
INTERIM REPORT

JANUARY–JUNE 2021

SURGICAL SCIENCE SWEDEN AB (PUBL)



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

CONTINUED STRONG GROWTH, KEY ACQUISITION FOLLOWING CLOSE OF PERIOD

SECOND QUARTER OF 2021 (APR – JUN)

- Net sales amounted to SEK 36.6 million (20.6), corresponding to an increase of 77 percent compared with the corresponding period in the preceding year.
- For comparable units, sales increased by 45 percent.
- Operating profit amounted to SEK 2.2 million (0.8).
- Net profit amounted to SEK 3.5 million (loss 0.2), corresponding to earnings per share of SEK 0.09 (loss 0.01).
- Cash flow from operating activities amounted to SEK 9.4 million (2.6). As of June 30, 2021, cash and cash equivalents amounted to SEK 267.3 million (68.4).

FIRST HALF OF 2021 (JAN – JUN)

- Net sales amounted to SEK 73.8 million (40.3), corresponding to an increase of 83 percent compared with the corresponding period in the preceding year.
- For comparable units, sales increased by 49 percent.
- Operating profit amounted to SEK 4.5 million (0.0). The outcome includes acquisition costs of SEK 6.0 million.
- Net profit amounted to SEK 5.0 million (loss 0.9), corresponding to earnings per share of SEK 0.13 (loss 0.03).
- Cash flow from operating activities amounted to SEK 0.5 million (outflow 2.6).
- In January, Mimic Technologies Inc., was acquired, with operations in robotic surgery. Mimic is based in Seattle in the US, and the acquisition provides Surgical Science with an additional customer base in robotic surgery, contributes data collection/analysis technology and significantly strengthens the presence in the important US market. The transfer of ownership took place on January 27. See also Note 5 on page 15.

FOLLOWING THE CLOSE OF THE PERIOD

- On July 28, it was announced that Surgical Science had entered into an agreement to acquire Simbionix. See also page 8. On August 16, an Extraordinary General Meeting was held, at which the directed share issue to finance the acquisition was approved. The transfer of ownership is expected within short.

KEY FIGURES

	January – June		April – June		Full-year
	2021	2020	2021	2020	2020
Net sales, SEK million	73.8	40.3	36.6	20.6	104.8
Operating profit, SEK million	4.5	0.0	2.2	0.8	20.0
Profit after financial items, SEK million	2.5	0.0	4.5	0.2	19.7
Net profit, SEK million	5.0	-0.9	3.5	-0.2	15.6
No. employees at end of period	87	61	87	61	61
Equity/assets ratio, %	78.8	88.9	78.8	88.9	90.4
Earnings per share, SEK	0.13	-0.03	0.09	-0.01	0.45
Shareholders' equity per share, SEK	19.97	11.89	19.97	11.89	12.38
Share price on the balance sheet date, SEK	166.00	70.75	166.00	70.75	93.50
Market cap. on balance sheet date, SEK million	6,298.7	2,440.5	6,298.7	2,440.5	3,225.3

For definitions, see page 17.

A MESSAGE FROM THE CEO

The growth trend persisted in the second quarter of 2021, with sales increasing by as much as 77 percent compared with the preceding year, despite exchange rates having a negative impact. With a gross margin of more than 86 percent, growth continues to be achieved with profitability. Operating profit for the second quarter was SEK 2.2 million, compared with SEK 0.8 million for the corresponding period in 2020. Following the end of the period, we announced the acquisition of Simbionix. This represents a major step in our ambition to establish our simulation software as standard in robotic surgery and to continue wearing the technological leader jersey for a long time to come.

For our Industry/OEM operations, in which we license simulation technology to medical device companies, sales amounted to SEK 22.0 million, compared with SEK 12.4 million in the corresponding period in the preceding year. Sales consisted predominantly of license revenues from robotic surgery customers. We are seeing these revenues continue to grow as customers among the ten plus robotic surgery companies with our simulation software embedded in their products approach commercial launches. Looking ahead, we see favorable opportunities for expanding the content currently contracted for each customer through for example advanced instrumentation and procedure simulation. In 2020, the focus was on building the customer base and establishing our simulation as part of our customers' products. The focus now is on increasing the value of what simulation can achieve for our customers, and on finding business models ensuring we are paid when customers perceive concrete business benefits.

For the previously announced partnership with Auris Health (part of Ethicon Inc. within the Johnson & Johnson Group), the consultancy portion of which was initially estimated at about SEK 10 million for 2020 and 2021, we have now defined projects for a total SEK 20-25 million until mid-2022. Of this, some 15 percent has been invoiced to date, mostly in the first quarter of 2021.

