ANNUAL REPORT 2023

surgicalscience

Surgical Science is on a mission to enhance patient safety and healthcare outcomes through medical simulation.

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

CONTENTS

Throughout the annual report, the corresponding value for the preceding year is given in parentheses, unless otherwise stated.

IMPROVED CLINICAL PROFICIENCY AND PERFORMANCE

Surgical Science is a leading provider of medical simulation training and software solutions. Together with healthcare partners and customers worldwide, we enhance patient safety and healthcare outcomes through evidence-based customized simulation to improve clinical proficiency and performance.

SURGICAL SCIENCE IN BRIEF

One of the biggest challenges within healthcare globally is reducing injuries that occur 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. These simulators allow surgeons and other medical specialists to practice and improve their technical 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.

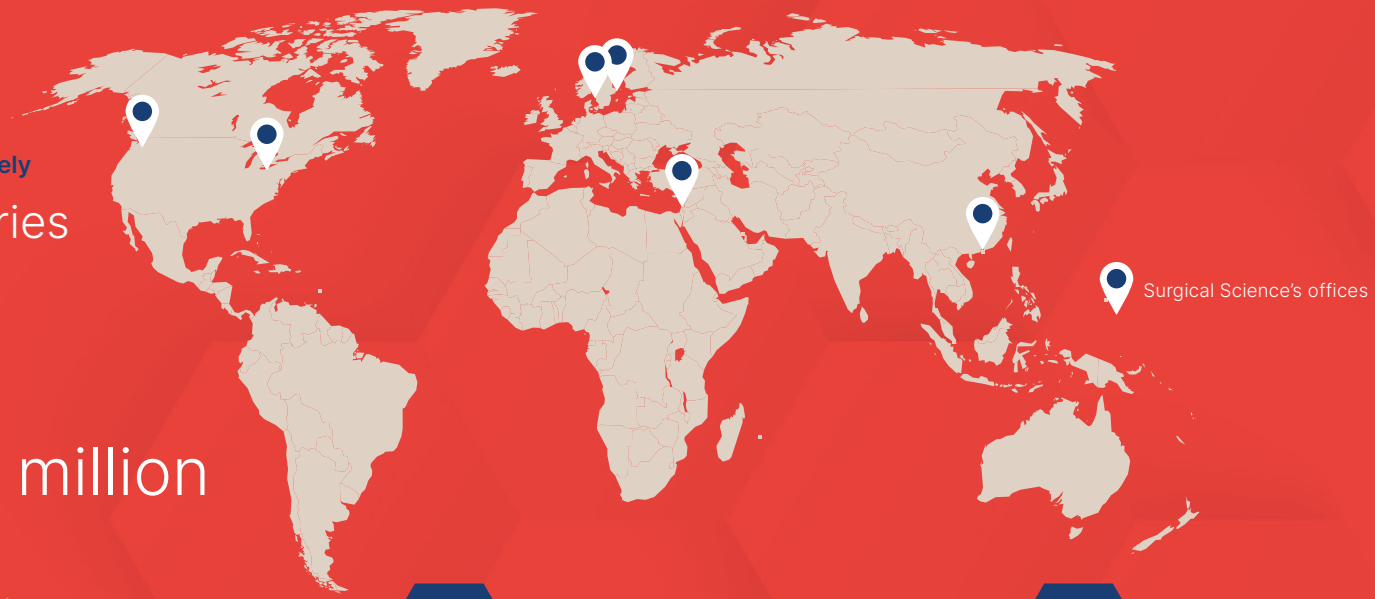
Surgical Science is headquartered in Gothenburg, Sweden and also has operations in Tel Aviv, Stockholm, Seattle, Cleveland and Shenzen. Through its own sales force, as well as a global network of distributors, a presence is maintained in most markets. Shares in Surgical Science Sweden AB (publ) are traded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

Founded
1999

Sales in approximately
60 countries

Employees
260

Sales in 2023
SEK 883 million



Broad product portfolio

Web-based Learning Management System

>8,000 simulators in >90 countries

>150 simulated procedures

>400 validation studies

THE YEAR IN BRIEF

Strong increase in license revenues

License revenues increased by 50 percent and amounted to SEK 277.7 (184.5) million, 31 (23) percent of the company's total revenues. This is important for the achievement of the financial targets, in terms of both revenues and profitability.

Weaker growth in simulator sales

The Educational Products business area started the year very strongly but had a weaker ending. The seasonal variation that normally has a positive effect on the fourth quarter, where hospitals usually have money to use up in their budget at the end of the year, was absent in 2023. Sales for the full year were SEK 518.4 (507.9) million, an increase of 2 percent.

Strong cash flow

Cash flow for the year, including currency effects in cash and cash equivalents, was SEK 200.6 (117.1) million. As at 31 December 2023, the Group's cash and cash equivalents amounted to SEK 634.4 (433.7) million, without any financial loans.

War in Israel

Around half of Surgical Science's employees work at the company's office in Tel Aviv. From a purely business perspective, Surgical Science has been affected marginally by the war in the country, and no deliveries or deadlines have been delayed.

Organization and HR processes

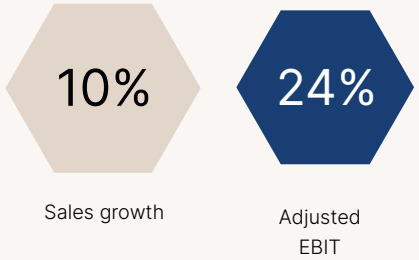
At group level, during 2023 Surgical Science developed a leadership development program, a performance management process, and a common HR system, among other things. This means that the company has a good foundation for continuing to develop Surgical Science as ***one*** company through a strong culture, a sustainable organization and a common value base.

Sustainability

Surgical Science presents its first sustainability report on pages 44-55. The company will report in accordance with CSRD for the 2025 financial year, i.e., in the annual report that will be published in spring 2026. Work toward this goal is ongoing.

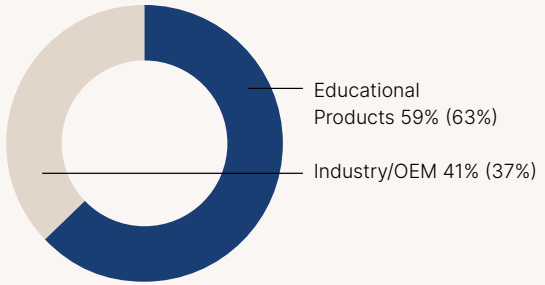
Key figures 2023

Growth and profitability

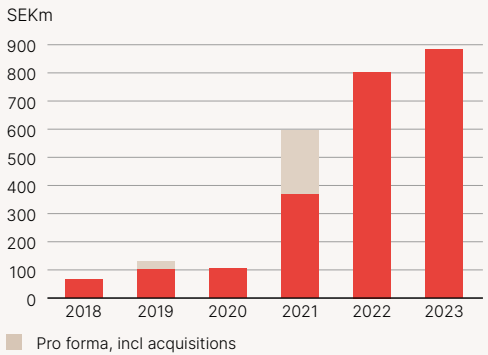


Sales and earnings, SEK million

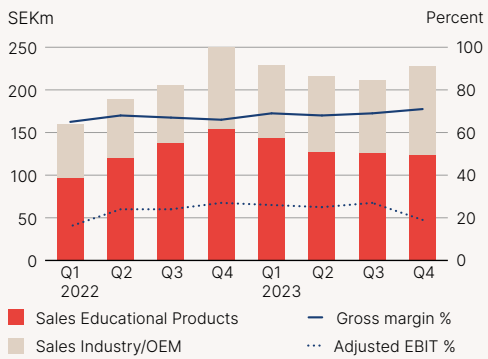
Sales in 2023 (2022) by business area



Annual sales



Sales and margins



Key figures

	2023	2022
Sales, SEK million	882.9	802.5
Operating profit (EBIT), SEK million	189.2	162.5
Adjusted EBIT, SEK million	213.6	186.0
Profit after financial items, SEK million	268.3	208.2
Net profit, SEK million	234.0	188.0
Number of employees at end of year	260	243
Equity/assets ratio, %	92.4	91.1
Earnings per share, SEK	4.59	3.70
Equity per share, SEK	85.16	83.39
Share price on balance sheet date, SEK	182.50	164.70
Market value on balance sheet date, SEK million	9,312.3	8,367.0

For definitions, see page 61.

A MESSAGE FROM THE CEO

GOOD YEAR DESPITE CHALLENGES

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. Educational Products made a strong start to 2023, but tough comparison quarters that included the large US order, challenges in China and the lack of a “Q4 effect” resulted in modest growth for the year of SEK 10 million. We are growing the organization as planned, with good cost control. The adjusted EBIT margin was a healthy 24 percent and cash and cash equivalents increased by approximately SEK 200 million. With two of five years completed on the journey toward our goals for 2026, we are well on the way to once again achieving our high ambitions. From 2023’s sales of SEK 883 million, an average of just under 20 percent growth per year is required to reach the goal of SEK 1.5 billion in 2026.

For the full year, license revenues from robotic surgery were SEK 278 million, 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 stepped up in line with wider clinical use. Hospitals face a higher degree of complexity when working with robots from several manufacturers, which all work differently, and this increases the need for training. Surgical Science meets this need with world-leading simulation software that users are familiar with, regardless of robot manufacturer. We are continuing to invest in our simulation technology, which enables us to advance our ability to offer solutions for complex training. Another highlight for Industry/OEM is that the focused global sales strategy targeting key customers has started to show results for areas outside robotic surgery. After a slow start to 2023, simulators and development revenues developed well within the business area.

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 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 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 by way of 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 market demand 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.

When summarizing 2023 for Educational Products, we look back on a good year despite a number of challenges. Sales in the business area increased on a full-year basis by approximately SEK 10 million. Although this might sound mediocre, 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. Many markets, India being one of many examples, showed very good growth in 2023, which overall resulted in growth for Educational Products. The positive signs we saw in the Chinese market during the autumn reverted to uncertainty surrounding the end of the anti-corruption campaign 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 for 2023 was strengthened to 69 percent compared to the previous year's 66 percent. When the license revenues increase as a percentage of total revenue, this is positive for our gross margin. During 2023, the license revenues from the robotic surgery companies amounted to 31 percent, compared to 23 percent during 2022. For the company's remaining 69 percent revenue, within Educational Products and simulators as well as development revenues

"License revenues grew by more than 50 percent and the strategy for Industry/OEM is starting to show results. Educational Products grew despite several challenges in the market."

within Industry/OEM, the average gross margin was lower in 2023. The main explanation for this is where and what we are selling. For sales in 2022, the US direct sales market was heavily weighted by the larger order we announced in May 2022 for a leading hospital chain. We have considerably higher margins when selling directly than through distributors. Another effect we experienced in 2023 was when hospitals faced financial challenges and were unable to buy everything they intended and so reduced the number of software modules, which directly affects our margin. Our adjusted EBIT margin, i.e., operating profit adjusted for amortization/write-downs related to acquisitions, increased to 24 percent and we are growing the company with good cost control according to plan.

