percent (11) of sales. Of the development costs, SEK 3.4 million (2.9) have been capitalized as an intangible asset in the Swedish companies and, to a lesser extent in the US companies. 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 consulting revenues, the appurtenant costs are included under Cost of goods sold.

Other operating income and costs consist largely of exchange rate changes on external receivables and liabilities in foreign currency. Surgical Science is negatively affected by a stronger SEK, with higher revenue in foreign currencies than costs.

Operating profit for the fourth quarter amounted to SEK 44.5 million (12.6), corresponding to an operating margin of 22 percent (32).

Depreciation and amortization burdened profit by SEK 15.3 million (4.2) in total. Depreciation and amortization burdened the cost of goods sold by SEK 0.5 million (0.1), sales costs by SEK 4.1 million (1.3), administration costs by SEK 6.4 million (1.2) and research and development costs by SEK 4.2 million (1.7). Sales costs include amortization of SEK 4.1 million (1.1) on those parts of the company's acquisitions that are classified as customer contracts, while research and development costs include amortization of SEK 2.4 million (-) on those parts of the company's acquisitions that are classified as technology. Depreciation attributable to the application of IFRS 16 amounts to SEK 3.7 million (1.0), this being included in its entirety under administration costs.

Regarding the Group's surplus value attributable to the acquisition of Simbionix, SEK 2,598.5 million (USD 296.9 million), USD 6.8 million has been allocated to customer contracts, USD 7.9 million to technology and USD 5.5 million to brands. The remainder comprises goodwill. Customer contracts and technology are amortized over a period of ten years, brands are not amortized. Each quarter, assets are translated to SEK at the exchange rate on the balance sheet date, with the translation effect being booked as equity. The allocation was completed in the fourth quarter, with amortization of SEK 2.1 million on customer contracts and SEK 2.4 million on technology being recognized in this quarter, as of the acquisition date of August 24.

Adjusted EBIT amounted to SEK 51.0 million (13.7), corresponding to a margin of 26 percent (35).

EBITDA amounted to SEK 59.7 million (16.8), corresponding to a margin of 30 percent (42).

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 amounted to USD 15.6 million (approximately SEK 130 million on the acquisition date). As of December 31, 2021, the deferred contingent consideration for 2021 has been calculated at SEK 3.1 million (USD 340 thousand). The remainder for 2021 of SEK 16.8 million reduced the accrued liability and was recognized as income in net financial items. The deferred contingent consideration for 2022 and 2023 is recognized as a current and non-current liability respectively in the balance sheet. Each quarter, these items are translated at the exchange rate on the balance sheet date – this quarter with SEK 2.6 million (-) being recognized as income in net financial items in this regard.

As Surgical Science has no loan financing, other net financial items consist mainly of revaluations of internal loan receivables from the subsidiaries and the effect of IFRS 16.

Net profit for the quarter amounted to SEK 66.9 million (10.6). For the corresponding period in 2020, Mimic Technologies' net loss was USD 1.1 million (SEK 9.9 million, pro forma, not IFRS) and Simbionix net profit was USD 1.4 million (SEK 12.8 million, pro forma, not IFRS). The positive tax receivable for the quarter of SEK 6.5 million (tax expense 1.9) consists of estimated tax on profit for the period and a change in deferred tax assets.

## Cash flow

During the period October – December 2021, cash flow from operating activities amounted to a net outflow of SEK 13.0 million, compared with a net inflow of SEK 16.7 million for the corresponding period in 2020. Cash flow from changes in working capital amounted to a net outflow of SEK 69.8 million (1.1). Accounts receivable and other interim receivables have increased on the asset side, while accounts payable have decreased on the liability side. In general, accounts receivable are at their highest towards the end of the year – sales tending to be high then and being generated at the end of the quarter.

Cash flow from investing activities amounted to a net inflow of SEK 21.7 million (outflow 1.1), comprising not only investments in development costs related to the company's software and in tangible assets but also including the final settlement of the purchase price attributable to the acquisition of Simbionix.

Cash flow from financing activities amounted to an outflow of SEK 2.8 million (2.3), of which SEK 3.3 million (1.0) was attributable to amortizations of lease liabilities in accordance with IFRS 16.

# FULL-YEAR 2021

## Net sales

Net sales for 2021 amounted to SEK 366.8 million (104.8), an increase of 250 percent compared with the preceding year. Calculated in local currencies, sales increased by 275 percent.

Mimic Technologies' net sales are included in sales for the period commencing January 27, 2021. For the period January 1 – 26, Mimic's sales were SEK 1.9 million and for the 2021 full year they were SEK 35.2 million (18.8). Of the SEK 35.2 million, SEK 10.5 million corresponded to sales by the Educational Products business area and SEK 24.7 million corresponded to sales by the Industry/OEM business area.

Simbionix' net sales are included in sales for the period commencing August 24, 2021. For the period January 1 – August 23, Simbionix' sales were SEK 228.4 million and for the 2021 full year they were SEK 407.2 million (377.3). Of the SEK 407.2 million, SEK 250.2 million corresponded to sales by the Educational Products business area and SEK 157.0 million corresponded to sales by the Industry/OEM business area.

