
YEAR-END REPORT 2023

SURGICAL SCIENCE SWEDEN AB (PUBL)



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

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

STRONG LICENSE REVENUE, WEAKER SIMULATOR SALES

FOURTH QUARTER 2023 (OCT – DEC)

- Net sales amounted to SEK 227.3 million (250.1), a decrease of 9 percent compared with the corresponding period in the preceding year.
- License revenue amounted to SEK 75.9 million (63.1) and accounted for 33 percent of net sales (25).
- The gross margin was 71% (66).
- Operating profit amounted to SEK 37.7 million (61.2). The currency effect, primarily from a weaker US dollar under “Other income and costs” amounted to SEK -15.3 million. Other costs were in line with previous quarters during the year.
- Net profit amounted to SEK 98.0 million (116.5), corresponding to earnings per share of SEK 1.92 (2.29).
- Cash flow from operating activities amounted to SEK 39.6 million (78.5). As at December 31, 2023, cash and cash equivalents amounted to SEK 634.4 million (433.7).

FULL YEAR 2023

- Net sales amounted to SEK 882.9 million (802.5), an increase of 10 percent compared with the preceding year.
- License revenue amounted to SEK 277.7 million (184.5) and accounted for 31 percent of net sales (23).
- The gross margin was 69% (66).
- Operating profit amounted to SEK 189.2 million (162.5).
- Net profit amounted to SEK 234.0 million (188.0), corresponding to earnings per share of SEK 4.59 (3.70).
- Cash flow from operating activities amounted to SEK 238.3 million (129.5).

Key figures

	January – December		October – December	
	2023	2022	2023	2022
Net sales, SEK million	882.9	802.5	227.3	250.1
Operating profit (EBIT), SEK million	189.2	162.5	37.7	61.2
Adjusted EBIT, SEK million	213.6	186.0	43.8	67.4
Adjusted EBIT margin, %	24.2	23.2	19.3	26.9
Profit after financial items, SEK million	268.3	208.2	118.4	127.0
Net profit, SEK million	234.0	188.0	98.0	116.5
No. employees at end of period	260	243	260	243
Equity/assets ratio, %	92.4	91.1	92.4	91.1
Earnings per share, SEK	4.59	3.70	1.92	2.29
Equity per share, SEK	85.16	83.39	85.16	83.39
Share price on the balance sheet date, SEK	182.50	164.70	182.50	164.70
Market value on balance sheet date, SEK million	9,312.3	8,367.0	9,312.3	8,367.0

For definitions, see page 18.

A MESSAGE FROM THE CEO

During the last quarter of the year, license revenues reached a record level of SEK 76 million. This means that growth in royalties from robotic surgery companies for the full year in 2023 was just over 50 percent. For Educational Products, the lack of a “Q4 effect” meant that revenues were down 20 percent compared to the same period last year. We are growing the organization as planned, with good cost control. The decrease in operating margin, which was 17 percent for the quarter, is primarily attributable to currency effects resulting from a weaker US dollar. Cash flow remains healthy, and cash and cash equivalents increased by SEK 28 million.

License revenue from robotic surgery continued to grow in the last quarter of the year. SEK 76 million marks a new record and represents growth of 20 percent compared to the same period last year. For the full year, revenues totaled SEK 278 million, which is growth of more than 50 percent. We hope to continue to grow more than the market as a whole as the focus on patient safety is intensified in line with wider clinical use. Higher complexity due to hospitals working with robots from multiple manufacturers, which operate differently from each other, increases the need for training. Surgical Science meets this need with world-leading simulation software that users are accustomed to, regardless of robot manufacturer. We are continuing to invest in our simulation technology, which enables us to advance our progress in terms of our ability to offer solutions for complex training.

The use of the robotic surgery systems available on the market is a KPI that we're following closely. Market leader Intuitive Surgical posted new record figures for the number of surgeries per robot in its 2023 report. The utilization rate of the new challengers is, so far, significantly lower than Intuitive's, and their focus is on catching up. At a certain degree of utilization, an additional robot is needed, which means that more surgeons can gain access to the systems, increasing the need for patient-safe training.

In connection with Intuitive's Q4 report on January 23, 2024, it was announced that the application for regulatory approval for a new generation da Vinci (da Vinci 5) has been submitted



Summarizing 2023, we can look back at a very good year for Surgical Science despite major challenges.

to the US Food and Drug Administration (FDA). Although Intuitive has not provided much public information about the new-generation robotic surgery platform, in general this is good news for Surgical Science. We have learned from previous launches, such as of the current da Vinci Xi platform, that the need for training increases. This is primarily due to two factors: a) differences in functionality that need to be addressed by way of training, and b) new indications that can be implemented with additional functionality. New indications, which can be launched over time following initial regulatory approval, mean a long-term increase in the need for simulation. News like this may initially have a dampening effect on demand in the market as some customers adopt a wait-and-see attitude. There may also be some uncertainty around the delivery time for new products. However, unlike the last time Intuitive launched a new platform, the percentage of leased systems is substantially higher, standing at around 50 percent in 2023. This results in an increase in flexibility, as these customers may initially obtain a da Vinci Xi and then upgrade to the new da Vinci 5 at an appropriate time in the future.

Our sales within Educational Products fell by 20 percent during the quarter compared to the preceding year, with sales of SEK 123 million for the business area being more akin to revenues in a “normal” quarter. The normal pattern of hospitals having retained funds in their budget to use up

towards the end of the year did not occur in 2023. Even if customers had planned to make purchases, inflation-driven cost increases meant that many had already used up their budget before the end of the year. The positive signs we saw in the Chinese market during the autumn reverted to uncertainty surrounding the end to the anti-corruption campaign within the healthcare sector that has been the focus of the authorities there. Our best guess is now that business in the key Chinese market will return to more normal volumes in the second half of 2024.