Of our total sales, the Educational Products business area accounted for 40 percent in the second quarter. As in the first quarter, sales were concentrated largely in the US and China. Our niche product LapSim ST, a product focused specifically on training for surgical technologists in the US, continued to perform very strongly and we have now established a strong



It is a great feeling to dare think big, and, by doing our homework and working hard, succeeding in what we set out to do.

network of users in that customer segment. Compared with the corresponding quarter in 2020, the growth for the business area was slightly less than 80 percent, despite sales being virtually non-existent in Europe, large parts of Asia, and many other parts of the world due to Covid-19. Educational Products is a cornerstone of our strategy to build credibility and relationships among key opinion leaders, which is also important for our collaborations with medical device companies within Industry/OEM.

The operating margin for the quarter was 6 percent or SEK 2.2 million. With the strong demand, particularly in Industry/OEM, we continue to focus on growth and increasing the number of software developers to be able to perform projects that increase the customer base, which generates future license revenues. With the increased organization and integration caused by acquisitions, needs also increase for IT infrastructure, external consultants (such as recruiters), legal advice, and for some internal positions. The cost reductions implemented in the Seattle operations have now been completed in line with what was communicated in connection with the acquisition of Mimic, and will reach their full impact in the third quarter.

For us, Simbionix is a dream acquisition. We have been working on this for almost a year and are very happy that the agreement has now been signed with the American seller, 3D Systems. An important focus for us has been getting to know

the leading key individuals in the operations and ensuring their continued commitment. We are convinced that it will be more stimulating for these key individuals to be a large part of a company devoted purely to simulation rather than being a small part of a company focused on 3D printers. They are motivated and ambitious. Together, we attain a size enabling us to bring together the best developers to maintain our technological leadership and achieve a unique position as the leading supplier to the important robotic surgery segment. We also obtain an IP portfolio that positions us for new areas where, with digitalization, simulation software can be embedded directly in the medical device companies' own hardware.

Through the acquisition, Surgical Science will increase its sales by 3.6 times and its operating profit by 2.7 times, based on pro-forma for 2020. The acquisition is being financed through a directed share issue for institutional investors, entailing a dilution for existing shareholders of slightly more than

25 percent. For all of Surgical Sciences shareholders, I am convinced that owning 75 percent of both Surgical Science and Simbionix, compared with owning 100 percent of Surgical Science alone, is a good deal.

I am certain that, for a long time to come, we will look back on the consolidation we have achieved as transformational for Surgical Science, but also as crucial for patient safety reaching its full potential through simulation. It is a great feeling to dare think big, and, by doing our homework and working hard, succeeding in what we set out to do.

Gothenburg, August 2021



Göran Hennermark, CEO

THE SECOND QUARTER OF 2021 (APRIL – JUNE)

Net sales

Net sales for the second quarter of the year amounted to SEK 36.6 million (20.6), an increase of 77 percent compared with the same period in the preceding year. Calculated in local currencies, sales increased by 98 percent.

Mimic Technologies' net sales are included in sales for the second quarter of 2021 in the amount of SEK 6.5 million. For the corresponding period in 2020, the company's sales were SEK 4.7 million. Of the SEK 6.5 million, SEK 2.5 million corresponded to sales by the Educational Products business area and SEK 4.0 million corresponded to sales by the Industry/OEM business area. For comparable units, sales increased by 45 percent. Taking exchange rate fluctuations into account, sales increased by 61 percent.

Of the sales for the quarter, SEK 14.6 million (8.2) consisted of sales within the Educational Products business area and SEK 22.0 million (12.4) of sales within the Industry/OEM business area.

In Educational Products, the US and Asia, in particular, increased compared with the preceding year. With regard to China, sales are now at a more stable level and in line with the first quarter, although still at a lower level than before the pandemic.

With regard to the favorable sales in the US during the quarter, the hospital market in the US is still strongly affected by Covid-19. With its LapSim ST product, however, Surgical Science has established itself in a segment where surgical technologists undergo special training to work as camera

operators during keyhole surgeries. Customer contacts have been possible in this area, with procurements having been completed.

Sales in Industry/OEM were 76 percent higher than in the corresponding period in the preceding year. License revenues were the largest source of income, deriving from a number of customers. Consultancy income remained at about the same level as in the first quarter, while hardware sales were slightly lower. In 2020, Surgical Science broadened its customer base, securing both consulting and license revenues from a number of customers. Some hardware sales are also conducted in the segment.

For revenues per segment, see Note 2 on page 15.

Costs and results

The cost of goods sold amounted to SEK 5.0 million (2.8), corresponding to a gross margin of 86 percent (87).

Sales costs amounted to SEK 12.4 million (8.6), corresponding to 34 percent (42) of sales. During the quarter, a certain level of activity could resume in terms of travel and trade fairs, particularly in the US. The US subsidiary, Surgical Science, Inc., is classified in its entirety as sales costs. Sales costs include amortizations of surplus values classified as customer contracts in connection with the acquisitions of SenseGraphics and Mimic Technologies, see also below under amortization.