For comparable units, sales increased by 34 percent. Taking exchange rate fluctuations into account, sales increased by 44 percent.

Pro forma, the Group's sales for 2021 amounted to SEK 597.0 million (500.9), corresponding to an increase of 19 percent.

Of the sales for the year, SEK 197.4 million (47.7) consisted of sales within the Educational Products business area and SEK 169.4 million (57.1) 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 100.8 million (16.4), corresponding to a gross margin of 73 percent (84). The gross margin is affected by the distribution of revenues, where the different revenue streams "proprietary simulators containing hardware", "consulting revenues" and "license revenues" have different gross margins. A higher share of license revenues means a higher gross margin.

Simbionix has a lower gross margin than the earlier Surgical Science Group, mainly due to the following:

- larger proportion of sales in Educational Products than in Industry/OEM. Educational Products has a lower gross margin than Industry/OEM. Industry/OEM is the fastest growing business area, including for Simbionix.
- the numerous different products within Educational Products mean that some series are relatively small, causing a negative effect on the gross margin.

– with its wide product range in many different areas of application, Simbionix has been able to make larger bundle deals, allowing the gross margin to be reduced while still profiting well from the transaction.

– larger proportion of sales through distributors. Prior to the acquisition, Simbionix conducted direct sales in the US market, but through distributors elsewhere. Although selling through distributors means relinquishing some gross margin, it does not require the same internal sales force and thus entails lower sales costs as a share of sales.

Sales costs amounted to SEK 79.9 million (36.7), corresponding to 22 percent (35) of sales.

Administration costs amounted to SEK 66.0 million (13.8), corresponding to 18 percent (13) of sales. Costs for the year included non-recurring costs of SEK 28.5 million attributable to the acquisitions of Mimic and Simbionix. Excluding these items, administration costs amounted to 10 percent of sales.

Research and development costs for the year amounted to SEK 65.7 million (16.6), corresponding to 18 percent (16) of sales. Over the year, SEK 10.8 million (12.8) in development costs were capitalized as an intangible asset, primarily in the Swedish companies and, to a lesser extent, in the US companies.

Other operating income and costs consist largely of exchange rate changes on external receivables and liabilities in foreign currency. Surgical Science is negatively affected by a stronger SEK, with higher revenue in foreign currencies than costs.

Operating profit for 2021 amounted to SEK 56.5 million (20.0), corresponding to an operating margin of 15 percent (19). Excluding acquisition costs, operating profit for the year amounted to SEK 85.0 million, corresponding to an operating margin of 23 percent.

On acquiring Mimic Technologies, Surgical Science stated its view that rationalizations and cost savings corresponding to approximately USD 0.5 – 1 million would be achieved on an annual basis following the acquisition. On an annual basis, savings of approximately USD 0.9 million have been implemented in relation to the cost structure that existed in the company at the time of the takeover, primarily in the form of personnel reductions in administration and, to a certain extent, in sales. The full impact of these was felt in the third quarter. Since then, however, additional positions have been filled in software development and accounting.

Depreciation and amortization burdened profit by SEK 33.5 million (17.0) in total. Depreciation and amortization burdened the cost of goods sold by SEK 0.9 million (0.3), sales costs by SEK 11.3 million (5.1), administration costs by SEK 11.7 million (4.7) and research and development costs by SEK 9.6 million (6.8). Sales costs include amortization on

those parts of the acquisitions that are classified as customer contracts, with the total for the year being SEK 9.8 million (4.4). Research and development costs include amortization on those parts of the acquisitions that are classified as technology, with the total for the year being SEK 2.4 million (-).

Depreciation attributable to the application of IFRS 16 amounts to SEK 7.9 million (3.8), this being included in its entirety under administration costs.

Adjusted EBIT amounted to SEK 68.7 million (24.4), corresponding to a margin of 19 percent (23). Excluding acquisition costs of SEK 28.5 million, the margin was 31 percent.

EBITDA amounted to SEK 90.0 million (37.0), corresponding to a margin of 25 percent (35). Excluding acquisition costs of SEK 28.5 million, the margin was 32 percent.

Net financial items include two larger items attributable to the acquisition of Mimic Technologies, partly income regarding the impairment of the provision for deferred contingent considerations for 2021 of SEK 16.8 million (-), and partly regarding a revaluation of the total provision for deferred contingent considerations, which constitutes income of SEK 9.3 million (-) for the year. See also above under comments for the quarter.

As Surgical Science has no loan financing, other net financial items consist mainly of revaluations of internal loan receivables from the subsidiaries and the effect of IFRS 16.

Net profit for 2021 amounted to SEK 86.2 million (15.6). The positive tax receivable for the year of SEK 20.4 million (tax expense 4.1) consists of estimated tax on taxable profit for the year and a change in deferred tax assets. The costs for raising capital in connection with the acquisition of Mimic Technologies totaled SEK 13.0 million, and for Symbionix they totaled SEK 71.9 million. These have been booked directly against shareholders' equity and, as they are tax deductible, the tax calculation in the Parent Company is affected.