Cash flow was excellent in 2023 and cash and cash equivalents increased by approximately SEK 200 million. It is satisfying to see how KPIs such as accounts receivable in relation to sales continued to fall in 2023 after the systematic efforts by employees in the finance department.

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 well 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 is needed in order to achieve the profitability target. We are confident that we will have achieved our objectives within three years.

Israel was at war during essentially the entire final quarter of 2023. On my visits to Tel Aviv after the war broke out, 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 missed a single shipment or deadline because of the war. From a purely business perspective, this tragedy still affects us only marginally, even though the war is a human disaster for all involved.

My almost decade-long journey as CEO for Surgical Science has been a dream come true. It fills me with enormous pride to reflect on the work my colleagues and I have done to improve patient safety globally through advanced simulation technology. Leading the company on its journey of growth from a small cutting-edge technology company in Gothenburg to a global leading player in our industry, together with my team and the board, has been an incredible honor. Although I will profoundly miss everything I value at Surgical Science, I feel that this is the right time for me to hand over the reins for the continued expansion of the company. When we look back on this decision in a few years, I'm convinced that all employees, customers and shareholders will realize the benefits of not having the same CEO for a long time and how we further cemented our market-leading position. To ensure a good transition, I will remain for a year and will enjoy driving the company forward and supporting the board in finding a really good person to lead Surgical Science when I leave.

Thank you 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!

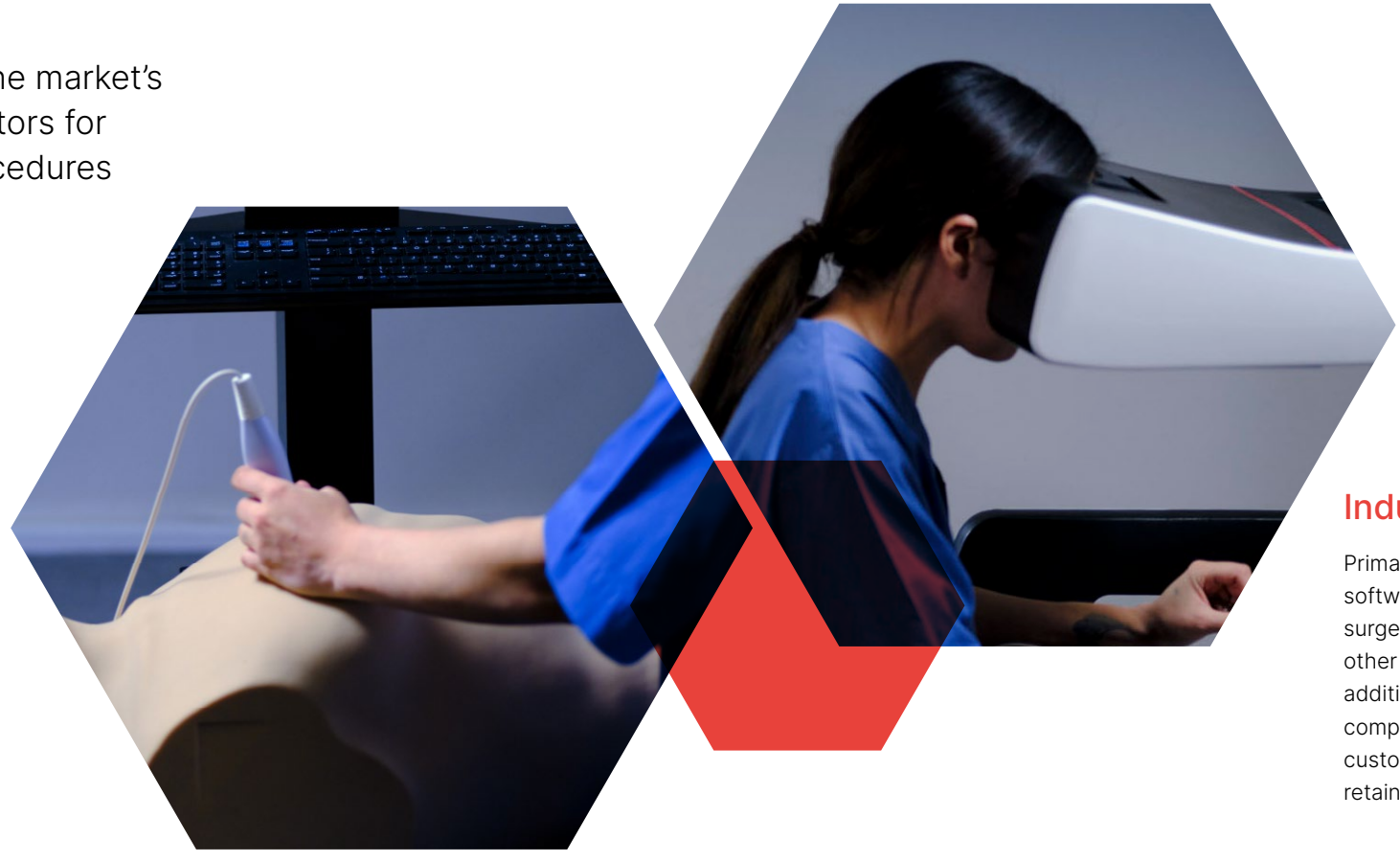
Gothenburg, April 2024

Gisli Hennermark, CEO

> "Thank you 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."

TWO BUSINESS AREAS WITH MAJOR SYNERGIES

Surgical Science has the market's widest range of simulators for training in medical procedures and examinations.



Educational Products

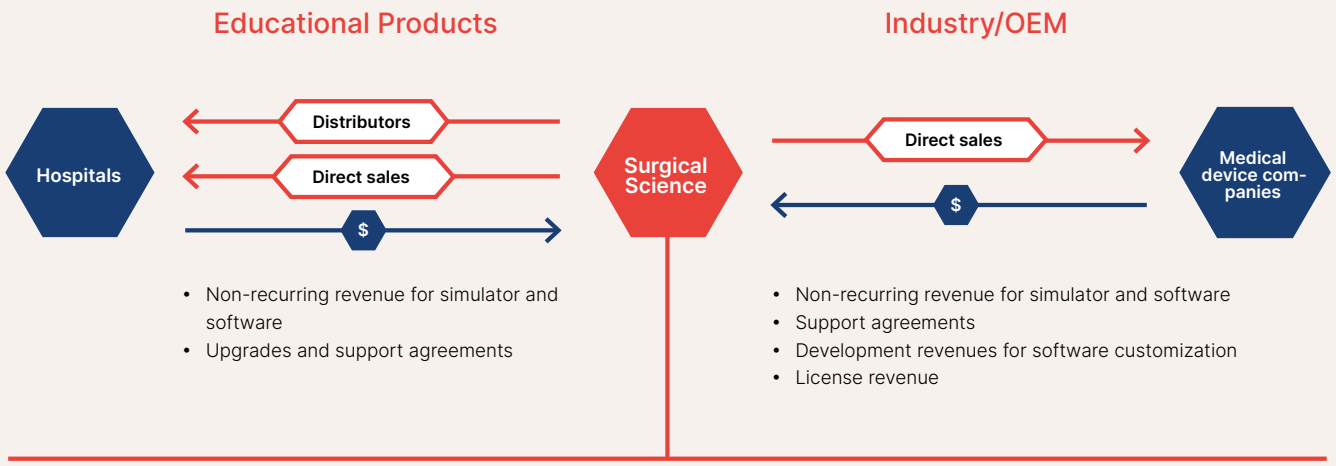
Proprietary brand medical simulators – hardware and software for generic training of psycho-motor skills, instrument handling and training for a large number of procedures and examinations, prior to entering the clinical environment. Support and service.

Industry/OEM

Primarily software consisting of simulation software for product-specific training of surgeons in robot-assisted surgery and other digitalized medical instruments. In addition, simulators for medical device companies. These are often sold under the customer's brand, with Surgical Science retaining all rights to the software.

The synergies between the different business areas and the development projects make Surgical Science's business model scalable. The credibility that the company has generated between itself and academia is an important success factor for sales to medical device companies.

Sales channels and revenue streams



COMMON INTELLECTUAL PROPERTY RIGHTS

More than 25 years of expertise in medical simulation

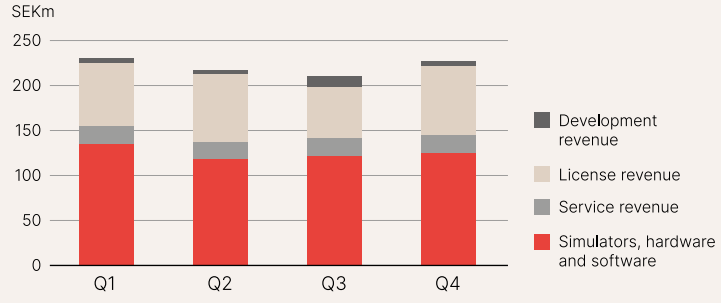
SHARED DEVELOPMENT ORGANIZATION

Scalability and efficiency

KNOWLEDGE EXCHANGE

Between industry and academia

Sales in 2023 by revenue stream



Surgical Science offers software services and products in the areas of

- Laparoscopy
- Endoscopy
- Vascular surgery
- Orthopedics
- Urology
- Ultrasound
- Open surgery
- Pre-op planning
- Spinal surgery
- Robotic surgery

BUSINESS MODEL, TARGETS AND STRATEGIES

Underlying growth in the market for medical simulation is favorable. An increased focus on patient safety and healthcare costs are strong driving forces. Another market-driving factor is the trend from open surgery to minimally invasive surgery, i.e., surgery performed through laparoscopy or other minimally invasive methods. Technological development and digitalization in healthcare represent another key driving factor in which simulation is becoming an increasingly critical component.

Vision

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

Financial targets

Sales 2026	Growth Educational Products average per year	Adjusted EBIT 2026
1,500 SEK million	10-15%	40%

* Source: www.toerrishumanfilm.com

Simulation plays an important role in increasing efficiency and reducing costs for new medical devices in a patient-safe manner.