The gross margin was 71 percent during the fourth quarter, which is the highest for the year. Costs were up slightly from the preceding quarter, but we have good cost control and are following our growth plan satisfactorily. However, our operating margin of 17 percent during the fourth quarter was disappointing. The item "Other operating income and costs" contained a cost of just over SEK 15 million attributable to the revaluation primarily of receivables in US dollars, which was the main reason for the lower operating margin. At the end of the year, the USD-to-SEK exchange rate was around 1-to-10, which is the lowest level in more than 18 months. Without this effect, the operating margin would have been at a more normal 23 percent. The cash position was strengthened by SEK 28 million and, at the end of the year, cash and cash equivalents were SEK 634 million.

Summarizing 2023, we can look back at a very good year for Surgical Science despite major challenges. Sales in the Educational Products business area increased on a full-year basis by approximately SEK 10 million. Although this sounds mediocre at best, if we take into account the lack of the "fourth quarter effect", a very sluggish market in China, and the record US order of just under SEK 70 million in the corresponding period in 2022, the sales team has performed fantastically. Industry/OEM increased the important license revenues and after a tentative start in 2023 the focus of the global strategy on key customers has started to yield results in areas outside of robotic surgery. Surgical Science's objective is SEK 1.5 billion in sales and an adjusted EBIT margin of 40 percent by 2026. Since we communicated our objectives

in early 2022, Educational Products is above the 10 to 15-percent average annual growth we anticipated in order to achieve our objectives. Our total revenues need to see annual average growth of just under 20 percent in order to achieve our sales target and a continued increased share of license revenue, in order to achieve the profitability target. We are confident that we will have achieved our objectives within three years.

Israel has been at war during essentially the entire final quarter of 2023. On my last visit to Tel Aviv in December, the immense sadness following the terrorist attack on October 7 was palpable, as was the anxiety that war understandably brings among our colleagues based there. Yet I also got to experience the strength to carry on no matter what among Israelis, which has been a necessary mindset for the country since 1948. We have not yet missed a single shipment or deadline because of the war. From a business perspective, this tragedy continues to affect us only marginally.

As we now enter the new year, we have known market challenges such as hospital budgets, the timing of China's bounce-back, as well as short-term dynamics in the robotics market with the announcement of a new generation of robot from the market leader and new entrants who need to prove themselves. As is usual, there may be as-yet unknown challenges that emerge, yet we're confident with the ever-increasing demand for world-leading medical simulation which only Surgical Science can cater for. Thank you to each and every one of our 260 amazing employees who are building this company together and pushing the limits of what simulation can achieve for patients around the world. We also thank our shareholders for the trust they put in us to look after their capital, and we're looking forward to a new year filled with simulation!

Gothenburg, February 2024



Gisle Hennermark, CEO

FOURTH QUARTER 2023 (OCTOBER – DECEMBER)

Net sales

Net sales for the fourth quarter of the year amounted to SEK 227.3 million (250.1), a decrease of 9 percent compared with the same period in the preceding year. Calculated in local currencies, sales decreased by 9 percent.

Of the sales for the quarter, SEK 122.7 million (153.9) consisted of sales within the Educational Products business area

and SEK 104.6 million (96.2) within the Industry/OEM business area.

Educational Products

Sales within Educational Products decreased by 20 percent. Simulator sales amounted to SEK 106.0 million (137.7) and service revenue to SEK 16.7 million (16.2).

The comparison period includes approx. SEK 8.3 million attributable to an order from a large American hospital chain totaling SEK 67.8 million (USD 6.7 million), which Surgical Science announced in May 2022.

Sales are roughly on a par with the second and third quarters. The seasonal variation that usually has a positive impact on the fourth quarter was absent for 2023, and greater inertia is generally being experienced in the market, not least in the US. Although the need and demand exist, deals are taking longer to get over the line. In previous reports, it has been stated that short-term uncertainty has increased, due in part to the economic climate and in part to factors such as the ongoing anti-corruption campaign in the healthcare sector in China, which has had a significant and long-lasting impact on this market.

Across the regions, Europe posted slightly higher sales than in the second and third quarters, primarily due to a large deal in Romania.

Within North and South America, while South America fared relatively well, a larger decline was apparent in the US.

Asia returned slightly higher sales than in the second and third quarters, which was primarily due to slightly stronger sales in China. However, there are still no obvious signs that demand is starting to pick up in this market.

Sales in the region "Other" were in line with the third quarter.

Industry/OEM

Industry/OEM showed growth of 9 percent.

License revenue for the fourth quarter amounted to SEK 75.9 million (63.1), which is an increase of 20 percent compared with the same period in the preceding year. Revenues were at the same level as in the second quarter of 2023 (SEK 75.7 million) and significantly higher than the preceding quarter (SEK 55.5 million). Customers who have just started selling the products from which Surgical Science earns license revenue buy the licenses in packages, which means that sales initially vary more between quarters. License revenues that

are tied to the installed base can also vary between quarters. Subscriptions are usually renewed once a year and the number of subscriptions to be renewed each quarter varies.

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

Development revenue was lower in the fourth quarter than in the corresponding quarter in the preceding year (SEK 6.2 million compared with SEK 8.3 million). These revenues partly include revenue from robotic projects, but also from the adaptation or development of software linked to the sale of simulators, see below.

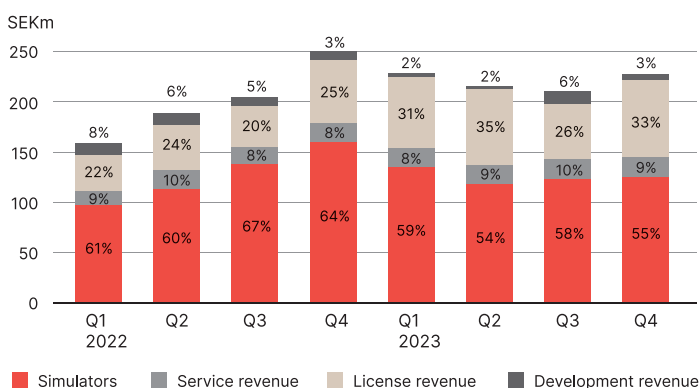
Sales of simulators to medical device companies for product-specific training amounted to SEK 19.0 million (22.3). These sales vary significantly more between quarters than the corresponding sales within Educational Products. Sales consist of projects that usually include a number of simulators where adaptations for product-specific training of, for example, an OEM company's specific instrument is included. Service revenue for the installed base, which is mainly linked to longer agreements with specific customers where Surgical Science takes care of the shipping and servicing of these simulators for the OEM company (currently almost exclusively in the US), amounted to SEK 3.5 million (2.4).