For the full year of 2020, Mimic Technologies' net loss was USD 3.4 million (SEK 31.3 million, pro forma, not IFRS) and Symbionix net profit was USD 5.0 million (SEK 46.5 million, pro forma, not IFRS).

## Cash flow

For 2021, cash flow from operating activities amounted to SEK 39.1 million, compared with SEK 23.2 million for 2020. Cash flow from changes in working capital amounted to an outflow of SEK 46.7 million (5.8). Accounts payable of SEK 10.0 million in Mimic, attributable to the sellers' transaction costs, were paid off.

Cash flow from investing activities amounted to an outflow of SEK 2,732.6 million (8.7). Of this, SEK 111.4 million was attributable to the acquisition of Mimic Technologies, see also

Note 5 on page 16, and SEK 2,606.8 million was attributable to the acquisition of Symbionix, see also Note 6 on page 17. The remainder mainly comprises development costs related to the company's software.

Cash flow from financing activities amounted to SEK 2,922.5 million (4.2). In the first quarter, two directed share issues were implemented totaling SEK 339.1 million and, in the third quarter, one directed share issue was implemented for SEK 2,700.0 million. The transaction costs for the issues amounted to SEK 84.9 million. Furthermore, following the acquisition of Mimic Technologies, SEK 24.3 million was repaid in interest-bearing loans in that company.

An outflow of SEK 7.6 million (3.8) was attributable to depreciations of lease liabilities in accordance with IFRS 16.

## Financial standing

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, 2020, the Group's cash and cash equivalents amounted to SEK 87.2 million, shareholders' equity was SEK 427.0 million and the equity/assets ratio was 88 percent. As of December 31, 2021 shareholders' equity per share amounted to SEK 70.57 (12.38).

## Parent Company

In the accounts of the Parent Company, Surgical Science Sweden AB, the acquisition of the shares in Mimic Technologies and associated acquisition costs were booked during the first quarter. The initial purchase consideration amounted to USD 13.6 million, corresponding to SEK 113.7 million. In addition, a contingent consideration of USD 15.6 million was recognized as a liability, this being the maximum contingent consideration payable. The deferred contingent consideration is tied to certain sales results for 2021, 2022 and 2023. The liability corresponding to the deferred contingent consideration is currency translated on a quarterly basis, with the effect being found under net financial items (see above under "Costs and results").

In the fourth quarter, the part of the provision for the deferred contingent consideration not falling due in 2021 (corresponding to SEK 16.8 million) was deducted from the Parent Company's shares in subsidiaries. In the Group, this is reversed against net financial items, see comments above under the Group.

With regard to the acquisition of Mimic, acquisition costs of SEK 6.4 million have been booked as shares in subsidiaries. These have been expensed in the Group and are included there as an administrative expense (SEK 6.3 million in the first quarter and SEK 0.1 million in the fourth quarter). The costs of raising capital in connection with the acquisition totaled SEK 13.0 million. These have been booked directly against

shareholders' equity and, as they are tax deductible, the tax calculation in the Parent Company is affected.

The acquisition of the shares in Symbionix and the associated acquisition costs were booked in the third quarter. The preliminary purchase consideration amounted to USD 305.1 million, corresponding to SEK 2,670.0 million. In the fourth quarter, the final purchase price was determined, resulting in a repayment to Surgical Science of USD 2.8 million. The final purchase consideration amounted to USD 302.2 million, corresponding to SEK 2,645.2 million.

With regard to the acquisition of Symbionix, acquisition costs of SEK 22.1 million have been booked as shares in subsidiaries. These have been expensed in the Group and are included there as an administrative expense (SEK 21.8 million in the third quarter and SEK 0.3 million in the fourth quarter). The costs of raising capital in connection with the acquisition totaled SEK 71.9 million. These have been booked directly against shareholders' equity and, as they are tax deductible, the tax calculation in the Parent Company is affected.

During the fourth quarter, the Parent Company, Surgical Science Sweden AB, provided a shareholder contribution, equivalent to SEK 29.3 million, to the US subsidiary Mimic Technologies, Inc. This did not increase the value of the Parent Company's holding in the subsidiary by the same amount, the corresponding amount is presented as an impairment of shares in subsidiaries in the Parent Company's income statement. The shareholder contribution and the corresponding impairment will have no effect on consolidated profit or shareholder's equity.

## 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 training, the results of which can be measured objectively. Customers have validated the simulators over many years through clinical studies. The other business area, Industry/OEM, mainly makes use of Surgical Science's software resources, which allow medical device companies to integrate simulation into their clinical products. This makes it possible to generate a return on Surgical Science's development work over more than 20 years, and this is the area in which the company perceives the strongest future growth. The business model comprises a development fee for adaptation/integration with the customer's products (surgical robots, for example) and subsequently a software license per unit. Surgical Science retains full copyright on its product.