Financial targets

Following the acquisition of Simbionix, the board adopted new financial targets that were announced in January 2022.

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 in 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 amortization and impairment on surplus values related to acquisitions.

Value-driving factors

Underlying growth in the market for medical simulation is favorable. An increased focus on patient safety and healthcare costs are strong driving forces. A surgical error can have serious complications, in terms of both the patient's suffering and the high cost to healthcare and society. In the US, for example, errors in healthcare are the third-most common cause of death.* Investments aimed at reducing errors, and thus healthcare costs, can be justified from several points of view. 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 quicker than other parts of the market.

Another market-driving factor is the trend from open surgery to minimally invasive surgery, i.e., surgery performed through laparoscopy or other minimally invasive methods. Minimally invasive surgery has a number of advantages over open surgery, including shorter rehabilitation periods, shorter hospital stays and less scarring – all of which translate to lower healthcare costs. With the transition to minimally invasive surgery, the need for medical simulator training also increases.

Technological development and digitalization in healthcare represent another key driving factor in which simulation is becoming an increasingly critical component. There is considerable faith in medical simulation today, with state-of-the-art systems often having been validated in scientific studies. When manufacturers of medical devices develop, undergo the regulatory approval process for, market and install advanced new instruments such as surgical robots, simulation is a matter of course in increasing efficiency and reducing costs in a manner that is safe for patients.

Scientific studies providing validation also support certification and assessment of physicians. Surgical Science is convinced that the emerging trend toward mandatory simulator training will continue, driven by increased demands from regulatory bodies, as well as from insurance companies.

Macro trends

Increased focus on patient safety

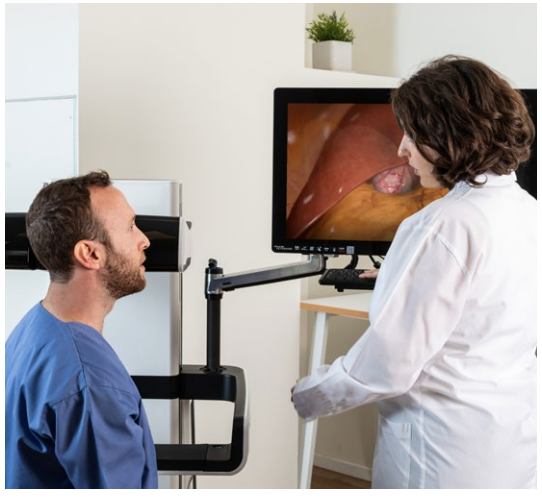
Transformation from open surgery to minimally invasive surgery

Digitalization of healthcare

Several major patents in robot-assisted surgery expired in 2017, opening up this market for new players. Surgical Science sees great potential both in industrial collaborations with new players intending to enter the market and in opportunities to further deepen its partnerships with existing players. Today, the company collaborates with all of the major players in the market, where the market leader is the company's single largest customer.

According to calculations, only approximately 5 percent of the procedures that could be performed with robotic technology are currently performed using the method. The vast majority of the market, which is also growing strongly, remains to be penetrated. Now that challengers such as CMR Surgical, Medicaroid and Medtronic have begun to launch their surgical robots, Surgical Science believes that competition will accelerate the implementation of new technologies.

In addition to robotic surgery, the market also includes other medical device companies that need medical simulation for educational and marketing purposes. Offering simulations of their products facilitates sales, with customers being able to test the product. Furthermore, many medical device companies have business models whereby earnings correlate with the extent to which the product is used. Medical simulation then becomes an important tool for training the end user of the product and thereby increases its use.



Underlying growth in the market for medical simulation is favorable. An increased focus on patient safety and healthcare costs are strong driving forces.

History – from research to commercial phase and growth

From previously having been a research company, Surgical Science has focused on commercialization and growth since 2016.

1995–1999

The company is founded, research and development begins

2000–2015

Academic work, studies and publications

2016–2017

Collaboration initiated with robotic surgery companies, listing on Nasdaq FNGM[1]

2018 until today

Organic and acquisition-driven growth

Future

Financial targets

Focused, long-term growth strategy through acquisitions

2019

SenseGraphics

- Customer base
- Software developers

2021

Mimic

- Customer base
- Complementary technology

2021

Simbionix

- Customer base
- Complementary technology
- Additional application areas
- Software developers

1. First North Growth Market, Stockholm

Business model

Educational Products

Surgical Science sells turnkey products under its own brand, which comprises a hardware platform and software modules. The systems are sold with basic training programs, as well as supplementary training for specific areas. New modules are constantly being developed, meaning that there are opportunities for additional sales to existing customers.

A service and support agreement can be signed for the systems, which also offers customers access to software upgrades that are launched on an ongoing basis.

Sales of most of Surgical Science's products generate a major initial non-recurring income item. It is also possible to rent some of the products, although this payment model has yet to have an impact in many countries and, at hospitals, such investments are often made with the assistance of various types of donations.

Sales of Surgical Science's simulators are conducted partly through distributors and partly through its own salespeople directly to the end customer. Surgical Science conducts its own sales operations in the US and Sweden, among others. Surgical Science also conducts sales through some 60 distributors worldwide. More than 95 percent of the company's sales are to customers outside of Sweden. The US is currently Surgical Science's largest individual market in this area.

> Sales of Surgical Science's simulators are conducted partly through distributors and partly through its own salespeople directly to the end customer.

Surgical Science's product sales may fluctuate between different quarters, with the fourth quarter of the year generally 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 toward the end of the year.

Industry/OEM

In this area, the business model partly comprises development revenues for adapting Surgical Science's software to the medical device company's platform/hardware and, subsequently, license revenues. License revenues may be charged per unit or on a recurring basis, linked to the installed base or use of the software, for example. In addition to being able to generate long-term cash flows, these projects entail Surgical Science itself learning and gaining new experience, enabling it to further develop its own software, as the company strives to retain the copyright for all adaptations. This is a way of focusing on the part of the value chain where the company has its strongest advantage, rather than working with the customer's hardware, distribution, end-customer support, etc. In this case, Surgical Science is therefore a component supplier of simulation software that is embedded in the client's products.

The Industry/OEM area also includes sales of Surgical Science's own simulators to OEM customers, mainly in the vascular and laparoscopy areas. 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 are 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), is also included in the business area's sales.

Strategies

Surgical Science will continue to develop its 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 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 physician through training with the company's

Surgical Science seeks acquisition targets adding one or more of the following values:

1. Customer base – particularly in Industry/OEM
2. Complementary technologies
3. New application areas
4. Skilled software developers

products also transfers to the clinical environment. Surgical Science advocates mandatory simulations in surgeon training and for future physicians to be certified before performing the first intervention 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 25 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. Using VR simulations in robot-assisted surgery, for example, is also an obvious choice and no supplier in this area will be able to do without a simulation solution. Another macro trend is an 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.

Patents and trademarks

Surgical Science holds a number of patents in a number of countries. The company's patents provide protection for certain software as well as hardware. Surgical Science currently has a number of approved trademark registrations worldwide for its product names.

Objectives for 2024

The overarching objectives for Surgical Science in 2024 are 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 gross margin by streamlining production and procurement as well as increasing the average sales price within Educational Products.
- Ensure a high level of employee commitment by continuing to build and maintain the culture and the company's core values.
- Be prepared to make further acquisitions when the time is right.

Surgical Science has an organization where a sizable 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 2024, Surgical Science is continuing to invest more than ever in this area.

Fulfillment of objectives for 2023

In 2023, Surgical Science's overarching objectives were to:

Target		Target fulfillment
1	Continue expanding the value content for existing customers in robotic surgery who license the company's technology.	✓
2	Establish broader collaborations in several product areas with major key customers within Industry/OEM.	✓
3	Grow sales within Educational Products by at least 10 percent	✗
4	and continue to expand the product portfolio through further product launches.	✓
5	Improve the cost of goods sold by streamlining production and procurement so that it has a positive effect on the gross margin.	✓
6	Be prepared to make further acquisitions when the time is right.	✓

ORGANIZATION

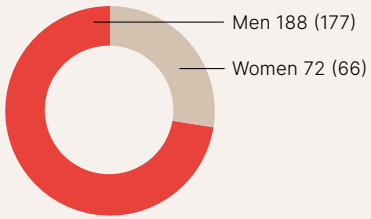
Surgical Science actively seeks to be an attractive workplace and sets targets to ensure a high degree of employee engagement and a good work environment. The employees constitute an important asset for the company's competitiveness and profitability, and it is of the utmost importance to be able to attract personnel with appropriate skills and provide employees with opportunities for further development.

A global organization

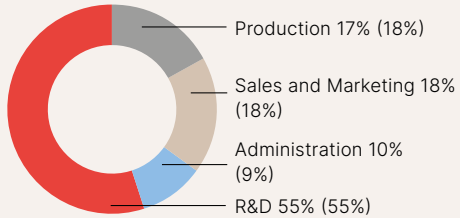
Surgical Science's head office is located in Gothenburg, Sweden. Operations are also located in Tel Aviv, Stockholm, Seattle and Cleveland, and there are also employees in software development and sales in a number of countries such as Germany and China. The organization comprises various functions that collaborate to advance the work globally. The company strives to have an organization characterized by expertise, entrepreneurial spirit, goal-orientation and rapid decision-making paths.

In 2023, the number of employees at Surgical Science increased by 7 percent through the new recruitment of software developers, sales staff and support functions. At the end of 2023, the number of employees amounted to 260 (243).

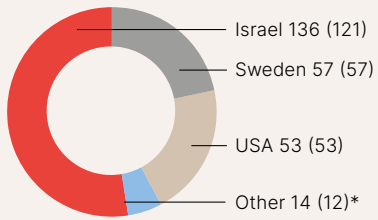
Employees 2023 (2022)



Employees by function 2023 (2022)



Employees per country 2023 (2022)



* Mainly Germany and China

Committed employees

Surgical Science is a knowledge-intensive company and its employees and their specific skills are a key asset for long-term competitiveness and profitability. Consequently, the company's efforts to be an attractive employer and a sustainable workplace characterized by commitment and well-being are focus areas. Surgical Science's operations provide opportunities to attract external talent and retain the company's employees as the company's work helps to add value to society through improved patient safety.

Surgical Science offers several incentives to foster increased commitment and health among employees.