Administration costs amounted to SEK 7.2 million (3.8), corresponding to 20 percent (19) of sales.

Research and development costs for the quarter amounted to SEK 9.5 million (3.9), corresponding to 26 percent (19) of sales. Of the development costs, SEK 2.8 million (3.8) have been

capitalized as an intangible asset. During the quarter, continued development resources were invested in developing the core technology to achieve improvements in the platform used both for our proprietary products within Educational Products and for Industry/OEM customers. Consulting revenues have been generated from the collaborations with, for example, the HelpMeSee organization and Auris Health, as well as from a number of other customers in the robotic surgery segment.

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

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

On acquiring Mimic Technologies, Surgical Science stated its view that rationalizations and cost savings corresponding to approximately USD 0.5 – 1 million 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. To a great extent, these had an impact in the second quarter. Since then, however, additional positions have been filled in software development.

Depreciation and amortization burdened profit by SEK 5.8 million (4.1) in total. Depreciation and amortization burdened the cost of goods sold by SEK 0.1 million (0.1), sales costs by SEK 2.2 million (1.3), administration costs by SEK 1.7 million (1.2) and research and development costs by SEK 1.8 million (1.6). Sales costs include amortization on those parts of the SenseGraphics and Mimic Technologies acquisitions that were classified as customer contracts, amounting to SEK 2.0 million (1.1). Depreciation attributable to the application of IFRS 16 amounts to SEK 1.4 million (0.9), this being included in its entirety under Administration costs.

EBITDA amounted to SEK 8.0 million (5.0), corresponding to an EBITDA margin of 22 percent (24).

As Surgical Science has no loan financing, net financial items mainly comprise exchange rate fluctuations. Income of SEK 3.3 million (-) has been booked attributable to the currency translation of the deferred contingent consideration for Mimic Technologies (USD 15.6 million) recognized as a liability in the Parent Company. The remainder of net financial items mainly consists of the revaluation of internal receivables from the US subsidiaries and the effect of IFRS 16.

Net profit for the quarter amounted to SEK 3.5 million (loss 0.2). For the corresponding period in 2020, Mimic Technologies' net loss was USD 0.7 million (pro forma, not IFRS). The tax expense for the quarter of SEK 1.0 million (0.4) consists of estimated tax on profit for the period and a change in deferred tax assets.

Cash flow

During the period April – June 2021, cash flow from operating activities amounted to SEK 9.4 million, compared with SEK 2.6 million for the corresponding period in 2020. Cash flow from changes in working capital amounted to SEK 0.4 million (outflow 3.6). On the asset side, inventories and accounts receivable have decreased, which has been offset on the liability side by a decrease in other interim liabilities.

Cash flow from investing activities amounted to an outflow of SEK 3.8 million (3.1), mainly comprising development costs related to the company's software.

Cash flow from financing activities amounted to an outflow of SEK 1.6 million (inflow 0.6), of which an outflow of SEK 1.4 million (0.9) was attributable to amortizations of lease liabilities in accordance with IFRS 16. In the second quarter of 2020, the company's Warrant Program 2020/23 was implemented, raising proceeds of SEK 1.5 million for Surgical Science (see also Note 4).

THE FIRST HALF OF 2021 (JANUARY – JUNE)

Net sales

Net sales for the first half of the year amounted to SEK 73.8 million (40.3), an increase of 83 percent compared with the same period in the preceding year. Calculated in local currencies, sales increased by 104 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 1.8 million and for the first half of the year they were SEK 16.5 million (9.3). Of the SEK 16.5 million, SEK 5.5 million corresponded to sales by the Educational Products business area and SEK 11.0 million corresponded to sales by the Industry/OEM business area. For comparable units, sales increased by 49 percent. Taking exchange rate fluctuations into account, sales increased by 65 percent.

Of the sales for the period, SEK 27.5 million (15.6) consisted of sales within the Educational Products business area and SEK 46.2 million (24.7) of sales within the Industry/OEM business area.

For revenues per segment, see Note 2 on page 15.

Costs and results

The cost of goods sold amounted to SEK 11.1 million (5.9), corresponding to a gross margin of 85 percent (85). The gross margin was affected by the distribution of revenues, where the different revenue streams “proprietary simulators containing hardware”, “consulting revenues” and “license revenues” have different gross margins. A higher share of license revenues means a higher gross margin.

Sales costs amounted to SEK 23.0 million (18.5), corresponding to 31 percent (46) of sales. The US subsidiary is classified in its entirety as sales costs. Administration costs amounted to SEK 18.1 million (6.8), corresponding to 25 percent (17) of sales. Costs for the first quarter included non-recurring costs of SEK 6.0 million attributable to the acquisition of Mimic Technologies.