Underlying growth in the market for medical simulation is favorable. The largest market for medical simulation is the US,

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

The overarching objectives for Surgical Science in 2021 were to:

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

Uncertainty remains regarding the impact of the pandemic on Surgical Science's revenues. With most of the world's healthcare having been focused on handling Covid-19, a large proportion of educational and training activities have been placed on hold, which has impacted Educational Products. The implementation of previously planned healthcare measures has also been affected by the pandemic, which could, as a consequence, affect Surgical Sciences' license revenues in the Industry/OEM business area. As markets have opened up following a period of lock-down, Surgical Science has seen a pent-up need translating into sales. Depending on how the pandemic develops, it cannot be ruled out that new restrictions to reduce contagion will again hamper demand, causing sales discrepancies between quarters.

## 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 device 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. In August 2021, the acquisition was



completed of Simbionix, whose principal operations are located in Tel Aviv, Israel. Simbionix, which was founded in 1998, operates in simulations for the training of surgeons and other medical specialists in a wide range of areas. 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

On January 25, 2022, Surgical Science presented new financial targets. For further information, see the press release on the company's website.

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 for new technologies, which is reflected in, among other things, regulatory authorities' demands for verified surgeon training solutions when approving clinical uses for new surgical robots, for example.

## OTHER INFORMATION

### Organization and personnel

At the end of the year, there were 209 (61) employees, of whom 51 (15) were women and 158 (46) men. Of these, 50 (47) were employed in Sweden, 99 (-) in Israel, 50 (4) in the US and the remaining 10 (10) people in China, Germany, France, Poland and the UK.

### 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 acquisition strategies during 2021.

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

### Proposed appropriation of profits

The Board of Directors intends to propose to the Annual General Meeting that no dividend be paid in 2022, that is, SEK 0.00/share.

### Risk management

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

The most significant strategic and operational risks affecting Surgical Science's operations and sector are described on page 39 of the company's 2020 Annual Report. The principal risks and uncertainties include IP, market risks, competitors and technological development, industrial partnerships, employees, acquisitions and access to capital. To all intents and purposes, the risks reported by the company and outlined in the Annual Report, are judged to have remained unchanged.

## Seasonal effects

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

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

## Annual General Meeting and Annual Report

The Annual General Meeting of Surgical Science Sweden AB (publ) will be held on May 12, 2022. 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 2021 Annual Report is expected to be available for download from Surgical Science's website during the week of April 11-14.

## Events after the balance sheet date

On January 25, 2022, Surgical Science presented new financial targets, see above.

No other significant events to be reported have occurred 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 16, 2022

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 2022: Wednesday, May 11, 2022

Interim Report, January – June 2022: Thursday, August 25, 2022

Interim Report, January – September 2022: Thursday, November 10, 2022

Year-end Report 2022: Wednesday, February 22, 2023

### Other dates:

Annual General Meeting 2022: Thursday, May 12, 2022

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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 16, 2022 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	
	2021	2020	2021	2020
Net sales	366,778	104,799	197,694	39,595
Cost of goods sold	-100,836	-16,435	-63,354	-7,070
<b>Gross profit</b>	<b>265,942</b>	<b>88,364</b>	<b>134,340</b>	<b>32,525</b>
Sales costs	-79,917	-36,658	-40,688	-10,434
Administration costs	-66,043	-13,771	-16,077	-4,108
Research and development costs	-65,707	-16,567	-33,045	-4,457
Other operating income and costs	2,248	-1,394	-51	-883
<b>Operating profit</b>	<b>56,523</b>	<b>19,974</b>	<b>44,479</b>	<b>12,643</b>
Financial income and costs	9,281	-315	15,949	-173
<b>Profit after financial items</b>	<b>65,804</b>	<b>19,659</b>	<b>60,428</b>	<b>12,470</b>
Taxes	20,444	-4,053	6,465	-1,910
<b>Net profit</b>	<b>86,248</b>	<b>15,606</b>	<b>66,893</b>	<b>10,560</b>
<b>Attributable to</b>				
Parent Company shareholders	86,248	15,606	66,893	10,560
Earnings per share, SEK	2.03	0.45	1.32	0.31
Earnings per share, SEK*	2.02	0.45	1.31	0.31
Amortization of intangible assets	-21,198	-12,086	-8,695	-2,936
Depreciation of tangible assets	-12,319	-4,890	-6,571	-1,226

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

## CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

SEK thousands	January – December		October – December	
	2021	2020	2021	2020
<b>Net profit</b>	<b>86,248</b>	<b>15,606</b>	<b>66,893</b>	<b>10,560</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	117,592	425	117,724	151
<b>Total other comprehensive income</b>	<b>117,592</b>	<b>425</b>	<b>117,724</b>	<b>151</b>
<b>Comprehensive income</b>	<b>203,840</b>	<b>16,031</b>	<b>184,617</b>	<b>10,711</b>
<b>Comprehensive income attributable to</b>				
Parent Company shareholders	203,840	16,031	184,617	10,711