One of these incentives is a warrants program, the view of the board being that a program like this helps to increase motivation and commitment among employees and strengthens the bonds between the employees and the company. Furthermore, warrants programs are considered to foster opportunities to recruit and retain knowledgeable and experienced employees and are expected to increase employees' interest in the business and the company's performance trend. On the whole, the assessment is that warrants programs will benefit employees and shareholders alike through increased share value.

> The company strives to have an organization characterized by expertise, entrepreneurial spirit, goal-orientation and rapid decision-making paths.

Surgical Science currently has two warrants programs open – see more on pages 57-58. The intention is to propose to the annual general meeting broad annual programs through which employees can accumulate their warrants holdings.

In terms of other incentives, during 2023 Surgical Science began reviewing the benefits that exist in the countries where the company operates and identifying benefits that could be implemented globally. One such example is Surgical Science's referral program, which rewards employees who recommend potential candidates that are subsequently being hired.

From 2023 onwards, Surgical Science will measure employee satisfaction through an employee survey (eNPS Employee Net Promoter Score). The method is easy to implement and provides knowledge about how the company is perceived by employees and the reason for their views.

To assess and further develop Surgical Science as a workplace, employee satisfaction will be reviewed annually. The response rate for the 2023 employee survey was 86 percent. The results have been presented to all employees and also at team level. Various measures have been taken at both the local and overall level to address what has been identified as potential for improvement.

HR strategy

Surgical Science developed a global HR strategy in 2022. The strategy prioritizes focus areas for attracting external talent and engaging, retaining and motivating internal talent. In addition, it assists managers in their development and serves to build a shared culture. During 2023, Surgical Science implemented several of the strategy's proposed initiatives.

Leadership development

The leadership development program is aimed at all managers and defines what is expected of a manager and how they can contribute to a common culture across the entire company as well as better business performance. The first step, which was carried out in 2023, relates to situational leadership. All managers have participated in the training, which has, for example, resulted in a common leadership language throughout the organization in order to contribute to the development of committed and productive employees.

The next step, which will be implemented in 2024, is to train employees in situational leadership to ensure a common leadership language across the organization.

During the year, Surgical Science established a process for conducting goal and development discussions with employees, which helps to improve goal fulfillment and employee commitment. This performance management process is documented in the HR system.

HR system

The new HR system is a control tool that gives Surgical Science a clearer overview of the organization, such as by documenting completed employee conversations and internal training. The system contains valuable information for resource planning and for safeguarding future skills needs. Additionally, the system contains a recruitment tool that provides knowledge about the company's efficiency when it comes to, for example, how long it takes to recruit for a specific role.

Other HR activities

During 2023, Surgical Science inventoried and harmonized employee roles and professional titles. This work has resulted in a global structure and forms the basis for a definition of each role which, in the next step, will be developed into more detailed job descriptions and facilitate continued career development.

A healthy and safe work environment

As an overarching objective, Surgical Science seeks to provide a good working environment and to work systematically to minimize the risks of occupational injuries and accidents. The company strives to formulate meaningful tasks that help employees develop and to involve them in designing their own work situation and in the process of change and development in the workplace. Working conditions must allow for variety, cooperation and social contacts. All employees should feel appreciated and respected and be treated with kindness and respect, both by employer

The company strives to formulate meaningful tasks that help employees develop and to involve them in designing their own work situation.

representatives and by colleagues. Surgical Science believes that different views and experiences strengthen and broaden the company and should be encouraged.

As an organization, Surgical Science operates globally, meaning that language skills and knowledge of different cultures play an important role in achieving success. All employees must be able to work and develop together, with no one being subjected to discrimination or harassment, neither by representatives of the company nor by co-workers.

> Working for a strong and common corporate culture is very important for the company's operations as this creates a high level of commitment.

To provide space for recovery and work-life balance, Surgical Science offers employees opportunities for flexible work arrangements, when possible. For example, the company offers flexibility in working from home or from the office in line with each country's local guidelines.

Strong and shared corporate culture

Fostering a strong and shared corporate culture is of great importance to the company's operations as this ensures a high level of employee commitment, facilitating the continued supply of high-quality and innovative products for better patient safety. In 2022, the core values of Respect, Curiosity and Perseverance were launched, with the core value of respect, for example, underlining the importance of Surgical Science being a workplace offering all individuals equal opportunities in a corporate culture free from discrimination and harassment.

The guiding principles in the development of Surgical Science's core values were transparency and inclusion. The management assigned the task of developing the core values to a group representing the company's different functions, as well as the organization's various geographic locations. The group met on several occasions for discussions and assessments, sometimes guided by an external consultant specialized in such work. As part of the process, a survey was conducted that was open to everyone in the company, with the results being used in developing the core values. Ultimately, the working group's conclusions were presented at a joint meeting of the entire company. After that, the company's various teams held workshops to discuss the importance of the values for the individual and the organization and how they can be incorporated in daily work.

These core values guide employees in how they should act and make decisions on a day-to-day basis and in long-term planning. In 2023, the application and observance of the core values was a highly useful and effective tool for implementing the cultural process in different procedures and in every part of the organization.

Quarterly "all hands" meetings are held at which all employees have the opportunity to participate. In 2023, a project group evaluated and adopted an additional internal communication option, with the implementation of a global intranet in 2024.

For additional information on Surgical Science's core values, see page 49.

Code of Conduct and whistleblower channel

Surgical Science's Code of Conduct lays the foundation for how the company views and will work on issues such as business relations, the working environment and environmental considerations. The Code of Conduct contains important principles and guidelines for decision-making in day-to-day operations and comprises two areas: the work environment and how the company conducts business ethically and appropriately. The purpose of the Code of Conduct is to set standards and provide examples of how employees, suppliers and partners are expected to behave and communicate to customers and other stakeholders in line with what principles the company conducts its business. The Code of Conduct can be read in its entirety at Surgical Science's website: www.surgicalscience.com.

The Code of Conduct is distributed to all employees, who then sign in the HR system that they have read, understood, and will comply with the Code of Conduct.

Surgical Science established a whistleblower function in 2023. This is an external channel that allows employees, for example, who cannot otherwise notify the company of deviations from good business ethics or the Code of Conduct in general, to anonymously report misconduct. The whistleblower function, which is available on the Surgical Science website, complies with EU legal requirements and the GDPR for reporting and follow-up.

Training on Surgical Science's simulators is an effective way of securing practical skills and thereby increasing patient safety.

EDUCATIONAL PRODUCTS BUSINESS AREA

Surgical Science develops and sells virtual reality simulators for the assessment, training and certification of surgeons and other medical specialists. With Surgical Science's products, training can be given in basic skills, as well as in complete procedures and for examinations with varying degrees of complexity, before procedures are performed on patients.

Overarching objectives

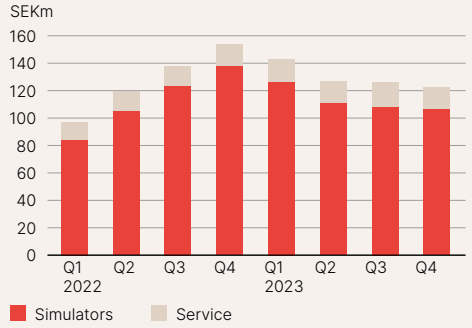
In January 2022, the board of Surgical Science adopted new financial targets.

Surgical Science's goal in the Educational Products business area is to grow sales by an average of 10 to 15 percent annually up until 2026. With an extended and broadened product portfolio, the products in the area 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.

Notable events in 2023

- Sales amounted to SEK 518.4 (507.9) million, an increase of 2 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 18 percent.
- The year started very strongly with growth of 48 percent in the first quarter compared with the corresponding quarter in 2022. The comparable figures for the second and third quarters were strongly affected by the major order received in the USA in May 2022. In the second quarter there was growth of 6 percent and, in the third, a fall in sales of 9 percent. The seasonal variation that usually has a positive effect in the fourth quarter was absent in 2023 and the business area saw a decrease in sales by 20 percent. 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 the company's quarterly reports, it has been noted 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.
- Several markets outside the US and China showed good sales, such as in India and several countries in Europe and South America.
- Since Surgical Science communicated new financial goals at the start of 2022, Educational Products is above the average 10 to 15 percent average annual growth that the company expects in order to reach the goal of total sales of SEK 1,500 million in 2026.
- Several product innovations were launched in terms of both hardware and software, including laparoscopic sterilization of dogs for the veterinary market, new prostate procedures (TURP) for urologists, and a brand-new hybrid simulator where VR goggles and a mannequin are used for emergency training and intubation.

Sales Educational Products



Sales in Educational Products consist of own simulators with associated software, as well as service and upgrade revenues for these.

Sales 2023

518.4 SEK million

Target

Average sales growth 10-15 percent per year.

Market

Sales in over 60 markets.

Products

Wide range of simulators for training in several medical specialties.

Product overview

Medical area	Simulator	
Laparoscopy	LapSim, LAP Mentor, LapSim ST, Simball Box	
Ultrasound	Ultrasound Mentor, PERC Mentor Suite	
Robotic surgery	RobotiX Mentor, FlexVR	
Gastroenterology	EndoSim, GI Mentor	
Orthopedics	ARTHRO Mentor	

Medical area	Simulator	
Pulmonology	BRONCH Mentor, BRONCH Express	
Obstetrics and Gynecology	PELVIC Mentor	
Urology	URO Mentor	
Vascular surgery	ANGIO Mentor	
Others, examples	SPINE Mentor (pain management) TraumaVR (emergency/intensive care)	

Products

Surgical Science develops, manufactures and sells simulators to hospitals for educational purposes in the areas of general surgery, vascular surgery, laparoscopy, endoscopy, urology, orthopedics, ultrasound and robotic surgery. In most of these areas, several simulators are available to customers, with associated libraries of procedure software to choose from. The company is working constantly on the development of its products, in terms of both hardware and software.

The company's website – www.surgicalscience.com – has further presentations of the product range.

Surgical Science's broad product range makes it possible to have a global service function with good customer support. The unit measures customer satisfaction and in 2023 had a very high NPS (Net Promoter Score) of 90.

Validated products

Surgical Science's products have undergone a large number of validation studies demonstrating that the knowledge acquired by the surgeon through simulator training also transfers to the operating room. Comparative studies have also been conducted in which surgeons training with Surgical Science's products have been compared with surgeons receiving traditional training. The studies clearly showed that surgeons who received simulator training achieved shorter operations with fewer errors, two parameters of importance for healthcare.*

Customers and payment model

Medical simulation customers mainly comprise university hospitals, followed by other hospitals and training centers. University hospitals often have a simulator center where students and healthcare professionals can train before meeting real patients.