Costs and results

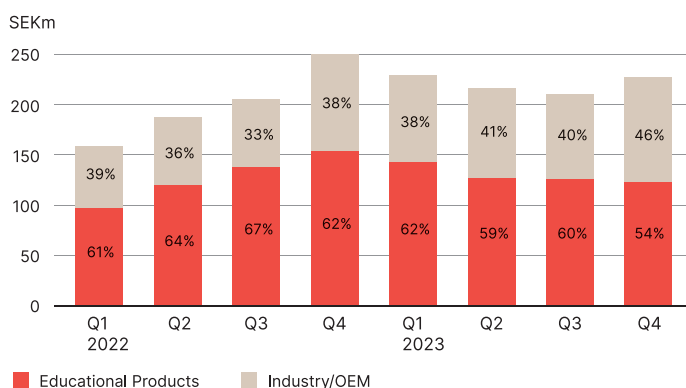
The cost of goods sold amounted to SEK 64.9 million (85.9) corresponding to a gross margin of 71 percent (66). License revenue made up a larger share of total sales than the corresponding period in the preceding year, which had a positive effect on the margin. The product mix and average prices for proprietary simulators were also favorable.

Sales costs amounted to SEK 42.5 million (41.4) corresponding to 19 percent (17) of sales. Costs in the second quarter

Revenue by revenue stream



Revenue by business area



included an item of SEK 2.4 million that was classified as a sales cost instead of an administration cost. This was reversed in the third quarter. Excluding this effect, sales costs were SEK 38.6 million in the second quarter and SEK 39.4 million in the third quarter. Usually, costs are slightly higher in the fourth quarter due to higher sales bonuses, for example.

Administration costs amounted to SEK 19.8 million (16.3) corresponding to 9 percent (7) of sales. Taking into account the item described above, administration costs were SEK 17.8 million in the second quarter and SEK 18.2 million in the third quarter.

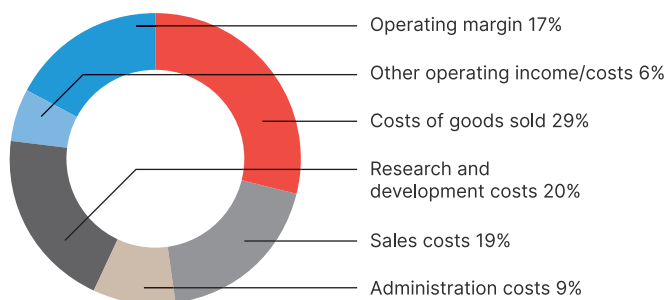
Research and development costs for the quarter amounted to SEK 46.2 million (46.6), corresponding to 20 percent (19) of sales. Of the development costs, SEK 7.9 million (7.6) has been capitalized as an intangible asset.

Outstanding warrant programs were charged against other operating costs for the quarter in the amount of SEK 0.9 million (0.4). The amount represents a calculation of IFRS2 regarding the parts of the program attributable to Israel and the US and is allocated across each program's term.

Other items under "Other operating income and costs" are mainly attributable to the revaluation of operating assets and liabilities in a foreign currency. The effect primarily of a weaker US dollar amount to SEK -15.3 million for the quarter. The exchange rate for the US dollar weakened substantially against SEK, from 10.84 on September 30 to 10.04 on December 31.

Operating profit for the fourth quarter amounted to SEK 37.7 million (61.2), corresponding to an operating margin of 17 percent (24).

Costs/margin as a percentage of sales



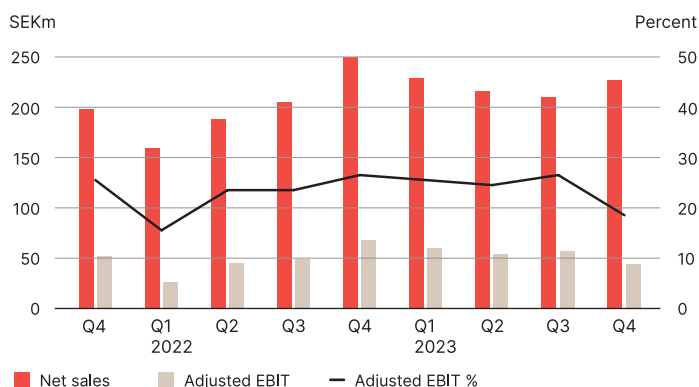
Depreciation and amortization burdened profit by SEK 14.1 million (13.7) in total. Depreciation and amortization burdened the cost of goods sold by SEK 0.5 million (0.4), sales costs by SEK 4.8 million (4.6), administration costs by SEK 4.4 million (4.6), and research and development costs by SEK 4.4 million (4.1). Sales costs include amortization of SEK 4.0 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 (2.1) on those parts of the company's acquisitions that are classified as technology. Depreciation attributable to the application of IFRS 16 amounts to SEK 3.8 million (4.2), this being included in its entirety under administration costs.

Adjusted EBIT amounted to SEK 43.8 million (67.4), corresponding to a margin of 19 percent (27).