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Dec 31, 2021	Dec 31, 2020
<b>ASSETS</b>		
<b>Fixed assets</b>		
Capitalized expenditure for product development	28,070	24,787
Patents, trademarks, concessions	51,880	870
Customer contracts	125,753	37,247
Technology	68,327	-
Goodwill	3,019,238	260,492
Tangible fixed assets	38,393	8,548
Deferred tax assets	24,597	6,724
Other financial fixed assets	4,966	211
<b>Total fixed assets</b>	<b>3,361,224</b>	<b>338,879</b>
<b>Current assets</b>		
Inventories	113,107	12,459
Accounts receivable	110,645	18,590
Other current receivables	22,990	4,535
Prepaid expenses and accrued income	53,487	10,653
Cash and cash equivalents	316,680	87,157
<b>Total current assets</b>	<b>616,909</b>	<b>133,394</b>
<b>TOTAL ASSETS</b>	<b>3,978,133</b>	<b>472,273</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity, attributable to Parent Company shareholders	3,585,074	427,049
Long-term liabilities	160,682	13,946
Current liabilities	232,377	31,278
<b>Total liabilities</b>	<b>393,059</b>	<b>45,224</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>3,978,133</b>	<b>472,273</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, 2020</b>	<b>1,681</b>	<b>416,317</b>	<b>-285</b>	<b>-16,037</b>	<b>401,676</b>
Profit for the year				15,606	15,606
Other comprehensive income for the year			425		425
Redemption of options	44	7,813			7,857
Warrant premiums received		1,485			1,485
<b>Closing balance, December 31, 2020</b>	<b>1,725</b>	<b>425,615</b>	<b>140</b>	<b>-431</b>	<b>427,049</b>
<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>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

SEK thousands	January – December		October – December	
	2021	2020	2021	2020
<b>Operating activities</b>				
Profit before financial items	56,523	19,974	44,479	12,643
Adjustment for non-cash items, etc.	32,926	18,270	14,691	5,139
Interest paid/received	-254	-108	-250	-
Tax paid	-3,425	-9,070	-2,135	-
<b>Cash flow from operating activities before changes in working capital</b>	<b>85,770</b>	<b>29,066</b>	<b>56,785</b>	<b>17,782</b>
<b>Changes in working capital</b>				
Increase (-)/Decrease (+) in inventories	6,459	-5,271	7,522	3,445
Increase (-)/Decrease (+) in operating receivables	-84,573	1,861	-63,757	-7,563
Increase (+)/Decrease (-) in operating liabilities	31,427	-2,431	-13,586	2,990
<b>Cash flow from changes in working capital</b>	<b>-46,687</b>	<b>-5,841</b>	<b>-69,821</b>	<b>-1,128</b>
<b>Cash flow from operating activities</b>	<b>39,083</b>	<b>23,225</b>	<b>-13,036</b>	<b>16,654</b>
<b>Investing activities</b>				
Investments in tangible fixed assets	-3,871	-399	-2,902	-234
Investments in intangible fixed assets	-10,506	-8,295	-2,449	-876
Investment in business	-2,718,237	-	27,097	-
<b>Cash flow from investing activities</b>	<b>-2,732,614</b>	<b>-8,694</b>	<b>21,746</b>	<b>-1,110</b>
<b>Financing activities</b>				
Changes in long-term debts	-24,169	-1,321	548	-1,321
Amortization of lease liabilities	-7,553	-3,816	-3,348	-965
New share issues	3,039,053	-	-	-
Cost of new share issues	-84,868	-	-	-
Redemption of options	-	7,857	-	-
Warrant premiums received	-	1,485	-	-
<b>Cash flow from financing activities</b>	<b>2,922,463</b>	<b>4,205</b>	<b>-2,800</b>	<b>-2,286</b>
<b>Cash flow for the period</b>	<b>228,932</b>	<b>18,736</b>	<b>5,910</b>	<b>13,258</b>
Opening cash and cash equivalents	87,157	69,217	310,599	74,652
Exchange-rate difference in cash and cash equivalents	591	-796	171	-753
<b>Closing cash and cash equivalents</b>	<b>316,680</b>	<b>87,157</b>	<b>316,680</b>	<b>87,157</b>

## KEY FIGURES, GROUP

	January – December		October – December	
	2021	2020	2021	2020
Net sales growth, %	250.0	3.2	399.3	0.9
Gross margin, %	72.5	84.3	68.0	82.1
EBITDA margin, %	24.5	35.3	30.2	42.4
Operating margin, %	15.4	19.1	22.5	31.9
Profit margin, %	23.5	14.9	33.8	26.7
Equity/assets ratio, %	90.1	90.4	90.1	90.4
Shares outstanding at end of period	50,801,236	34,494,760	50,801,236	34,494,760
Shares outstanding at end of period*	51,010,413	34,521,049	51,010,413	34,521,049
Average shares outstanding	42,488,247	34,370,387	50,801,236	34,494,760
Average shares outstanding*	42,669,282	34,370,387	51,008,175	34,507,403
Shareholders' equity per share, SEK	70.57	12.38	70.57	12.38
Shareholders' equity per share, SEK*	70.28	12.37	70.28	12.37
Dividend per share, SEK	0.00**	0.00	0.00**	0.00
Share price on the balance sheet date, SEK*	281.50	93.50	281.50	93.50
Average number of employees	121	57	206	58

\* After dilution. See Note 4 for information regarding warrant programs. | \*\* Proposal by the Board of Directors' to the 2022 Annual General Meeting. | See page 19 for definitions of key figures.