Research and development costs for the period amounted to SEK 18.3 million (9.2), corresponding to 25 percent (23) of sales. Over the six-month period, SEK 5.2 million (6.7) of the development costs were capitalized as an intangible asset.

Operating profit for the first half of the year amounted to SEK 4.5 million (0.0), corresponding to an operating margin of 6 percent (0). 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.

Depreciation and amortization burdened profit by SEK 11.1 million (8.7) in total. Depreciation and amortization burdened the cost of goods sold by SEK 0.1 million (0.1), sales costs by SEK 4.1 million (2.6), administration costs by SEK 3.3 million (2.3) and research and development costs by SEK 3.6 million (3.6). Sales costs include amortization on that part of the SenseGraphics acquisition that was classified as a customer contract, amounting to SEK 43.8 million. This amount will be amortized over a ten year-period, by an amount of SEK 4.4 million per year, with the total for the period being SEK 2.2 million (2.2). Sales costs also include amortization on the part of the Mimic Technologies acquisition that was classified as customer contracts, amounting to SEK 35.2 million. This amount will be amortized over a ten year-period, by an amount of SEK 3.5 million per year, with the total for the period being SEK 1.5 million (-).

Depreciation attributable to the application of IFRS 16 amounts to SEK 2.8 million (1.9), this being included in its entirety under administration costs.

EBITDA amounted to SEK 15.6 million (8.7), corresponding to an EBITDA margin of 21 percent (22). Excluding acquisition costs of SEK 6.0 million in the first quarter, the EBITDA margin was 29 percent.

As Surgical Science has no loan financing, net financial items mainly comprise exchange rate fluctuations. A cost of SEK 2.4 million (-) has been booked that is attributable to the currency translation of the deferred contingent consideration for Mimic Technologies (USD 15.6 million) recognized as a liability in the Parent Company. The remainder of net financial items mainly consists of the revaluation of internal receivables from the US subsidiaries and the effect of IFRS 16.

Net profit for the period amounted to SEK 5.0 million (loss 0.9). The positive tax receivable for the period of SEK 2.5 million (tax expense 0.8) consists of estimated tax on profit for the period and a change in deferred tax assets. The cost of raising capital in connection with the acquisition of Mimic Technologies totaled SEK 13.0 million. These have been booked directly against shareholders' equity and, as they are tax deductible, the tax calculation in the Parent Company is affected.

For the corresponding period in 2020, Mimic Technologies' net loss was USD 1.6 million (pro forma, not IFRS).

Cash flow

During the first half of 2021, cash flow from operating activities amounted to SEK 0.5 million, compared with a net outflow of SEK 2.6 million for the corresponding period in 2020. Cash flow from changes in working capital amounted to an outflow of SEK 13.2 million (11.3). 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 119.7 million (5.6). Of this, SEK 113.7 million was attributable to the acquisition of Mimic Technologies, see also Note 5 on page 15. The remainder mainly comprises development costs related to the company's software.

Cash flow from financing activities amounted to SEK 298.9 million (7.5). During the first quarter, two directed share issues totaling SEK 339 million were implemented. The transaction costs for the issues amounted to SEK 13.0 million. Furthermore, following the acquisition of Mimic Technologies, SEK 24.3 million was repaid in interest-bearing loans in that company. During the first half of the year, the company's 2017/20 Warrants Program was redeemed, raising proceeds of SEK 7.9 million for Surgical Science. Also, the company's 2020/23 Warrants Program was implemented, raising proceeds of SEK 1.5 million (for options programs, see also Note 4).

An outflow of SEK 2.8 million (1.9) was attributable to amortizations of lease liabilities in accordance with IFRS 16.

Financial standing

As of June 30, 2021, the Group's cash and cash equivalents amounted to SEK 267.3 million, shareholders' equity was SEK 757.7 million and the equity/assets ratio was 79 percent. As

of June 30, 2020, the Group's cash and cash equivalents amounted to SEK 68.4 million, shareholders' equity was SEK 410.2 million and the equity/assets ratio was 89 percent. As of June 30, 2021, shareholders' equity per share amounted to SEK 19.97 (11.89).

Parent Company

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

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

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

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

OUTLOOK

Surgical Science maintains its strategy with two separate business areas. Educational Products focuses on customers in education and training, who use the company's in-house-developed simulators to increase patient safety through effective training, the results of which can be measured objectively. Customers have validated the simulators over many years through clinical studies. The other business area, Industry/OEM, mainly makes use of Surgical Science's software resources, which allow medical 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 consulting fee for adaptation/integration with the customer's products (surgical robots, for example) and subsequently a software license per unit. Surgical Science retains full copyright on its product.