In most cases, the simulator is purchased with a one-time payment being made for the hardware and the existing version of the software. Customers have the opportunity to buy additional software modules at a later time and to add these to the simulator.

In addition to the investment in the simulator, the hospital has the opportunity to sign service and upgrade agreements, which give Surgical Science recurring revenue on its installed base of simulators.

* Example: Effect of virtual reality training on laparoscopic surgery, Christian Rifberg Larsen MD et al., British Medical Journal 2009

The Educational Products business area helps healthcare professionals improve clinical proficiency and performance

1. **Patient safety, training without patients involved, reducing risk for errors**
2. **Developing technical and other skill sets in a safe, stress-free environment**
3. **Proficiency-based instead of volume-based training**
4. **Adapted to individual/group/situational need**
5. **Shortening the time to gain competency**
6. **Standardized and objective feedback**
7. **Improves clinical team collaboration and workflow**
8. **Saves time, reduces costs and environmental impact thanks to less need for supervision, travel, cadaver training, etc.**

Studies clearly show that surgeons who have received simulator training have shorter operations with fewer errors, two parameters of importance for healthcare.

Market

The global market for medical simulation enjoys favorable underlying growth. 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 pandemic demonstrated clearly the problem of training on patients. A reduced level of planned surgeries meant that there was an increased need for other types of training. This has contributed to a change in behavior, which in some markets has led to an increased demand for simulators.

Marketing and sales

Sales of Surgical Science's simulators are conducted globally through distributors and partly through its own salespeople directly to end customers. Surgical Science conducts its own sales operations in the US and Sweden, among others. A large part of the sales work takes place at various trade fairs. In addition, Surgical Science sells by way of around 60 distributors worldwide, a network that the company considers to be an important success factor in the sales work. More than 95 percent of the company's sales are to customers outside of Sweden. The US is currently Surgical Science's largest individual market in this area.

Surgical Science also focuses on showing the scientific value of simulation at the local and regional levels in collaboration with associations and research groups, thereby working to make simulation and certification mandatory.

Competitors

Several companies provide products for medical simulation, a few of which are given here. CAE Healthcare is a Canadian company that provides training and simulator systems in the areas of orthopedics, ultrasound and vascular surgery. Virtamed is a Swiss company that competes in the areas of orthopedics, urology and laparoscopy. In the area of vascular surgery, Surgical Science also competes with Swedish company Mentice and, in ultrasound, with UK company Intelligent Ultrasound.

None of the competitors operating in the same markets as Surgical Science has the wide range of products that Surgical Science can offer.

Competition in the market for the technical training of surgeons and other medical staff also comes from other types of training, such as simpler box training, practice on animals or human cadavers and training on patients under the supervision of a mentor/fully qualified physician.

Product development

The software that Surgical Science uses in its simulation tools has mainly been developed in-house and is owned by the company; a marginal part of the software has been provided to the company on license. The software has been further developed and refined over a period of 25 years in collaboration with surgeons and other specialists who continually test new functions to ensure realism. Surgical Science continually undertakes to develop new simulation modules for further interventions and examinations and to improve the functionality of existing modules. An important part of product development is the development of training programs that measure physicians' skills. In collaboration with the profession, certification courses have been developed in which the user must attain a certain level to pass.

Purchase, assembly and distribution

Surgical Science's products comprise both hardware and software. The hardware components are purchased by subcontractors, with final assembly and installation of the software taking place in-house. Assembly is currently conducted in Israel and Sweden and, to a lesser extent, in the USA.

Products are delivered from the production unit to customers all over the world. A number of different freight suppliers are hired to ensure delivery security and delivery precision for all of the company's customers.

Objectives for 2024

In 2024, Surgical Science's objectives for the Educational Products business area are to:

- Grow sales by at least 10 percent. The growth target shall be achieved through a continued local presence, increased efficiency in sales efforts and continued expansion of the product portfolio through further product launches.
- Improve the gross margin by streamlining production and procurement, as well as by increasing the average sales price.
- Increase the number of customers connected to the cloud-based software.

> The software that is used in the simulation is proprietary and Surgical Science owns all rights to it.

> “Simulation training allows you to perform better in the OR.”

Meet Martine Ditlev, a newly graduated medical student from Copenhagen University who is now in her first year as a doctor. She shares her personal experience of laparoscopy simulation training on the LapSim and how it helps her and the team to improve.

Why did you join the LapSim simulation course?

I finished medical school at the University of Copenhagen last summer. Right now, I’m doing the clinical basic education in Denmark and my first half year at a surgical hospital ward to get my medical license. I want to become a surgeon and I joined the laparoscopic course at Copenhagen Academy for Medical Education and Simulation, CAMES, out of my own interest, to get more familiar with surgery, different tools, and to improve my skills.

How does the LapSim simulation course work?

The course is one day. The theoretic part includes learning the basic principles of laparoscopy, how the camera and different tools and techniques work, understanding procedures as well as potential complications. After that you get to practice and train by yourself by doing some exercises on the LapSim. Thereafter, you do the examination. You pass the course by reaching a certain level on the exercises on the simulator and some additional exercises. I have been practicing on a LapSim at the ward I’m working at right now, but I need to go to CAMES for the actual course examination.

In your view, who is medical simulation training valuable for?

As a fresh doctor, simulation is really good as it gives you the opportunity to learn before you do the procedures on real human beings. I hear a lot of doctors at the ward who are further ahead in their career who, when they need to learn something new, go and practice on the simulator before doing it on a real person, in real life.

What are the main benefits of simulation training on the LapSim?

It takes a lot of the pressure off as you don’t have a human life on your hands. In a real operating room, you have not only the patient who is ill, but also a lot of other people, your colleagues. They are all dependent on how you do things and how

fast you do it. You are under great pressure and stress, in terms not only of the time frame – you don't have much time – but there is also always the risk of complications. Under such circumstances it's difficult to find time to really understand how things work and figure out "how do I turn this wheel on this instrument?".

> "You get a better understanding of the procedure and how you can make the instruments work a little bit more for you."

On the LapSim, you have much more time, and you can practice at your own pace. You can really get familiar with how the different instruments work and how you can make the instruments work for you without risking a living person's bowel, for instance. So, if something goes wrong while learning on the LapSim, it doesn't matter. It's a free pass.

Another benefit is that you can do it in your own time. This is especially important at the stage of education where I am right now in my career, as it is not a certainty that I get to operate, nor to perform. It's not written within the curriculum that I need to do a certain number of operations or that I need to get operating time. I am very keen on gaining the experience, but it is all very dependent on the shift. Are the other surgeons on the shift senior and experienced enough to supervise you? Do they have the time, and is the patient suited for you to try some skills and operate on without too large a risk? Basically, it's rather random, and not certain that I can participate. There are a lot of circumstances that need be right to get the opportunity to operate. It depends on luck. If I'm lucky I get to participate. The LapSim makes it all so much easier! After your shift or when time is available, you just turn it on and can start practicing! It's neither random nor dependent on luck.

In what way are those benefits important to you as a surgeon?

It's with laparoscopy as with everything else in life: If you want to get better at something you need to practice and do so at your level of development. You need to get the volume. You need the hours. There is no way around it, to improve you need to practice. Laparoscopy on the LapSim helps you get that certain amount of volume that you are otherwise not guaranteed but really need where I am at in my brief surgical career.

Less pressure, less stress, less risk for the patient, and more guaranteed training tailored to your proficiency level. How does that make you feel?

It gives you more confidence. Of course, there's a difference between a simulator and a real patient. But simulation training definitely increases your confidence level. On the LapSim, you can train in different techniques and get a better sense of how to use the instruments, so you get more confident in that regard. You can also train in procedures on the LapSim. As a general surgeon, the first thing you usually do is an appendectomy. By training in that procedure on the LapSim, you get a better understanding of the procedure and how you can make the instruments work a little bit more for you. To get more practice on your hands.

"To get more practice on your hands" you say, please elaborate?

One tricky thing you need to learn in laparoscopy is that you are looking at a two-dimensional screen that mirrors what you're doing. But while you're looking at the screen, your hands are holding the instruments that are going into small incisions, small holes, in the abdomen of the patient you're doing surgery on. A camera inside the patient enables you to see the instruments working, which in turn are working in a three-dimensional plane. The challenging thing is to translate the two-dimensional pictures to your

> "You can follow your own individual development and your confidence grows as you see yourself improving toward the required level of proficiency to advance."

three-dimensionally working hands holding the instruments. That's a concrete example of what practicing on the simulator gives you: a better understanding of "when I do this with my hands the instrument moves like that on the screen" and "when I want to go this far on the screen, how far do I have to move my hand?". There are a lot of technical things like this you need to grasp. But it all boils down to a feeling in your hands that you need to develop.

Moreover, you can make mistakes and cause complications on the LapSim, and if you do, you need to fix them. As an example, you can cause bleeding when performing a laparoscopic procedure on the LapSim. If so, you need to stop the bleeding. In that sense, it also prepares you for some of the complications that might occur in real life. Something can go wrong, and should that be

the case, it's essential that you know what to do, and that you are able to act proficiently given that specific situation.

How would you summarize the ultimate benefit of having "more practiced hands"?

In all, when walking into the real operating room after having trained on the LapSim, you have a better idea of how things work, what might happen, and how to deal with it. Having practiced using the different tools and detailed techniques, you feel more prepared, and you are better suited to act than otherwise. It allows you to be more proactive. This is extremely important, as feeling more confident usually makes you perform better. So ultimately, simulation training allows you to perform better in the OR.

How does the LapSim make you feel more confident and more prepared?

One of the things that triggers my interest and encourages me to practice on the LapSim is the actionable feedback: when training, you get personalized feedback on all the exercises you do, so you become more aware of which skills you have mastered and which skills you lack or need to develop. And what you can work on to improve.

What makes you more confident is the fact that after each exercise and procedure you get evaluated on specific parameters, and at the end you get a total score. You can follow your own individual development and your confidence grows as you see yourself improving toward the required level of proficiency to advance.

The feedback is standardized but at the same time very personalized in the sense that you get evaluated depending on how you as an individual perform on pre-set parameters that are relevant for a specific exercise or procedure. As an example, the LapSim measures how fast you complete a specific exercise, registers whether your tool angle is a bit weird, how you use the turning wheels on the instruments or if you move your arms too vigorously. This means that a person who works slowly will get actionable feedback on that, while another individual who causes too much tissue damage will receive feedback on that.

How close to reality do you think the LapSim training is, how realistic is it?