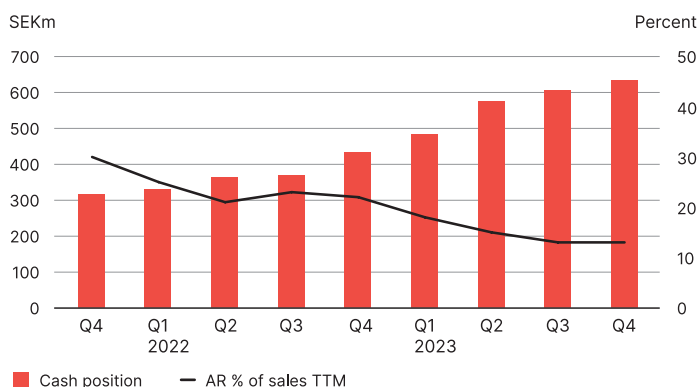
EBITDA amounted to SEK 51.8 million (74.9), corresponding to a margin of 23 percent (30).

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

Adjusted EBIT



Cash position/Accounts receivable



acquisition date). The outcome of the deferred contingent consideration amounted to SEK 3.1 million (USD 340 thousand) and SEK 0 million for 2021 and 2022, respectively. As at December 31, 2023, the deferred contingent consideration for 2023 has been calculated at SEK 11.4 million (USD 1.1 million). The remaining portion for 2023 of SEK 70.2 million (USD 6.7 million including currency adjustment from the acquisition exchange rate) has been recognized as revenue under net financial items during the fourth quarter. There are no further outstanding amounts attributable to the purchase consideration for Mimic.

Surgical Science has no loan financing, and therefore net financial items for the quarter consisted of the item above as well as interest income on bank balances (SEK 3.9 million). Other items are the revaluation of internal loan liabilities to subsidiaries (SEK 6.9 million) and the effect of IFRS 16 (SEK -0.2 million).

Net profit for the quarter amounted to SEK 98.0 million (116.5). The tax expense for the quarter of SEK 20.5 million (10.5) consists of estimated tax on profit for the period and a change in deferred tax assets.

Cash flow

During the period October to December 2023, cash flow from operating activities amounted to SEK 39.6 million, compared with SEK 78.5 million for the corresponding period in 2022. Cash flow from changes in working capital amounted to SEK -14.8 million (-4.8). Both inventory and accounts receivable have decreased during the quarter, other current receivables have increased.

Cash flow from investing activities amounted to SEK -11.8 million (-13.5), mainly comprising investments in development related to the company's software.

Cash flow from financing activities amounted to SEK 9.0 million (-1.3), where SEK 8.7 million (14.8) was attributable to changes in lease liabilities in accordance with IFRS 16.

Net cash flow for the quarter, including currency effects in liquid assets, was SEK 28.3 million (63.5).

FULL YEAR 2023

Net sales

Net sales for 2023 amounted to SEK 882.9 million (802.5), an increase of 10 percent compared with the preceding year. Calculated in local currencies, sales increased by 7 percent. The preceding year's revenue included the large US order of SEK 67.8 million received in the second quarter of 2022. Excluding this order, sales increased by 20 percent.

Of the sales for the year, SEK 518.4 million (507.9) consisted

of sales within the Educational Products business area, an increase of 2 percent. Sales within the Industry/OEM business area amounted to SEK 364.4 million (294.6), an increase of 24 percent.

For revenues by segment, see Note 2 on page 17. License revenues increased by 50 percent and amounted to SEK 277.7 million, 31 percent (23) of the company's total revenues.

Costs and results

The cost of goods sold amounted to SEK 270.0 million (271.0) corresponding to a gross margin of 69 percent (66). A higher share of license revenue is the primary reason for the higher gross margin.

Sales costs amounted to SEK 167.5 million (138.2) corresponding to 19 percent (17) of sales. Among other things, the sales organization within Industry/OEM has grown significantly compared to 2022.

Administration costs amounted to SEK 72.5 million (63.7) corresponding to 8 percent (8) of sales.

Research and development costs for the year amounted to SEK 181.6 million (172.8), corresponding to 21 percent (22) of sales. Over the year, development costs of SEK 33.0 million (22.8) were capitalized as an intangible asset.

Operating profit for 2023 amounted to SEK 189.2 million (162.5), corresponding to an operating margin of 21 percent (20).

Depreciation and amortization burdened profit by SEK 55.6 million (51.6) in total. Depreciation and amortization burdened the cost of goods sold by SEK 1.6 million (1.5), sales costs by SEK 18.9 million (17.5), administration costs by SEK 17.5 million (16.6), and research and development costs by SEK 17.6 million (15.9). Sales costs include amortization of SEK 16.1 million (15.5) on those parts of the company's acquisitions that are classified as customer contracts, while research and development costs include amortization of SEK 8.4 million (8.0) on those parts of the company's acquisitions that are classified as technology. Depreciation attributable to the application of IFRS 16 amounts to SEK 15.4 million (15.0), this being included in its entirety under administration costs.

Adjusted EBIT amounted to SEK 213.6 million (186.0), corresponding to a margin of 24 percent (23).

EBITDA amounted to SEK 244.8 million (214.1), corresponding to a margin of 28 percent (27).

Net financial items amounted to SEK 79.1 million (45.6). For more information on what the net financial items consist of, see the comments on the quarter.

Net profit for 2023 amounted to SEK 234.0 million (188.0). The tax expense for the year of SEK 34.3 million (20.2) consists of estimated tax on profit for the year and a change in deferred tax assets. Loss carry-forwards remain in the US for 2024, attributable to Mimic Technologies.

Cash flow

For 2023, cash flow from operating activities amounted to SEK 238.3 million, compared with SEK 129.5 million for 2022. Cash flow from changes in working capital amounted to SEK -5.7 million (-65.6). Inventory has increased to support a general increase in production, while accounts receivable have decreased.

Cash flow from investing activities amounted to SEK -44.1 million (-34.5), mainly comprising investments in development related to the company's software.

Cash flow from financing activities amounted to SEK 15.8 million (17.1), where SEK -1.3 million (4.9) was attributable to the amortization of lease liabilities in accordance with IFRS 16. The warrant program 2020_23 was redeemed by the warrant holders during the second quarter, which meant that the company received SEK 19.1 million.

Net cash flow for the year, including currency effects in liquid assets, was SEK 200.6 million (117.1).