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

The overarching objectives for Surgical Science in 2021 are to:

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

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

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

THE COMPANY IN BRIEF

Operations

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

Vision

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

Financial targets

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

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

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

In connection with the acquisition of Simbionix being announced on July 28, 2021, it was also announced that the financial targets would be revised and communicated when the process of integrating the company has begun and the review has been completed.

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 laparoscopy and endoscopy simulations, Surgical Science's software resources can be applied beyond the proprietary products.

One of the macro trends in healthcare driving this development is digitalization, which allows simulation software to be applied directly in medical 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 period, there were 87 (61) employees, of whom 18 (15) were women and 69 (46) men. Of these, 50 (47) were employed in Sweden, 27 (4) in the US, 2 (2) in China, 4 (4) in Germany, 1 (1) in Dubai, 1 (1) in France, 1 (1) in Poland and 1 (1) in the UK.

Surgical Science continues to recruit new employees, primarily in software development. During the quarter, three new people were employed in Sweden. In the US, two new software developers have been recruited. Following the acquisition of Mimic, six positions in administration and sales, deemed redundant in connection with the integration, were terminated.

Information on transactions with related parties

In addition to his Board fees, Board Member Thomas Eklund has received consulting fees of SEK 248 thousand 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 period.

Risk management

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

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

Seasonal effects

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

and arrangements for renting the company's products, this effect is expected to diminish in the long term.

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

Events after the balance sheet date

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 2,650 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. Following the acquisition, the Group will have about 210 employees.

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. Sales for the second quarter of 2021 amounted to USD 10.7 million (9.1), with an operating profit of USD 1.6 million (2.2). Costs for the second quarter of 2020 were affected by salary reductions due to Covid-19. Sales for the first half of 2021 amounted to USD 20.4 million (19.7), with an operating profit of USD 3.0 million (3.1).

To finance the acquisition, a directed share issue 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. Surgical Science expects the transfer of ownership to take place soon, after all conditions precedent have been fulfilled. Symbionix will be consolidated within Surgical Science as of the closing date.

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

No other significant events to be reported had occurred following the end of the period.

Assurance

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

Gothenburg, August 20, 2021

Board of Directors

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

Financial reports

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

The following reports are planned for release:

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

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

Marketplace and Certified Adviser

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

Please address any questions to

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

CONSOLIDATED INCOME STATEMENTS

SEK thousands	January – June		April – June		Full-year
	2021	2020	2021	2020	2020
Net sales	73,765	40,275	36,562	20,621	104,799
Cost of goods sold	-11,072	-5,947	-5,032	-2,755	-16,435
Gross profit	62,693	34,328	31,530	17,866	88,364
Sales costs	-22,957	-18,459	-12,362	-8,565	-36,658
Administration costs	-18,124	-6,799	-7,230	-3,839	-13,771
Research and development costs	-18,284	-9,211	-9,470	-3,888	-16,567
Other operating income and costs	1,145	171	-238	-737	-1,394
Operating profit/loss	4,473	31	2,230	838	19,974
Financial income and costs	-1,969	-80	2,268	-621	-315
Profit/loss after financial items	2,504	-49	4,498	217	19,659
Taxes	2,483	-848	-1,035	-430	-4,053
Net profit/loss	4,987	-897	3,463	-213	15,606
Attributable to					
Parent Company shareholders	4,987	-897	3,463	-213	15,606
Earnings per share, SEK	0.13	-0.03	0.09	-0.01	0.45
Earnings per share, SEK*	0.13	-0.03	0.09	-0.01	0.45
Amortization of intangible assets	-7,738	-6,239	-4,042	-2,929	-12,086
Depreciation of tangible assets	-3,384	-2,412	-1,734	-1,187	-4,890

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

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

SEK thousands	January – June		April – June		Full-year
	2021	2020	2021	2020	2020
Net profit	4,987	-897	3,463	-213	15,606
Other comprehensive income					
<i>Items that have been or can be reclassified to net profit</i>					
Translation differences on translation of foreign operations	-425	95	500	1,010	425
Total other comprehensive income	-425	95	500	1,010	425
Comprehensive income	4,562	-802	3,963	797	16,031
Comprehensive income attributable to					
Parent Company shareholders	4,562	-802	3,963	797	16,031