The LapSim is a great learning tool and the one I've trained on gives you "tactile, sensational feedback" to resemble real life. The feeling isn't identical to the real thing; tissue in a human body is usually a bit harder to work with than on the simulator because it moves and slides a bit more and the camera might not be as clear as it is in the simulator. The simulator is easier, but it still definitely helps me feel more prepared for the real-life experience.

To what extent is the LapSim training valuable to the patient?

It's very valuable to the patient! I'm sure that if you were to ask the patient "Would you rather that somebody operate on *you* for the first time or that the surgeon practice on a simulator before doing the procedure on you?" they would all most definitely prefer the latter.

It's very important that the doctors get the volume. That's how you get better. It's the same with athletes. I think they say you need to do 10,000 hours before you reach your full potential. That's a lot of hours. It's hard to get that volume in the operating room, especially when you're new. That's where the simulation training comes in. To get more practice, to get it into your hands more, to get the volume and the confidence. That's also of great value to the patients. That the patients get more confident, more practiced surgeons.

To summarize, how does the LapSim help you as a surgeon?

I want to advance in my profession, I want to complete my laparoscopic examination, I want to have the certificate, and foremost I want to feel confident that I have mastered all the skills so that I can do a good job, perform at my best, and help the patient in need.

If I were the patient, I would certainly like the surgeon to practice on something instead of me before going into the operating room. And for me as a practitioner, it's a means of feeling less stress and less pressure, being able to make mistakes and learn from those mistakes before meeting the patient.

> "Simulation training takes a lot of the pressure off of you because you don't have a human life on your hands."

INDUSTRY/OEM BUSINESS AREA

Surgical Science's software can be used for most areas of medical simulation, enabling the company to develop additional products and services. The Industry/OEM business area focuses on industrial partnerships in which medical device companies can use Surgical Science's software to provide simulation of their products, both for their customers and for internal use.

Overarching objectives

In January 2022, the board of Surgical Science adopted new 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 Industry/OEM business area is expected to experience increasing growth during the period as robotic surgery products containing technology from Surgical Science are launched in 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.

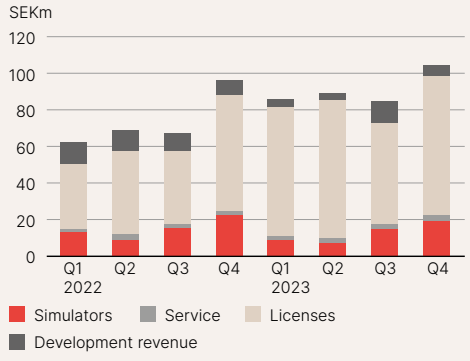
Notable events in 2023

- Sales amounted to SEK 364.4 (294.6) million, an increase of 24 percent. License revenues increased by 50 percent and amounted to SEK 277.7 million, 31 (23) percent of the company's total revenues. This is important for the achievement of the company's overall financial targets, in terms of both revenues and profitability.
- New customers were acquired in the robotic surgery area, in both the US and Asia.
- At the end of 2022, the organization was strengthened through a number of recruitments in sales. A strategy review was conducted and, in 2023, the new organization commenced its implementation, including among other things an increased focus on offering multiple products to major key customers. A number of projects have started as a result.
- Several new products have been launched aimed at industrial customers where portability is of great importance, such as a new portable version of the vascular simulator and a new portable simulator in the field of urology.

2024

In January 2024, the company's largest customer, Intuitive, announced that an application for regulatory approval for a new generation of their surgical robot, da Vinci (da Vinci 5), had been submitted to the US Food and Drug Administration (FDA). The experience from previous launches, such as the current da Vinci Xi platform, is 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 by way of 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 market demand as some customers

Sales Industry/OEM



The largest share of revenues comprises license revenues, mainly from robotic surgery companies. Due to the purchasing pattern among customers who have only recently started selling their products in the market, these revenues can vary quite a lot between quarters.

Sales 2023

364.4 SEK million

Development

Increased digitalization leads to greater need for simulation.

Market

The growth of robotic surgery is high; the penetration rate is still at a low level.

Product news

The company's projects outside the robotic surgery area show increasing growth.

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.

Background and customers

As a result of 25 years of research and development behind the world's most advanced computer-based medical training simulations, Surgical Science's software resources can be applied beyond its proprietary products. In Industry/OEM, the company addresses medical device companies requiring medical simulation for educational and marketing purposes, as well as for product development. Interest in using simulation in product development increases as product development time and costs decrease. In the development and introduction of new products and methods, the need for training is substantial for several reasons:

- Ensuring that the new product can be introduced to the market in a patient-safe way.
- Ensuring that hospital staff are trained when new products/methods are introduced as a way of guaranteeing value-based healthcare.
- Encouraging as many physicians as possible to switch to using the new methods/products.

Simulation can also be used for marketing purposes, where the benefits of new methods/products can be demonstrated outside the clinical environment. Furthermore, many medical device companies have business models whereby earnings correlate with the extent to which the product is used. Medical simulation then becomes an important tool for training the end user of the product and thereby increases its use.

In recent years, it has become more difficult for salespeople from medical device companies to book meetings with physicians. One differentiation is to have highly trained salespeople capable of contributing knowledge of products and procedures and who are therefore considered a resource for physicians. This makes internal training of the sales force important, with simulator training being a time-efficient way of accomplishing this.

For Surgical Science, the most important segment for this business area is robotic surgery. Here, the focus is currently on simulating soft tissue in the abdomen. The company also holds intellectual property rights in several other areas where simulation in the robotics area may become relevant.

The Industry/OEM business area helps medtech and robotics partners gain competitive advantage and accelerate business growth

Product-specific training, combining the medical device company's instruments with Surgical Science's simulation technology, helps to:

1. **Reduce product usage errors**
2. **Shorten time to market and increase acceptance of new products, procedures and services**
3. **Create realistic and engaging sales demonstrations**
4. **Collect user data and gain performance insights with regard to how products are being used and for prototype development**
5. **Reduce costs and environmental impact thanks to less need for supervision, travel, cadaver training, etc.**

Other types of collaboration with medical device companies are also an important part of the business area. As medical devices become increasingly digital, the market is expanding where the instruments can be simulated on the hardware platforms that Surgical Science has developed in-house. Many of Surgical Science's own simulators in the areas of vascular surgery and laparoscopy, for example, are currently sold within various partnership frameworks to a number of medical device companies.

Simulation is becoming increasingly important for accelerating end users' understanding of a specific technology and an important sales support component for demonstrating a product's uniqueness. This drives the volume of simulators. Surgical Science's portable concept, which makes it possible for users to take the simulation solution to end users and quickly demonstrate their solution, is attracting a lot of interest in the market.

Surgical Science is also working on a couple of projects outside its direct product areas. HelpMeSee is a non-profit organization that aims to eradicate cataracts in developing countries in Asia, Africa and Latin America by way of simulation. In many of these countries, there is roughly one eye surgeon per million inhabitants. Through simulation, HelpMeSee aims to train 30,000 specialists to be able to restore vision through safe, cost-effective cataract surgery. Here, Surgical Science is a partner in the development of the most advanced simulation software available in the area of ophthalmology in order for HelpMeSee to achieve its objective.

Selection of customers

COOK MEDICAL · Boston Scientific · stryker · GORE · INTUITIVE · Medicaroid · Abbott · Biosense Webster · CMR SURGICAL · Medtronic · Teleflex · ETHICON

Robot-assisted surgery

The development of robot-assisted surgery (or robot surgery) began in the 1990s and today this is a rapidly growing area. Contrary to what the name suggests, robotic surgery does not mean that a robot performs the operation independently, making its own decisions. Robot-assisted surgery involves a surgeon controlling a robot to perform a surgical procedure. During the operation, the surgeon sits at a control unit where his/her hand movements are translated into controlled movements of the surgical robot. The surgeon and control console may be in the operating room, an adjacent room or potentially somewhere else entirely.

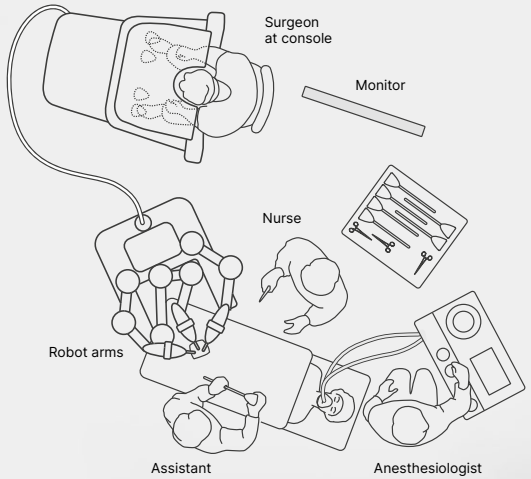
Today, robot-assisted surgery is mainly used in laparoscopy, where the method has several advantages:

- Better control and greater degree of freedom for the surgeon.
- Increased safety – no tremors or unintentional movements.
- Better ergonomics for the surgeon, who does not have to stand next to the patient, and a new surgeon can easily take over during an ongoing operation.
- Opportunities to perform procedures and achieve movements that are not possible with traditional keyhole surgery.

> Robot-assisted surgery involves a surgeon controlling a robot to perform a surgical procedure.

Market for surgical robots

The market for surgical robots is currently dominated by the American company Intuitive and its da Vinci system. The system has its origins in research linked to the US military. Intuitive was founded in 1995 and the first version of da Vinci was launched in 1999. The company was listed on Nasdaq in 2000. Since its inception, Intuitive has been very successful and today it has an installed base of about 8,600 systems worldwide. Thanks to advanced technology and a strong patent



Robot-assisted surgery generates a need for simulator training

Robot-assisted surgery involves a surgeon controlling a robot that performs surgical procedures. The technology entails new possibilities, while at the same time imposing new demands on the surgeon, who must learn how the surgical robot works and how it is controlled. This generates a significant need for simulation.

portfolio, Intuitive has taken a leading position and today holds a dominant position.

Several of Intuitive's key patents expired in 2017, opening up the market for other players. A number of major industrial players have just launched surgical robots or are about to. One of the largest challengers to Intuitive is Medtronic, which presented its Hugo RAS in 2019. According to Medtronic's calculations, only approximately 5 percent of the procedures that could be performed with robotic technology are currently performed using the method. The vast majority of the market, which is also growing strongly, remains to be penetrated. Other major challengers to market leader Intuitive include Johnson & Johnson, whose subsidiary Auris Health is working on the development of its surgical robot Ottava. Another company is CMR Surgical, which launched its surgical robot Versius in 2020. In 2020, Japanese company Medicaroid also received approval in Japan for its surgical robot. Medicaroid is owned by Kawasaki and Sysmex, two companies with extensive know-how in the area, as well as significant resources.