## CONSOLIDATED INCOME STATEMENTS BY QUARTER

SEK thousands	Oct – Dec 2021	Jul – Sep 2021	Apr – Jun 2021	Jan – Mar 2021	Oct – Dec 2020	Jul – Sep 2020	Apr – Jun 2020	Jan – Mar 2020
Net sales	197,694	95,319	36,562	37,203	39,595	24,929	20,621	19,654
Cost of goods sold	-63,354	-26,410	-5,032	-6,040	-7,070	-3,418	-2,755	-3,192
<b>Gross profit</b>	<b>134,340</b>	<b>68,909</b>	<b>31,530</b>	<b>31,163</b>	<b>32,525</b>	<b>21,511</b>	<b>17,866</b>	<b>16,462</b>
Sales costs	-40,688	-16,272	-12,362	-10,595	-10,434	-7,765	-8,565	-9,894
Administration costs	-16,077	-31,842	-7,230	-10,894	-4,108	-2,864	-3,839	-2,960
Research and development costs	-33,045	-14,378	-9,470	-8,814	-4,457	-2,899	-3,888	-5,323
Other operating income and costs	-51	1,154	-238	1,383	-883	-682	-737	908
<b>Operating profit/loss</b>	<b>44,479</b>	<b>7,571</b>	<b>2,230</b>	<b>2,243</b>	<b>12,643</b>	<b>7,300</b>	<b>838</b>	<b>-807</b>
Financial income and costs	15,949	-4,699	2,268	-4,237	-173	-62	-621	541
<b>Profit/loss after financial items</b>	<b>60,428</b>	<b>2,872</b>	<b>4,498</b>	<b>-1,994</b>	<b>12,470</b>	<b>7,238</b>	<b>217</b>	<b>-266</b>
Taxes	6,465	11,496	-1,035	3,518	-1,910	-1,295	-430	-418
<b>Net profit/loss</b>	<b>66,893</b>	<b>14,368</b>	<b>3,463</b>	<b>1,524</b>	<b>10,560</b>	<b>5,943</b>	<b>-213</b>	<b>-684</b>
<b>Attributable to</b>								
Parent Company shareholders	66,893	14,368	3,463	1,524	10,560	5,943	-213	-684
Earnings per share, SEK	1.32	0.33	0.09	0.04	0.31	0.17	-0.01	-0.02
Earnings per share, SEK*	1.31	0.32	0.09	0.04	0.31	0.17	-0.01	-0.02
Average shares outstanding	50,801,236	44,093,249	37,944,236	37,120,492	34,494,760	34,494,760	34,494,760	33,995,905
Average shares outstanding*	51,008,175	44,288,101	38,058,730	37,200,475	34,507,403	34,494,760	34,494,760	33,995,905
Shares outstanding at end of period	50,801,236	50,801,236	37,944,236	37,944,236	34,494,760	34,494,760	34,494,760	34,494,760
Shares outstanding at end of period*	51,010,413	50,994,903	38,090,143	38,022,523	34,521,049	34,494,760	34,494,760	34,494,760

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

## PARENT COMPANY INCOME STATEMENTS

SEK thousands	January – December		October – December	
	2021	2020	2021	2020
Net sales	89,626	49,449	42,002	23,803
Cost of goods sold	-18,315	-12,694	-7,983	-6,108
<b>Gross profit</b>	<b>71,311</b>	<b>36,755</b>	<b>34,019</b>	<b>17,695</b>
Sales costs	-18,658	-17,537	-5,542	-6,225
Administration costs	-17,371	-11,058	-5,806	-3,480
Research and development costs	-15,508	-12,944	-4,210	-3,695
Other operating income and costs	1,758	-484	496	-631
<b>Operating profit/loss</b>	<b>21,532</b>	<b>-5,268</b>	<b>18,957</b>	<b>3,664</b>
Impairment of shares in subsidiaries	-32,950	-14,700	-32,950	-101
Financial income and costs	-7,295	-493	-2,218	-484
<b>Profit/loss after financial items</b>	<b>-18,713</b>	<b>-20,461</b>	<b>-16,211</b>	<b>3,079</b>
Appropriations (Group contributions)	42,720	5,921	42,720	5,921
Taxes	5,572	-103	-7,830	-1,939
<b>Net profit/loss</b>	<b>29,579</b>	<b>-14,643</b>	<b>18,679</b>	<b>7,061</b>
Amortization of intangible assets	-7,366	-7,545	-1,841	-1,801
Depreciation of tangible assets	-959	-948	-248	-237