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
ASSETS			
Fixed assets			
Capitalized expenditure for product development	26,765	25,222	24,787
Patents, trademarks, concessions	1,542	1,339	870
Customer contracts	68,749	39,438	37,247
Goodwill	497,280	260,492	260,492
Tangible fixed assets	19,759	7,746	8,548
Deferred tax assets	20,141	8,842	6,724
Other financial fixed assets	354	211	211
Total fixed assets	634,590	343,290	338,879
Current assets			
Inventories	18,477	14,924	12,459
Accounts receivable	19,092	9,851	18,590
Other current receivables	7,597	14,117	4,535
Prepaid expenses and accrued income	14,708	10,719	10,653
Cash and cash equivalents	267,341	68,441	87,157
Total current assets	327,215	118,052	133,394
TOTAL ASSETS	961,805	461,342	472,273
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity, attributable to Parent Company shareholders	757,725	410,216	427,049
Long-term liabilities	142,595	12,269	13,946
Current liabilities	61,485	38,857	31,278
Total liabilities	204,080	51,126	45,224
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	961,805	461,342	472,273

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

SEK thousands	Attributable to Parent Company shareholders				Total shareholders' equity
	Share capital	Other capital contributions	Provisions	Profit and loss carried forward, incl. profit for the period	
Opening balance, January 1, 2020	1,681	416,317	-285	-16,037	401,676
Profit for the period, Jan – Jun				-897	-897
Other comprehensive income for the period			95		95
Redemption of options	44	7,813			7,857
Warrant premiums received		1,485			1,485
Closing balance, June 30, 2020	1,725	425,615	-190	-16,934	410,216
Profit for the period, Jul – Dec				16,503	16,503
Other comprehensive income for the period			330		330
Closing balance, December 31, 2020	1,725	425,615	140	-431	427,049
Opening balance, January 1, 2021	1,725	425,615	140	-431	427,049
Profit for the period, Jan – Jun				4,987	4,987
Other comprehensive income for the period			-425		-425
Cash issue	164	322,228			322,392
Private placement	8	16,683			16,691
Issue costs		-12,969			-12,969
Closing balance, June 30, 2021	1,897	751,557	-285	4,556	757,725

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

SEK thousands	January – June		April – June		Full-year
	2021	2020	2021	2020	2020
Operating activities					
Profit before financial items	4,473	31	2,230	838	19,974
Adjustment for non-cash items, etc.	10,544	8,736	5,716	5,402	18,270
Interest paid/received	-3	-82	-3	-40	-108
Tax paid	-1,290	-	996	-	-9,070
Cash flow from operating activities before changes in working capital	13,724	8,685	8,939	6,200	29,066
Changes in working capital					
Increase (-)/Decrease (+) in inventories	184	-7,736	640	-5,970	-5,271
Increase (-)/Decrease (+) in operating receivables	-446	1,534	3,370	3,260	1,861
Increase (+)/Decrease (-) in operating liabilities	-12,955	-5,122	-3,566	-876	-2,431
Cash flow from changes in working capital	-13,217	-11,324	444	-3,586	-5,841
Cash flow from operating activities	507	-2,639	9,383	2,614	23,225
Investing activities					
Investments in tangible fixed assets	-422	-81	-332	-	-399
Investments in intangible fixed assets	-5,532	-5,543	-3,458	-3,121	-8,295
Investment in business	-113,717	-	-	-	-
Cash flow from investing activities	-119,671	-5,624	-3,790	-3,121	-8,694
Financing activities					
Changes in long-term debts	-24,497	-	-157	-	-1,321
Amortization of lease liabilities	-2,765	-1,864	-1,407	-922	-3,816
New share issues	339,083	-	-	-	-
Cost of new share issues	-12,969	-	-	-	-
Redemption of options	-	7,857	-	-	7,857
Warrant premiums received	-	1,485	-	1,485	1,485
Cash flow from financing activities	298,852	7,478	-1,564	563	4,205
Cash flow for the period	179,688	-785	4,029	56	18,736
Opening cash and cash equivalents	87,157	69,217	263,722	68,556	69,217
Exchange-rate difference in cash and cash equivalents	496	9	-410	-171	-796
Closing cash and cash equivalents	267,341	68,441	267,341	68,441	87,157

KEY FIGURES, GROUP

	January – June		April – June		Full-year
	2021	2020	2021	2020	2020
Net sales growth, %	83.2	34.4	77.3	27.8	3.2
Gross margin, %	85.0	85.2	86.2	86.6	84.3
EBITDA margin, %	21.1	21.6	21.9	24.0	35.3
Operating margin, %	6.1	0.1	6.1	4.1	19.1
Profit margin, %	6.8	-2.2	9.5	-1.0	14.9
Equity/assets ratio, %	78.8	88.9	78.8	88.9	90.4
Shares outstanding at end of period	37,944,236	34,494,760	37,944,236	34,494,760	34,494,760
Shares outstanding at end of period*	38,090,143	34,494,760	38,090,143	34,494,760	34,521,049
Average shares outstanding	37,532,364	34,243,953	37,944,236	34,494,760	34,370,387
Average shares outstanding*	37,598,527	34,243,953	38,058,730	34,494,760	34,370,387
Shareholders' equity per share, SEK	19.97	11.89	19.97	11.89	12.38
Shareholders' equity per share, SEK*	19.89	11.89	19.89	11.89	12.37
Dividend per share, SEK	0.00	0.00	0.00	0.00	0.00
Share price on the balance sheet date, SEK*	166.0	70.75	166.0	70.75	93.50
Average number of employees	77	57	82	57	57

* After dilution. See Note 4 for information regarding warrant programs. | See page 17 for definitions of key figures.