General comments on the accounts

Surgical Science's operations are structured into two business areas; Educational Products and Industry/OEM.

Sales within Educational Products consist of sales of the company's proprietary simulators (hardware and software) to the hospital market, as well as of service revenue related to the installed base of these simulators.

Sales within Industry/OEM consist of license revenue from the company's software and are primarily attributable to the robotic surgery area. Development income is also included, which is obtained when Surgical Science works to adapt the company's software to the customer's hardware platform. Sales of simulators to OEM customers, primarily in the vascular and laparoscopy areas, as well as service revenue related to the installed base of these simulators, are also included in this area.

Surgical Science's revenue for 2023 had the following approximate distribution between currencies: USD 82% (82), EUR 16% (12), SEK 2% (3), other (e.g. GBP) 0% (3).

The gross margin is affected by the distribution of revenues, as the different revenue streams, "proprietary simulators containing hardware", "service revenues", "development revenues" and "license revenues", have different gross margins.

A higher share of license revenue has a positive impact on the gross margin.

Surgical Science applies a functionally arranged income statement in which the gross margin also includes the salaries of employees working with production, quality control, quality assurance and support, in addition to direct materials and spare parts. In addition, the salaries of development department employees working on development revenue-generating projects are included. Shared costs, such as premises and IT, are distributed in accordance with an allocation template for all the different functions.

Surgical Science's costs for 2023 had the following approximate distribution between currencies: USD 28% (31), ILS 51% (50), SEK 17% (15), other (e.g. EUR, GBP) 4% (4).

Other operating income and costs consist predominantly of exchange rate fluctuations on operating receivables and liabilities in foreign currencies.

As Surgical Science has no loan financing, net financial items for 2023 consist mainly of interest on bank balances, the revaluation of internal loan receivables/liabilities in respect of subsidiaries, the effect of IFRS 16, and the revaluation of the contingent consideration (recognized in liabilities) attributable to the acquisition of Mimic Technologies.

In Sweden and the US, tax-loss carry-forwards from previous years exist that can be utilized, affecting taxes for 2023.

Financial position

As at December 31, 2023, the group's cash and cash equivalents amounted to SEK 634.4 million, equity to SEK 4,345.2 million, and the equity/assets ratio was 92 percent. As at December 31, 2022, the group's cash and cash equivalents amounted to SEK 433.7 million, equity to SEK 4,236.5 million, and the equity/assets ratio was 91 percent. As at December 31, 2023, equity per share amounted to SEK 85.16 (83.39).

Parent company

The parent company, Surgical Science Sweden AB, holds shares in subsidiaries and the portion of Surgical Sciences' Swedish operations that are primarily conducted in Gothenburg. Several group-wide functions are also organized within the parent company. Due to internal transactions between the various group companies, it is not possible to draw general conclusions from the parent company's figures regarding sales and operating costs.

As Surgical Science has no loan financing, net financial items consist mainly of interest on bank balances and revaluations of internal loan receivables/liabilities in respect of subsidiaries.

In the fourth quarter, the portion of the provision for the deferred contingent consideration for the acquisition of Mimic Technologies corresponding to SEK 55.8 million (USD 6.7 million at the acquisition exchange rate) not payable for 2023 was, in the parent company, booked against shares in subsidiaries. In the group, this is reversed against net financial items, see comments above under “group”.

As the parent company has tax-loss carry-forwards to be utilized partially for 2023, the tax expense in the profit for the year comprises the reversal of the deferred tax asset and tax on profit for the year.

OUTLOOK

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

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

The overarching objectives for Surgical Science in 2023 were to:

- Continue expanding the value content for existing customers in robotic surgery who license the company's technology.
- Establish broader collaborations in several product areas with major key customers within Industry/OEM.

- Grow sales within Educational Products by at least 10 percent and continue to expand the product portfolio through further product launches.
- Improve the cost of goods sold by streamlining production and procurement so that it has a positive effect on the gross margin.
- Be prepared to make further acquisitions when the time is right.

Surgical Science has an organization where a large portion of its employees are global leaders in software development for medical simulation. This gives the company the capacity to work with the development of the core technology for future simulation, with on-time delivery of adaptations of simulation software to customers in Industry/OEM, and to continue to launch new applications for its proprietary products within Educational Products. To remain a world leader in realistic real-time simulations of medical procedures, improving the core technology is critical. In 2023, Surgical Science invested more than ever in this area.

THE COMPANY IN BRIEF

Operations

Surgical Science was founded in 1999 and works with simulation technologies. The foundation of the company is its proprietary software and hardware for simulating interactions between instruments and anatomy. Based on its proprietary technology, Surgical Science develops and sells turnkey simulation systems used to train surgeons and other medical specialists. The operations are conducted within the framework of the Educational Products business area. Since 2017, Surgical Science has also worked with simulation solutions for medical device companies that develop surgical instruments for clinical applications (such as robot-assisted surgery) – this work is conducted within the Industry/OEM business area. In 2019, Surgical Science acquired the company SenseGraphics (founded in 2004), which has worked with medical simulation sales to medical device companies for many years. In early 2021, the US-based company Mimic Technologies was acquired. Mimic had operations in both Educational Products and Industry/OEM and has operated in the field of robotic surgery for almost 20 years. The acquisition of Symbionix, which primarily operates in Tel Aviv, Israel was completed in August 2021. Symbionix was founded in 1998 and is involved in simulation for training surgeons and other medical specialists in a wide range of areas. The business generates revenue through its proprietary simulators in areas including general surgery, endovascular procedures, endoscopy, urology, orthopedics, ultrasound, and robotic surgery, and also through partnerships with medical device companies in robotic surgery, for example.

Mission and vision

Surgical Science's overall purpose is to improve patient safety and outcomes in healthcare through validated, customized medical simulation training. The vision is that all patients who are on their way to the operating room should feel reassured that their surgeon has been trained and objectively certified in a safe, simulated environment before the procedure.