In addition to the major players mentioned above, a further 15-20 robotic surgery companies exist, with different niches in terms of their geographies and applications. During the year, the Asian companies developed rapidly and the gap between

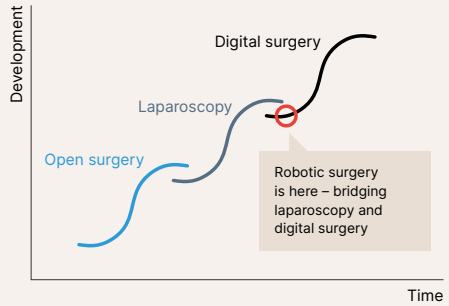
> Because all surgical robots have different control systems, the surgeon needs to train specifically on each robot console. This increases the need for training and therefore simulation.

them and "Western" robots is closing. It is conceivable that Asian robotic surgery companies will achieve significant volumes over time, primarily in their domestic markets. Surgical Science has existing contracts with customers in China, Japan and South Korea and, in the first half of 2023, this group was expanded with a new Asian customer. The company also signed another agreement with an American robotic surgery company in 2023.

Today, Surgical Science is a supplier to all of the major companies in this area, as well as to a number of the smaller ones. In total, the company has about 15 customers.

The market for robot-assisted surgery is expected to develop rapidly over the upcoming years, with several new players entering the market. At the same time, systems will become more advanced,

At the forefront of technology



with an increased element of artificial intelligence providing decision support for the surgeon.

While robot-assisted surgery brings new opportunities, it places new demands on the surgeon at the same time. Switching from laparoscopic surgery to robot-assisted surgery requires that the surgeon learn how the surgical robot works and how it is controlled. One disadvantage with robot-assisted surgery is that it takes time for the surgeon to learn the new method and performing an operation may take a long time for a surgeon unaccustomed to it. The complexity of robot-assisted surgery generates considerable need for simulation. During simulation, the surgeon sits at the surgical robot's console, and the operation is performed virtually in simulation software. As the control systems for all surgical robots differ in their design, training carried out on one system cannot be transferred to another. Instead, product-specific training is required.

One example of product development is Surgical Science's concept for ultraportable simulation. CMR Surgical has launched its Versius Trainer VR, which uses VR goggles with the same software as found on the surgical console. This creates value from both a marketing and a sales perspective and prepares the surgeon for upcoming training on the real console. The concept has been developed with Surgical Science's existing IP/software and technology, which is used on third-party hardware.

Besides its use in training, simulation is an important tool in connection with marketing and sales, where potential customers can be offered the opportunity to test the systems in a simulator environment.

Payment model

Surgical Sciences' business model in this area has several components: sales/leasing of simulator products and associated support agreements, development revenue for adaptation/new development of software and license revenues. For integration and initial development, Surgical Science receives development revenues, providing favorable profitability right from the start of the project. Once the software has been customized and the manufacturer of the product (a surgical robot for example) offers, in turn, simulation to its customers, Surgical Science receives license revenues. License revenues may be charged per unit or on a recurring basis, linked to the installed base or use of the software, for example. Revenue varies depending on the scope of the simulation offered. Whether simulation is included in the purchase of a product or constitutes a supplement may also vary depending on the strategy chosen by the manufacturer of the surgical robot. Surgical Science retains the full copyright to its software.

Competitors

In this area, Surgical Science competes with other companies that license their simulation software to industrial players, such as companies competing in the area of Educational Products, but also other smaller players whose software assets may compete in specific areas. Surgical Science invests to safeguard the technology leadership that is the essential factor in being able to sign long-term contracts with the medical device companies.

Objectives for 2024

In 2024, Surgical Science's objectives for the Industry/OEM business area are 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.
- Continue the efforts in implementing the strategy that was developed in the fall of 2022, such as by further improving Key Account Management work processes to increase the customer value of simulation for the global medical device companies.
- Expand the company's presence with personnel in the rapidly growing APAC region.

> In addition to training, simulation is an important tool in connection with marketing and sales.

> “The ultimate benefit is better value for patients.”

Henrik Falconer is a senior physician, associate professor and head of gynecological cancer and robotic surgery at Karolinska University Hospital, as well as a board member of Surgical Science. Here he explains how simulation training individually and in groups increases patient safety.

How would you as a surgeon describe Surgical Science’s offering?

Surgical Science is a global player that offers the best technology for surgical training via simulation. I think it’s fair to say that. They are the largest and have the best products. Everyone knows who Surgical Science and Simbionix (which is now part of Surgical Science) are.

Surgical Science offers different instruments for different types of tools for surgical training in order to achieve safer care and better results for our patients. It goes without saying that better-trained surgeons result in better outcomes and the patients gain improved quality of life or increased survival rate.

For whom is Surgical Science’s offering particularly useful?

Anyone responsible for the education of or who works with training doctors in general, and above all those who perform surgery or healthcare procedures, but also those who work in the cardiovascular field, for example. Anyone whose goal is to perform procedures on patients in a safe manner.

Is there a situation where Surgical Science’s simulation has a particularly major role to play?

The focus is on the phase before meeting the patient. More specifically, it is about supporting the part of learning that does not involve patient care directly and deals with preparing the doctors so that they can perform the procedures before they actually meet their patients. That’s where Surgical Science has an extremely major and particularly important role to play.

Tell us more about those who train on Surgical Science’s simulators for educational purposes!

Firstly, it is naturally students undergoing medical training who get the opportunity to practice their skills in a simulated environment. But the major user group are qualified doctors who have to learn to perform different types of procedures on patients, for example surgery or laparoscopy.

They benefit from more advanced simulation in their profession and it's perhaps in that context that Surgical Science can add the greatest value.

Simulation has developed a great deal over time. Today, simulation is no longer a special interest but a natural part of medical training in the vast majority of places. Nowadays, most doctors know that before they do anything to the patient, simulation training will be involved. It's seen as more or less a matter of course to carry out a simulation before a procedure. It really wasn't like that before.

What is the specific benefit of medical simulation?

Traditionally, healthcare professionals were forced to exercise and practice new skills directly on patients. Surgical Science wants to eliminate this risk. It goes without saying that doctors who are just starting out or lack manual skills training but need to learn new things have to practice on patients unless there are better alternatives. By moving this learning process to training that is separate from patient contact, both complications and other challenges associated with learning can be avoided.

> "Surgical Science creates better conditions for achieving better outcomes for patients."

As a surgeon, describe the feeling after having undergone simulation training!

You definitely feel that you understand how something should work in practice. In a simulated environment free from risk and stress, you can try things you wouldn't otherwise be able to and make mistakes that you should avoid in real life. You're given the chance to repeat, elaborate, try things out. That's extremely educational. You're better prepared. So it's got a lot to do with the sense of increased self-confidence, that you feel safe with a technique before using it in a real-life situation.

Healthcare is so technology-heavy today that in the beginning it's a lot to do with understanding the technology you'll be working with. It's not ideal to have to pay attention to the technology itself in your patient contact. You want to focus on the patient and do what you have to do in the very best way possible. An important benefit is that the technology feels familiar from the start. So that kind of uncertainty is sure to be simulated away.

That's a lot to do with what simulation is about – understanding the limitations and strengths of a procedure or surgical instrument. With increased understanding comes increased self-confidence and the feeling of "now I feel confident with the actual technology and comfortable in the situation."

This is very important, because otherwise there would be *two* new things for the individual to learn at the same time: performing the procedure that will actually benefit the patient and mastering the technology so it works as intended. Two learning curves at the same time makes learning difficult and creates uncertainty. It's considerably easier if you can instead approach it in real life with the knowledge that "I've trained in how this works, what the limitations are, what problems can arise."

But simulation training is not limited to training one individual at a time. It's also excellent for team building in clinical teams!

In addition to training at an individual level, what is the benefit of simulation training for the whole clinical team?

For example, a clinical team can simulate a team working with a new technology that the working team will start working with. The whole group is gelled together from the start.

If you're going to work in a group, you need to practice and train together before the real thing.

> "... better trained surgeons result in better outcomes and the patients will have a higher quality of life or better survival."

Take any soccer match. You can't just throw the national team into a national match without first having worked together as a group! For sure, everyone is a professional player, but they wouldn't be able to do their job very well in the group if they hadn't gelled together before stepping out on the pitch.

You could say that the national team's simulation is the training matches. Our (the clinical team's) training matches are the simulations at the simulation center or a hospital. The better we on the team know each other, and the better we know how to act in different situations, the better we will be able to perform our tasks.

I'm talking about football now, but the same applies to aviation, astronauts and basically everything. It's not enough to train by yourself. You also have to train together. Otherwise you don't know what to do and who does what in our various roles.

What is the ultimate benefit achieved with everything you've just described?

The ultimate benefit is better value for patients. That's what Surgical Science is ultimately about – making it better for patients. That's the real end goal. What Surgical Science offers should create better conditions for achieving better outcomes for patients.

It's also more fun to go to work if you feel that there's an investment in what you're working with. I think everyone thinks so. That the management signals that it's important, that those who are responsible for ensuring that the training takes place in the right way invest in it, and that the technology promotes positive development. Prioritizing and clearly showing that you care that the clinical team (those of us who will be performing the procedures) get a chance to understand and learn the technology before it's time to use it in reality, on patients, the living person. Then everyone feels a greater sense of commitment and can do a better job.

What are your thoughts on the future of simulation?

Current virtual simulations are really powerful. But they are generic. I would like to see more specific simulation, i.e., the ability to simulate exactly the patient who will be treated, based on the specific individual's data, such as height, weight, fat levels and x-ray images. And then to generate a unique simulation for *that* particular patient. Then you know that "this is what *this* patient looks like." What a difference! Imagine the value in being able to train with the exact conditions that will apply, being able to practice doing exactly what you'll be doing! Especially when it comes to non-standard procedures, patients that are different, or when there are things you don't do every day. In practice, this would mean that if I'm going to perform a procedure on a specific patient tomorrow, I can practice on that particular patient today or an hour before the procedure. I'm convinced that this will be possible in the future.

We will also see more virtual simulation. With more and different variants of scenarios, and with situations that can be adapted to create several different types of events, including unexpected ones, that can occur during the operation in the same simulation. The closer at hand, the more accessible the simulation training is, the better it is. That's why we will also see more and more mobile simulation solutions.