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, 2021	Dec 31, 2020
<b>ASSETS</b>		
<b>Fixed assets</b>		
Capitalized expenditure for product development	22,416	21,106
Patents, trademarks, concessions	73	870
Tangible fixed assets	2,155	2,174
Participations in Group companies	3,234,685	338,449
Deferred tax assets	12,232	6,660
<b>Total fixed assets</b>	<b>3,271,561</b>	<b>369,259</b>
<b>Current assets</b>		
Inventories	9,530	11,988
Accounts receivable	15,496	13,251
Current receivables from Group companies	86,549	14,086
Other current receivables	1,972	831
Prepaid expenses and accrued income	15,799	1,387
Cash and bank balances	143,203	14,849
<b>Total current assets</b>	<b>272,549</b>	<b>56,392</b>
<b>TOTAL ASSETS</b>	<b>3,544,110</b>	<b>425,651</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>	<b>3,391,986</b>	<b>408,222</b>
Long-term provisions	120,163	-
Other long-term liabilities	450	1,965
Current provisions	3,075	-
Other current liabilities	28,436	15,464
<b>Total liabilities</b>	<b>152,124</b>	<b>17,429</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>3,544,110</b>	<b>425,651</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

SEK thousands	January - December		October - December	
	2021	2020	2021	2020
Educational Products	197,408	47,668	112,522	18,746
Industry/OEM	169,370	57,131	85,172	20,849
<b>Net sales</b>	<b>366,778</b>	<b>104,799</b>	<b>197,694</b>	<b>39,595</b>

SEK thousands	January - December		October - December	
	2021	2020	2021	2020
Nordic Region	11,839	4,888	6,267	2,711
Rest of Europe	53,555	27,662	21,349	13,310
North and South America	221,274	58,813	121,290	18,546
Asia	44,000	7,829	15,181	1,925
Other	36,110	5,607	33,607	3,103
<b>Net sales</b>	<b>366,778</b>	<b>104,799</b>	<b>197,694</b>	<b>39,595</b>

## NOTE 3 FINANCIAL INSTRUMENTS

SEK thousands	Dec 31,	Dec 31,
	2021	2020
Financial assets	439,518	114,972
Financial liabilities	317,593	15,336

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

## NOTE 4 WARRANT PROGRAM

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

The incentive program includes 300,000 warrants at most. During the period January - December 2021, both the average share price for the period and the closing price as of the balance sheet date exceeded the exercise price for the warrants program. The dilution effect for the rolling 12-month period has been calculated at 181,035 shares, for the quarter October-December 2021 at 206,939 shares and for the balance sheet date at 209,177 shares. Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 15,000 and the number of shares by 300,000, corresponding to the dilution of the total number of shares and votes by about 0.6 percent.

## NOTE 5 ACQUISITION OF BUSINESS - MIMIC

On January 20, 2021, a conditional agreement was entered into to acquire all of the shares in Mimic Technologies Inc. ("Mimic") for an initial purchase consideration of USD 18 million (approximately SEK 150 million) on a cash and debt-free basis. In addition, a maximum USD 15.6 million (approximately SEK 130 million at the time of the acquisition) may be paid as a deferred contingent consideration linked to predetermined sales levels in 2021, 2022 and 2023. Accordingly, the total purchase consideration that may be payable if all of the conditions are met, amounts to a maximum of USD 33.6 million (approximately SEK 281 million). The acquisition provides Surgical Science with an additional customer base in robotic surgery, contributes data collection/analysis technology and significantly strengthens the presence in the important US market. Mimic has offices in Seattle, Washington in the US and had 25 employees at the end of December.

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

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

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

In accordance with, and as an integral part of the acquisition, Mimic's largest shareholder, Jeff Berkley, received shares in Surgical Science corresponding to SEK 16.7 million of the initial purchase consideration. Because the acqui-



sition was structured as a merger, technicalities required this to be achieved through a cash reinvestment in which Jeff Berkley acquired shares in Surgical Science. For this purpose, 169,800 shares were issued. The subscription price was SEK 98.30 per share.

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

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

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

#### Carrying amount of identifiable assets and liabilities at the time of acquisition

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

The total transferred consideration of USD 13.6 million (SEK 113.7 million) was paid in cash. The surplus value attributable to the acquisition amounted to SEK 266.5 million. The portion of the surplus value classified as intangible assets amounted to USD 4.2 million with an amortization period of ten years and was attributable to customer contracts. In the Group, the asset is transla-

ted into SEK at the exchange rate on the balance sheet date for each quarter and amortization is translated at the average exchange rate. The remainder of the surplus value is attributable to goodwill, mainly reflecting synergy effects in the form of increased potential sales value per customer and increased sales potential for new customers.

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

Acquisition-related costs of SEK 6.4 million, not directly attributable to the share issue, are included in the income statement under the Group's administration costs and in the cash flow statement under operating activities. In the Parent Company, these costs have been booked against shares in subsidiaries. Costs attributable to the cash issue of SEK 13.0 million have been recognized in Shareholders' equity.

Over the slightly more than eleven months between the acquisition date and December 31, 2021, the acquired subsidiaries contributed SEK 33.3 million to the Group's revenues and negatively by SEK 6.2 million to the Group's profit after tax. Had the acquisition occurred on January 1, 2021, management estimates that the contribution to the Group's revenues for the period January - December 2021 would have been SEK 35.2 million and the contribution to the Group's profit after tax for the same period would have been a negative SEK 7.7 million.