Financial targets

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

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

Strategy

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

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

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

OTHER INFORMATION

Organization and personnel

At the end of the year, there were 260 (243) employees, of whom 72 (66) were women and 188 (177) were men. Of these, 57 (57) were employed in Sweden, 136 (121) in Israel, 53 (53) in the US, and the remaining 14 (12) mainly in Germany and China.

Information on transactions with related parties

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

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

Proposed appropriation of profits

The board of directors intends to propose to the annual general meeting that no dividend be paid for 2023, that is SEK 0.00 per share.

Risk management

Surgical Science works on an ongoing basis to identify, assess and manage risks in various systems and processes. Risk analyses of day-to-day operations are performed on an ongoing basis and in connection with major activities.

The most significant strategic and operational risks affecting Surgical Science's operations and industry are described on pages 54 and 55 of the company's 2022 annual report. The principal risks and uncertainties include IP, market risks, competitors and technological development, industrial partnerships, employees, acquisitions and access to capital. To all intents and purposes, the risks reported by the company and outlined in the annual report, are judged to have remained unchanged.

Seasonal effects

Surgical Science's sales within the Educational Products business area can fluctuate between quarters, with the fourth quarter of the year usually being the strongest. This is because many major hospitals use the calendar year as their

budget year and hold off on purchases until they can see what funds remain in the budget towards the end of the year.

Also in the Industry/OEM business area, the fourth quarter usually generates more sales than other quarters, with license 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 there being remaining budget funds 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 16, 2024. Shareholders wishing to have a matter considered by the meeting may request this in writing from the board. 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, Sweden and must be received by the board 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 2023 annual report is expected to be available for download from Surgical Science's website during the week of April 15 to 19.

Events after the balance sheet date

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

Assurance

The board and 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 may face.

Gothenburg, February 21, 2024

Board of directors

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

Financial reports:

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

The following reports are planned for release:

Interim report January-March 2024: Wednesday, May 15

Interim report January-June 2024: Thursday, August 22

Interim report January-September 2024: Thursday, November 14

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

Other dates:

Annual general meeting 2024: Thursday, May 16

Stock market and Certified Adviser:

Shares in Surgical Science Sweden AB (publ) have been traded on Nasdaq First North Growth Market since June 19, 2017. The company's Certified Adviser is Carnegie Investment Bank AB (publ).

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 21, 2024, at 07:30 (CET).

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

CONDENSED CONSOLIDATED INCOME STATEMENTS

SEK thousands	January – December		October – December	
	2023	2022	2023	2022
Net sales	882,853	802,540	227,293	250,108
Cost of goods sold	-269,974	-271,023	-64,864	-85,859
Gross profit	612,879	531,517	162,429	164,249
Sales costs	-167,514	-138,223	-42,502	-41,430
Administration costs	-72,509	-63,652	-19,750	-16,346
Research and development costs	-181,569	-172,786	-46,247	-46,598
Other operating income and costs	-2,135	5,681	-16,275	1,343
Operating profit	189,152	162,537	37,655	61,218
Financial income and costs	79,112	45,636	80,784	65,769
Profit after financial items	268,264	208,173	118,439	126,987
Taxes	-34,292	-20,199	-20,478	-10,467
Net profit	233,972	187,974	97,962	116,520
Attributable to				
Parent company shareholders	233,972	187,974	97,962	116,520
Earnings per share, SEK	4.59	3.70	1.92	2.29
Earnings per share, SEK*	4.59	3.69	1.92	2.29
Amortization of intangible assets	-33,893	-31,931	-8,496	-8,186
Depreciation of tangible assets	-21,720	-19,654	-5,632	-5,500

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

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

SEK thousands	January – December		October – December	
	2023	2022	2023	2022
Net profit	233,972	187,974	97,962	116,520
Other comprehensive income				
<i>Items that have been or can be reclassified to net profit</i>				
Translation differences on translation of foreign operations	-148,584	461,391	-273,199	-236,515
Total other comprehensive income	-148,584	461,391	-273,199	-236,515
Comprehensive income	85,388	649,365	-175,237	-119,995
Comprehensive income attributable to				
Parent company shareholders	85,388	649,365	-175,237	-119,995

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Dec 31, 2023	Dec 31, 2022
ASSETS		
Fixed assets		
Capitalized expenditure for product development	65,529	42,887
Patents, trademarks, and concessions	57,522	59,939
Customer contracts	101,559	125,690
Technology	60,005	70,593
Goodwill	3,328,683	3,444,289
Other intangible fixed assets	1,959	1,912
Tangible fixed assets	76,618	51,357
Deferred tax assets	14,836	22,158
Other financial fixed assets	4,770	4,367
Total non-current assets	3,711,481	3,823,192
Current assets		
Inventories	154,451	134,883
Accounts receivable	110,603	176,311
Other current receivables	18,849	17,798
Prepaid expenses and accrued income	72,923	63,646
Cash and cash equivalents	634,366	433,733
Total current assets	991,192	826,371
TOTAL ASSETS	4,702,673	4,649,563
EQUITY AND LIABILITIES		
Equity attributable to parent company shareholders	4,345,212	4,236,451
Non-current liabilities	122,524	107,204
Current liabilities	234,937	305,908
Total liabilities	357,461	413,112
TOTAL EQUITY AND LIABILITIES	4,702,673	4,649,563

CONSOLIDATED CHANGES IN EQUITY

SEK thousands	Attributable to parent company shareholders				Total equity
	Share capital	Other capital contributions	Provisions	Profit and loss carried forward, incl. profit for the period	
Opening balance January 1, 2022	2,540	3,378,985	117,732	85,817	3,585,074
Profit for the year				187,974	187,974
Other comprehensive income for the year			461,391		461,391
Warrants program			2,012		2,012
Closing balance December 31, 2022	2,540	3,378,985	581,135	273,791	4,236,451
Opening balance January 1, 2023	2,540	3,378,985	581,135	273,791	4,236,451
Profit for the year				233,972	233,972
Other comprehensive income for the year			-148,584		-148,584
Warrants program			4,226		4,226
Redemption warrants program	11	19,136			19,147
Closing balance December 31, 2023	2,551	3,398,121	436,777	507,763	4,345,212