CONSOLIDATED INCOME STATEMENTS BY QUARTER

SEK thousands	Apr – Jun 2021	Jan – Mar 2021	Oct – Dec 2020	Jul – Sep 2020	Apr – Jun 2020	Jan – Mar 2020	Oct – Dec 2019	Jul – Sep 2019
Net sales	36,562	37,203	39,595	24,929	20,621	19,654	39,254	32,294
Cost of goods sold	-5,032	-6,040	-7,070	-3,418	-2,755	-3,192	-6,302	-4,255
Gross profit	31,530	31,163	32,525	21,511	17,866	16,462	32,952	28,039
Sales costs	-12,362	-10,595	-10,434	-7,765	-8,565	-9,894	-11,694	-10,042
Administration costs	-7,230	-10,894	-4,108	-2,864	-3,839	-2,960	-3,026	-3,928
Research and development costs	-9,470	-8,814	-4,457	-2,899	-3,888	-5,323	-5,607	-4,445
Other operating income and costs	-238	1,383	-883	-682	-737	908	-205	-123
Operating profit/loss	2,230	2,243	12,643	7,300	838	-807	12,420	9,501
Financial income and costs	2,268	-4,237	-173	-62	-621	541	-362	294
Profit/loss after financial items	4,498	-1,994	12,470	7,238	217	-266	12,058	9,795
Taxes	-1,035	3,518	-1,910	-1,295	-430	-418	-2,817	389
Net profit/loss	3,463	1,524	10,560	5,943	-213	-684	9,241	10,184
Attributable to								
Parent Company shareholders	3,463	1,524	10,560	5,943	-213	-684	9,241	10,184
Earnings per share, SEK	0.09	0.04	0.31	0.17	-0.01	-0.02	0.27	0.33
Earnings per share, SEK*	0.09	0.04	0.31	0.17	-0.01	-0.02	0.27	0.32
Average shares outstanding	37,944,236	37,120,492	34,494,760	34,494,760	34,494,760	33,995,905	33,621,760	30,520,985
Average shares outstanding*	38,058,730	37,200,475	34,507,403	34,494,760	34,494,760	33,995,905	34,500,770	31,355,110
Shares outstanding at end of period	37,944,236	37,944,236	34,494,760	34,494,760	34,494,760	34,494,760	33,621,760	33,621,760
Shares outstanding at end of period*	38,090,143	38,022,523	34,521,049	34,494,760	34,494,760	34,494,760	34,515,695	34,473,455

* 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 – June		April – June		Full-year
	2021	2020	2021	2020	2020
Net sales	26,531	14,733	12,506	8,585	49,449
Cost of goods sold	-5,854	-4,163	-2,551	-1,970	-12,694
Gross profit	20,677	10,570	9,955	6,615	36,755
Sales costs	-8,740	-7,796	-4,784	-3,646	-17,537
Administration costs	-6,772	-5,402	-4,089	-3,150	-11,058
Research and development costs	-8,602	-6,935	-5,012	-3,128	-12,944
Other operating income and costs	688	381	-498	-284	-484
Operating profit/loss	-2,749	-9,182	-4,428	-3,593	-5,268
Impairment of shares in subsidiaries	-	-	-	-	-14,700
Financial income and costs	-1,847	-1	2,452	-525	-493
Profit/loss after financial items	-4,596	-9,183	-1,976	-4,118	-20,461
Appropriations (Group contributions)	-	-	-	-	5,921
Taxes	3,607	1,913	384	933	-103
Net profit/loss	-989	-7,270	-1,592	-3,185	-14,643
Amortization of intangible assets	-3,683	-3,969	-1,841	-1,794	-7,545
Depreciation of tangible assets	-475	-472	-238	-238	-948