## NOTE 6 ACQUISITION OF BUSINESS - SIMBIONIX

On July 28, 2021, a conditional agreement was entered into to acquire all of the shares in Symbionix USA Corp. for a purchase consideration of USD 305 million (approximately SEK 2,670 million) on a cash and debt-free basis. The acquisition further strengthens Surgical Science's position in simulation for robotic surgery and broadens the operations with new application areas.

Symbionix generated sales of USD 45.6 million in 2019, with an operating profit of USD 8.1 million. In 2020, sales were affected by Covid-19, primarily with regard to sales of proprietary simulators. Sales for 2020 amounted to USD 40.8 million, with an operating profit of USD 5.8 million.

To finance the acquisition, a private placement was conducted, with several new and existing Swedish and international institutional investors, including: DNCA Investments, Fjärde AP-fonden, Handelsbanken Fonder, Joh. Berenberg, Gossler & Co. KG, Montanaro Asset Management and TIN Fonder, subscribing for shares. The new share issue amounted to approximately SEK 2.7 billion before transaction-related costs. The subscription price was SEK 210.00 per share.

On August 16, 2021, an Extraordinary General Meeting was held, at which the directed share issue was approved.

For further information, please refer to the company's press releases of July 28 and 29, and of August 16, 2021.

The transfer of ownership of the shares in Symbionix USA Corp. and its subsidiary Symbionix Ltd took place on August 24, 2021 once all of the terms of the transfer had been met. The companies are consolidated into Surgical Science's accounts as of the closing date. Final settlement in accordance with the purchase agreement took place on December 13, 2021 when USD 2,836 thousand was repaid to Surgical Science. The acquisition has had the following effect on the Group's assets and liabilities.

### Carrying amount of identifiable assets and liabilities at the time of acquisition

SEK thousands	Recognized value in Symbionix as of August 23, 2021	Fair value adjustment	Fair value recognized in the Group
Intangible assets	2,092	176,621	178,713
Tangible fixed assets	10,284		10,284
Deferred tax assets	1,838		1,838
Deposits	3,667		3,667
Inventories	100,905		100,905
Accounts receivable	32,506		32,506
Other current receivables	3,527		3,527
Prepaid expenses and accrued income	12,568		12,568
Cash and cash equivalents	38,361		38,361
Non-interest-bearing liabilities	-7,623		-7,623
Deferred tax liability	-61	-36,384	-36,445
Accounts payable	-23,579		-23,579
Other current liabilities	-26,861		-26,861
Prepaid income and accrued costs	-64,600		-64,600
<b>Net identifiable assets and liabilities</b>	<b>83,024</b>	<b>140,237</b>	<b>223,261</b>
Group goodwill			2,421,896
<b>Purchase consideration paid</b>			<b>2,645,157</b>

The total transferred consideration of USD 302.2 million (SEK 2,645.2 million) was paid in cash. The surplus value attributable to the acquisition amounted to SEK 2,598.5 million. The share of the surplus value classified as intangible assets amounted to USD 20.2 million. Of this amount, USD 6.8 million comprises customer contracts, USD 7.9 million comprises technology and USD 5.5 million comprises brands. Customer contracts and technology are amortized over a period of ten years, while brands are not amortized. In the Group, the assets are translated into SEK at the exchange rate on the balance sheet date for each quarter and amortization is translated at the average exchange rate. The remainder of the surplus value is attributable to goodwill, mainly reflecting synergy effects in the form of increased potential sales value per customer and increased sales potential for new customers.

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

Acquisition-related costs of SEK 22.1 million, not directly attributable to the share issue, are included in the income statement under the Group's administration costs and in the cash flow statement under operating activities. In the Parent Company, these costs have been booked against shares in subsidiaries. Costs attributable to the cash issue of SEK 71.9 million have been recognized in Shareholders' equity.

Over the slightly more than four months between the acquisition date and December 31, 2021, the acquired subsidiaries contributed SEK 178.8 million to the Group's revenues and SEK 49.2 million to the Group's profit after tax. Had the acquisition occurred on January 1, 2021, management estimates that the contribution to the Group's revenues for the period January - December 2021 would have been SEK 407.2 million and the contribution to the Group's profit after tax for the same period would have been SEK 68.4 million.

## NOTE 7 GOODWILL

### Reconciliation of goodwill in the Group

SEK thousands	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Opening cost	260,492	260,492
Acquisitions for the year, at the time of acquisition	2,658,684	-
Revaluation at exchange rate on balance sheet date	100,062	-
Closing accumulated cost	3,019,238	260,492
Closing carrying amount	3,019,238	260,492

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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.

### **Gross margin**

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

### **Adjusted EBIT**

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

### **EBITDA**

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

### **Operating margin**

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

### **Profit margin**

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

### **Equity/assets ratio**

Shareholders' equity as a percentage of total assets. This key figure conveys a view of the extent

to which the total assets have been financed by shareholders.

### **Shareholders' equity per share**

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

### **Earnings per share**

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

### **Average number of shares**

The weighted average number of shares outstanding during the period.

### **Average number of shares after dilution**

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

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