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

SEK thousands	January – December		October – December	
	2023	2022	2023	2022
Operating activities				
Profit before financial items	189,153	162,537	37,655	61,218
Adjustment for non-cash items, etc.	61,094	40,500	20,026	26,538
Interest paid/received	8,246	536	6,285	536
Tax paid	-14,549	-8,477	-9,608	-4,957
Cash flow from operating activities before changes in working capital	243,944	195,096	54,358	83,335
Changes in working capital				
Increase (-)/Decrease (+) in inventories	-19,567	-21,720	20,018	3,164
Increase (-)/Decrease (+) in operating receivables	31,905	-70,760	-33,314	-4,902
Increase (+)/Decrease (-) in operating liabilities	-17,991	26,871	-1,467	-3,048
Cash flow from changes in working capital	-5,653	-65,609	-14,763	-4,786
Cash flow from operating activities	238,291	129,487	39,595	78,549
Investing activities				
Investments in tangible fixed assets	-10,456	-9,352	-3,443	-3,715
Investments in intangible fixed assets	-33,673	-25,196	-8,309	-9,750
Cash flow from investing activities	-44,129	-34,548	-11,752	-13,465
Financing activities				
Change in non-current liabilities	-2,042	12,194	270	-16,045
Change in lease liabilities	-1,259	4,899	8,696	14,757
Redemption warrants program	19,148	-	-	-
Cash flow from financing activities	15,847	17,093	8,966	-1,288
Cash flow for the period	210,008	112,032	36,809	63,796
Opening cash and cash equivalents	433,733	316,680	606,060	370,106
Exchange-rate difference in cash and cash equivalents	-9,375	5,021	-8,503	-169
Closing cash and cash equivalents	634,366	433,733	634,366	433,733

KEY FIGURES, GROUP

	January – December		October – December	
	2023	2022	2023	2022
Net sales growth, %	10.0	118.8	-9.1	26.5
Gross margin, %	69.4	66.2	71.5	65.7
EBITDA margin, %	27.7	26.7	22.8	29.9
Operating margin, %	21.4	20.3	16.6	24.5
Profit margin, %	26.5	23.4	43.1	46.6
Equity/assets ratio, %	92.4	91.1	92.4	91.1
Shares outstanding at end of period	51,026,236	50,801,236	51,026,236	50,801,236
Shares outstanding at end of period*	51,044,111	50,910,759	51,044,111	50,910,759
Average shares outstanding	50,929,361	50,801,236	51,026,236	50,801,236
Average shares outstanding*	50,940,778	50,913,936	51,026,236	50,899,171
Equity per share, SEK	85.16	83.39	85.16	83.39
Equity per share, SEK*	85.13	83.21	85.13	83.21
Dividend per share, SEK	0.00**	0.00	0.00**	0.00
Share price on the balance sheet date, SEK	182.50	164.70	182.50	164.70
Average number of employees	249	227	252	237

* After dilution. See Note 4 for information regarding warrant programs. | ** Proposal by the board to the 2024 annual general meeting. | See page 18 for definitions of key figures.

CONSOLIDATED INCOME STATEMENTS BY QUARTER

	Oct–Dec 2023	Jul–Sep 2023	Apr–Jun 2023	Jan–Mar 2023	Oct–Dec 2022	Jul–Sep 2022	Apr–Jun 2022	Jan–Mar 2022
SEK thousands								
Net sales	227,293	210,246	216,237	229,077	250,108	205,079	188,216	159,137
Cost of goods sold	-64,864	-65,221	-69,498	-70,392	-85,859	-67,743	-61,055	-56,366
Gross profit	162,429	145,025	146,740	158,685	164,249	137,336	127,161	102,771
Sales costs	-42,502	-37,042	-41,022	-46,949	-41,430	-33,691	-33,954	-29,148
Administration costs	-19,750	-20,649	-15,444	-16,665	-16,346	-16,840	-15,268	-15,198
Research and development costs	-46,247	-40,810	-48,452	-46,059	-46,598	-44,096	-42,090	-40,002
Other operating income and costs	-16,275	4,169	5,716	4,255	1,343	0	2,743	1,595
Operating profit	37,655	50,693	47,538	53,267	61,218	42,709	38,592	20,018
Financial income and costs	80,784	1,741	-5,176	1,761	65,769	-9,030	-8,990	-2,113
Profit after financial items	118,439	52,434	42,362	55,029	126,987	33,679	29,602	17,905
Taxes	-20,478	-5,031	-3,573	-5,210	-10,467	-5,176	-3,130	-1,426
Net profit	97,962	47,403	38,789	49,819	116,520	28,503	26,472	16,479
Attributable to								
Parent company shareholders	97,962	47,403	38,789	49,819	116,520	28,503	26,472	16,479
Earnings per share, SEK	1.92	0.93	0.76	0.98	2.29	0.56	0.52	0.32
Earnings per share, SEK*	1.92	0.93	0.76	0.98	2.29	0.56	0.52	0.32
Average shares outstanding	51,026,236	51,026,236	50,863,736	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236
Average shares outstanding*	51,026,236	51,026,236	50,912,736	50,908,441	50,899,171	50,904,414	50,912,107	50,972,916
Shares outstanding at end of period	51,026,236	51,026,236	51,026,236	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236
Shares outstanding at end of period*	51,044,111	51,026,236	51,089,265	50,913,801	50,910,759	50,900,327	50,901,538	50,977,120