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

CONDENSED PARENT COMPANY BALANCE SHEETS

SEK thousands	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
ASSETS			
Fixed assets			
Capitalized expenditure for product development	21,889	21,412	21,106
Patents, trademarks, concessions	472	1,339	870
Tangible fixed assets	1,897	2,481	2,174
Participations in Group companies	589,085	338,551	338,449
Long-term receivables from Group companies	-	8,162	-
Deferred tax assets	10,267	8,677	6,660
Total fixed assets	623,610	380,622	369,259
Current assets			
Inventories	12,468	14,286	11,988
Accounts receivable	5,769	6,606	13,251
Current receivables from Group companies	53,823	15,238	14,086
Other current receivables	2,521	1,298	831
Prepaid expenses and accrued income	1,909	1,022	1,387
Cash and bank balances	185,789	13,796	14,849
Total current assets	262,279	52,246	56,392
TOTAL ASSETS	885,889	432,868	425,651
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	733,347	415,596	408,222
Long-term liabilities	115,041	2,265	1,965
Current liabilities	37,501	15,007	15,464
Total liabilities	152,542	17,272	17,429
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	885,889	432,868	425,651

NOTE 1 ACCOUNTING PRINCIPLES

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

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

NOTE 2 GROUP OPERATING SEGMENTS

SEK thousands	January – June		April – June		Full-year
	2021	2020	2021	2020	2020
Educational Products	27,534	15,552	14,608	8,177	47,668
Industry/OEM	46,231	24,723	21,954	12,444	57,131
Net sales	73,765	40,275	36,562	20,621	104,799

SEK thousands	January – June		April – June		Full-year
	2021	2020	2021	2020	2020
Nordic Region	1,601	1,764	814	1,091	4,888
Rest of Europe	12,180	10,057	6,303	5,375	27,662
North and South America	49,998	25,321	24,579	11,468	58,813
Asia	9,377	629	4,866	629	7,829
Other	609	2,504	–	2,058	5,607
Net sales	73,765	40,275	36,562	20,621	104,799

NOTE 3 FINANCIAL INSTRUMENTS

SEK thousands	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
Financial assets	298,935	87,951	114,972
Financial liabilities	164,649	11,725	15,336

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

NOTE 4 WARRANT PROGRAMS

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

The incentive program includes 300,000 warrants at most. During the period January – June 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 66,163 shares, for the quarter April-June 2021 at 114,494 shares and for the balance sheet date at 145,907 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 0.8 percent.

NOTE 5 ACQUISITION OF BUSINESS

On January 20, 2021, a conditional agreement was entered into to acquire all of the shares in Mimic Technologies Inc. ("Mimic") for an initial purchase consideration of USD 18 million (approximately SEK 150 million) on a cash and debt-free basis. In addition, a maximum USD 15.6 million (approximately SEK 130 million) may be paid as a deferred contingent consideration linked to predetermined sales levels in 2021, 2022 and 2023. Accordingly, the total purchase consideration that may be payable if all of the conditions are met, amounts to a maximum of USD 33.6 million (approximately SEK 281 million). The acquisition provides Surgical Science with an additional customer base in robotic surgery, contributes data collection/analysis technology and significantly strengthens the presence in the important US market. Mimic has offices in Seattle, Washington in the US and had 23 employees at the end of June.

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

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

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

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

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

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

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

Carrying amount of identifiable assets and liabilities

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

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

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

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

Over the slightly more than five months between the acquisition date and June 30, 2021, the acquired subsidiaries contributed SEK 14.6 million to the Group's revenues and a negative SEK 1.9 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 – June 2021 would have been SEK 16.5 million and the contribution to the Group's profit after tax for the same period would have been SEK 3.5 million.

Reconciliation of goodwill in the Group

SEK thousands	Jan 1 – Jun 30, 2021	Jan 1 – Dec 31, 2020
Opening cost	260,492	260,492
Acquisitions for the year attributable to investment in business	236,788	–
Closing accumulated cost	497,280	260,492
Closing carrying amount	497,280	260,492

DEFINITIONS OF KEY FIGURES

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

Net sales growth

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

Gross margin

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

EBITDA

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

Operating margin

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

Profit margin

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

Equity/assets ratio

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

Shareholders' equity per share

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

Earnings per share

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

Average number of shares

The weighted average number of shares outstanding during the period.

Average number of shares after dilution

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

GLOSSARY

Endoscopy

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

Haptics

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

Keyhole surgery / Laparoscopy / Minimally invasive surgery

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

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

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

Suturing

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

OVERVIEW OF BUSINESS AREAS



EDUCATIONAL PRODUCTS

PRODUCTS

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

CUSTOMERS

Mainly university hospitals and other major hospitals.

SALES CHANNELS AND REVENUE MODEL

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

INDUSTRY/OEM

PRODUCTS

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

CUSTOMERS

Medical device companies.

SALES CHANNELS AND REVENUE MODEL

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

**COMMON INTELLECTUAL
PROPERTY RIGHTS**

20 years of expertise
in medical simulation

**SHARED DEVELOPMENT
ORGANIZATION**

Scalability and efficiency

**KNOWLEDGE
EXCHANGE**

Between industry
and academia

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VIRTUAL TRAINING, REAL SKILLS