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

PARENT COMPANY INCOME STATEMENTS

SEK thousands	January – December		October – December	
	2023	2022	2023	2022
Net sales	104,777	87,015	52,966	17,648
Cost of goods sold	-22,882	-28,562	-6,012	-4,402
Gross profit	81,895	58,453	46,954	13,246
Sales costs	-20,197	-30,375	7,548	-8,940
Administration costs	-15,253	-26,653	9,351	-7,875
Research and development costs	-24,090	-19,935	-7,426	-5,799
Other operating income and costs	-4,331	796	-1,511	-758
Operating profit	18,023	-17,714	54,916	-10,126
Impairment of shares in subsidiaries	-	-480	-	-480
Financial income and costs	22,377	-2,001	23,554	19,115
Profit after financial items	40,400	-20,195	78,470	9,469
Appropriations (group contributions)	52,956	40,118	52,956	40,118
Taxes	-19,586	-4,388	-19,586	-4,378
Net profit	73,770	15,535	111,840	45,209
Amortization of intangible assets	-6,384	-6,953	-1,583	-1,637
Depreciation of tangible assets	-897	-765	-265	-204

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, 2023	Dec 31, 2022
ASSETS		
Fixed assets		
Capitalized expenditure for product development	26,697	20,494
Patents, trademarks, and concessions	-	3
Other intangible fixed assets	1,176	1,022
Tangible fixed assets	2,484	2,023
Participations in group companies	3,133,116	3,188,957
Deferred tax assets	-	7,844
Total non-current assets	3,163,473	3,220,343
Current assets		
Inventories	8,678	12,172
Accounts receivable	11,815	19,039
Current receivables from group companies	101,970	41,122
Other current receivables	960	1,560
Prepaid expenses and accrued income	4,622	3,159
Cash and bank position	331,041	234,887
Total current assets	459,086	311,939
TOTAL ASSETS	3,622,559	3,532,282
EQUITY AND LIABILITIES		
Equity	3,506,675	3,409,532
Other non-current liabilities	-	150
Current provisions	-	81,576
Current receivables from group companies	68,826	12,637
Other current liabilities	47,058	28,387
Total liabilities and provisions	115,884	122,750
TOTAL EQUITY AND LIABILITIES	3,622,559	3,532,282

NOTE 1 ACCOUNTING PRINCIPLES

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

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

NOTE 2 GROUP OPERATING SEGMENTS

Revenue by business area and revenue stream

SEK thousands	January – December		October – December	
	2023	2022	2023	2022
Educational Products	518,433	507,949	122,715	153,895
- Simulators, hardware and software	451,000	449,859	106,049	137,719
- Service and support revenue	67,433	58,090	16,666	16,176
Industry/OEM	364,420	294,591	104,578	96,213
- Simulators, hardware and software	48,753	58,524	18,978	22,342
- Service and support revenue	11,367	10,147	3,497	2,442
- License revenue	277,729	184,549	75,887	63,141
- Development revenue	26,571	41,371	6,216	8,288
Net sales	882,853	802,540	227,293	250,108

Revenue by geographic area

SEK thousands	January – December		October – December	
	2023	2022	2023	2022
Europe	149,437	130,856	35,318	39,142
North and South America	551,971	504,949	144,012	152,087
Asia	136,275	140,788	35,757	45,867
Other	45,170	25,947	12,206	13,012
Net sales	882,853	802,540	227,293	250,108

NOTE 3 FINANCIAL INSTRUMENTS

SEK thousands	Dec 31, 2023	Dec 31, 2022
Financial assets	756,431	619,537
Financial liabilities	166,016	231,731

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

NOTE 4 WARRANT PROGRAMS

Warrants 2020_23

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

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

Warrants 2022_25

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

During the period October to December 2023, the average share price for the period was below the exercise price for the warrants program. The share price for the rolling 12-month period and the closing price on the balance sheet date exceeded the exercise price, the dilution effect has been calculated at 11,417 and 17,875 shares, respectively. Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 10,000 and the number of shares by 200,000, corresponding to the dilution of the total number of shares and votes by slightly less than 0.4 percent.

Incentive program costs

Preliminarily, the incentive program is estimated to entail social security contributions of SEK 0.9 million, as well as costs of SEK 5.8 million in accordance with the accounting rules under IFRS2. For 2023, the program has impacted profits negatively by SEK 1.4 million. The amount comprises the IFRS2 cost attributable to Israel and the US and is distributed across the term of the program until July 2025.

Warrants 2023_26

Surgical Science's annual general Meeting on May 17, 2023, resolved to establish an incentive program for company employees. Each warrant entitles the holder to subscribe for one share in the company for SEK 294.70 during the period June 15 to July 15, 2026. The company subsidizes the warrants program, with participants receiving warrants as a benefit. Participants are required to pay tax on this benefit, with the premium being calculated at SEK 36.43 per warrant.

Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 13,000 and the number of shares by 260,000, corresponding to the dilution of the total number of shares and votes by about 0.5 percent. As at the balance sheet date of December 31, 2023, the warrants program entailed no dilution.

Incentive program costs

Preliminarily, the incentive program is estimated to entail social security contributions of SEK 0.5 million, as well as costs of SEK 9.0 million in accordance with the accounting rules under IFRS2. For 2023, the program burdened profit by SEK 3.6 million, of which SEK 0.8 million pertains to social security contributions on the Swedish participants' premiums, which were provided free of charge. The remainder of the cost, SEK 2.8 million, is attributable to the calculation of IFRS2. The amount comprises the entire IFRS2 cost for the Swedish portion of the program (SEK 1.5 million), the remainder is attributable to Israel and the US and is distributed across the term of the program until July 2026.

Programs 2022_25 and 2023_26

The board is authorized to adjust the programs 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.

DEFINITIONS OF KEY FIGURES

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

EBITDA margin

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

Equity per share

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

Average number of shares

The weighted average number of shares outstanding during the period.

Average number of shares after dilution

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

Adjusted EBIT margin

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

Average number of employees

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

Net sales growth, %

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

Earnings per share

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

Earnings per share after dilution

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

Operating profit

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

Operating margin

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

Equity/assets ratio

Equity as a percentage of total assets. This key figure conveys a view of the extent to which the total assets have been financed by the owners.

Dividend per share

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

Profit margin

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

ADDRESSES

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