Surgical Science is doing exactly all of this: we're constantly developing more and more modules, including for robotic surgery. I also believe that team training will be developed for the better. Perhaps even how the training itself can be performed in the best way, e.g., raising awareness even more in training centers about how simulation can be used. That you don't just put one doctor in a simulator, but also train the entire clinical team.

The project that Surgical Science has worked on with CMR, where we developed a head-mounted display and VR equipment that you can take home, is a typical example of how the company can make simulation even more accessible by developing products that are more mobile.

What is it that allows Surgical Science to offer this benefit and everything you've talked about?

Surgical Science has a strong brand and a unique position in the simulation market. Its employees are committed, driven and great at getting into hospitals and showing off at trade fairs. They are visible and accessible. They have extensive experience and a very good understanding of what is required. They know simulation and they understand their customers, users and their needs in depth. Product development takes place in close collaboration with the customers and users, for example with surgeons. All this, and that they have a unique IP, means that they can develop really powerful products, products that are relevant and unique. That are realistic, reliable and have a good track record.

Any thoughts to wrap up?

Simulation training has become standard in the last 20 years. The robotic companies in particular understand that it's not possible to launch products without having an associated simulation solution for the customers to practice on. This will also become a requirement in procurement as the technology becomes increasingly more advanced.

In contrast with the pilot industry, there are still only a few countries that have mandatory simulation training as part of their clinical training. However, as the technology becomes more important, I find it hard not to see it becoming mandatory. At least in some parts of the training. Regardless, simulation is currently considered a natural part of all basic and further medical training. There are currently very few places, in the Western world at least, that do not have access to simulation for advanced healthcare interventions. At least not if you want to be a serious player.

> "You're better prepared. So it's got a lot to do with the sense of increased self-confidence, that you feel confident with a technology before using it in a real-life situation."

SUSTAINABILITY REPORT

By conducting operations in a sustainable and responsible way, Surgical Science generates long-term value for the company's stakeholders; customers, shareholders and employees, as well as for society and the environment. A long-term business model requires a sustainability perspective where social, ecological and economic values are included in the value chain.

Surgical Science's approach to sustainability

Surgical Science's mission is to assist in the challenges faced in the healthcare sector to reduce healthcare-related injuries in a way that is safe to patients. The company'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 physician has been trained and objectively certified in a safe, simulated environment before the procedure. Surgical Science achieves this by offering unique products and simulation solutions where surgeons and other medical specialists can practice before operating on patients. Surgical Science works on an ongoing basis to improve the company's core technology, the design of the products, and the various production processes in order to maintain and improve the already high quality of the solutions.

The company's operations improve sustainability in society as medical simulation increases patient safety and improves control over healthcare costs as resource waste is reduced. Surgical errors can have serious consequences, in terms of both patient suffering and high costs in the healthcare economy. Computer-based simulation increases efficiency in healthcare, lowers costs in a patient-safe manner, and provides better outcomes which in turn improves patients' quality of life. Studies have found that training with simulation accelerates learning to make it nine times more likely that a procedure will be performed successfully.

In the business process of developing the simulators, sustainability is an ever-present concept from the outset of the design phase, throughout production and the supply chain, to the use and service of the products. The aim is to design products that have a long life and limited environmental impact, that consist of recyclable materials, and that have minimal climate impact during transport and use.

Surgical Science's structure is such that its various functions collaborate globally. Sustainability is a crucial issue in attracting and retaining the talent the company needs to run a successful business.

Surgical Science's head office is located in Gothenburg, Sweden and the company has operations in Tel Aviv, Stockholm, Seattle, and Cleveland. Within software development and sales, there are also staff in countries such as Germany and China. The company's employees work together on a global plane within the following functions:

> For Surgical Science, sustainability is an important issue in attracting and retaining talent.

- Purchasing, production and distribution
- Research and development
- Quality assurance and quality control
- Marketing and sales
- Administration (HR, IT, Finance)
- Service and support

Surgical Science's sustainability work is in line with the company's approach of being at the technological forefront and, in all respects, being a modern and responsible company. The company's products help to make society more

sustainable, and Surgical Science as a company must also be part of this transition. As the company grows, such as by way of acquisitions in recent years, so do the external sustainability demands placed on the company. Surgical Science's stakeholders have expectations when it comes to the company's sustainability efforts and information about these. The company will apply CSRD in its 2025 annual report, but is already preparing the report in order to comply with future standards.

Operational and sustainability management

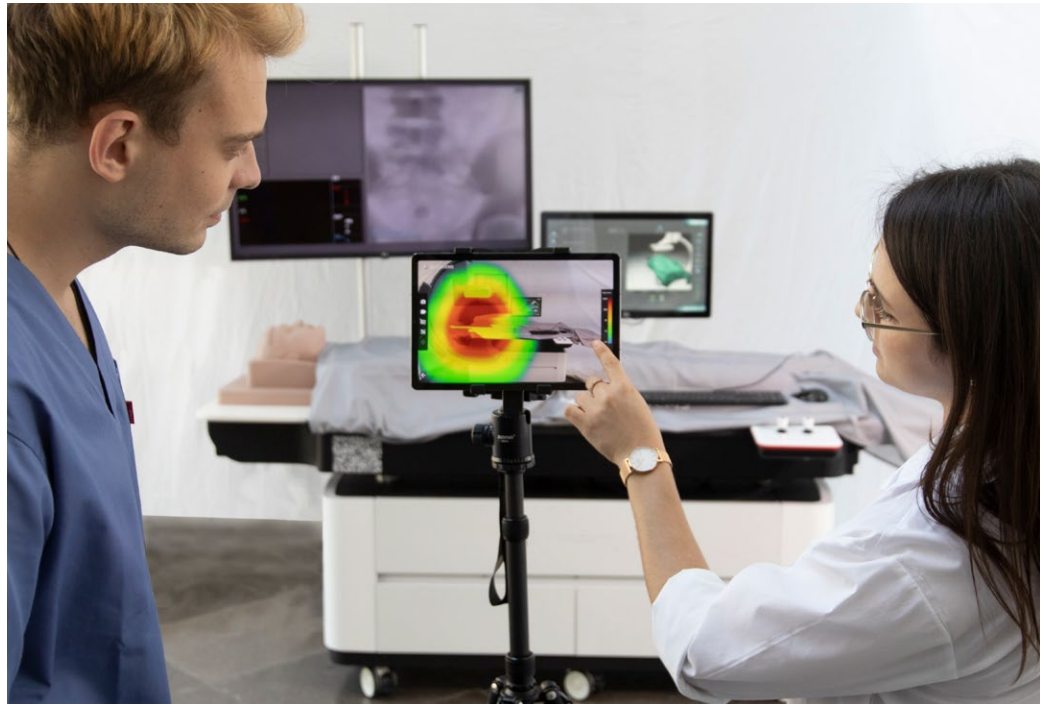
A sustainability perspective must permeate every function and component of the business. Representatives from production, HR, and finance are currently responsible for pursuing these efforts together with the rest of the business. This working group reports to the CFO who is part of the company's global management team. Ultimately, it is the board's responsibility to establish appropriate and effective risk management systems. During the year, the board underwent training in the new regulations that are being introduced. The CFO has been delegated responsibility for the ongoing work.

Business model

Within Educational Products, Surgical Science sells turnkey products under its own brand consisting of a hardware platform and software modules that are sold with basic training programs with add-ons available for specific areas. Sales of most of Surgical Science's products generate primarily a larger one-off income, however end customers (mainly hospitals) can rent some of the products. Surgical Science's simulators are sold in more than 60 countries both through distributors and in-house directly to end customers. The US is the largest direct market.

The Industry/OEM business model consists of development revenues for adapting Surgical Science's software to the medical device company's hardware platform, and license revenue that can be per unit or on a rolling basis. In addition to generating long-term cash flows, these projects mean that Surgical Science itself gains new experience that enables it to further develop its own software assets. In this area, Surgical Science can be both a development partner for simulation software that becomes embedded in the client's products, as well as a supplier of its own simulators to OEM customers.

In both business areas, the aim is to maximize the use of the hardware platforms with the help of software. A hardware platform is, in this context, a number of computers that, together with realistic imitations of medical instruments, hone technical skills using software that provides a realistic



The Swedish Radiation Safety Authority works to ensure that the harmful effects of radiation on humans and the environment are as small as possible. Observations have been made that demonstrate a large difference in the radiation dose during fluoroscopy conducted by an experienced surgeon compared to a novice (Systematic Review of Simulation Based Training in Vascular Surgery, Haiser et al, Journal of Surgical Research, 2022). Training is available thanks to the endovascular procedures that Surgical Science provides, which ultimately reduces the radiation dose during fluoroscopy.

Simulator training is positive for a lower radiation dose during fluoroscopy.

virtual experience of a patient procedure. Regular launches of new software for the same hardware platforms increase earnings for the company and improve sustainability.

More information about Surgical Science's business model can be found on pages 15-20.

Agenda 2030

Surgical Science's sustainability work is based, among other things, on the UN's Agenda 2030, which provides a future vision for a better world by way of 17 global sustainable development goals (SDGs). Surgical Science has identified four SDGs for the company to work towards. These are:

SDG 3
Good health and well-being

SDG 8
Decent work and economic growth

SDG 9
Industry, innovation and infrastructure

SDG 12
Responsible consumption and production

Going forward, the company intends to develop operational goals linked to these four SDGs.

Environment and climate

As a global company with the goal of improving the healthcare industry, the impact on the environment and climate is something that is naturally taken into account in the business. Sustainability as a concept is incorporated into Surgical Science's business processes, and the end result is products that are economically beneficial to the company and have a minimal impact on the environment.

Surgical Science's goal is to design components that are easy to manufacture and products that are stable, reliable, and have low weight and volume. This makes them less resource-heavy during delivery. The products are also resource-efficient in use due to their long lifespan, low electricity consumption, and often low need for service.

Energy consumption

During the production process, energy consumption consists of the electricity used in the facility itself, such as for lighting, air conditioning, and the operation of various tools used in the manufacture of the simulators.

Surgical Science itself does not manufacture any parts or components, production consists of assembling these to finished simulators.

Together with its suppliers, Surgical Science designs components that require minimal time for processing, which in turn minimizes energy consumption. Furthermore, the company strives to minimize energy consumption when assembling its products and aims to follow this up on an annual basis.

Materials and chemicals

Surgical Science strives to minimize the use of hazardous chemicals in production and in its products, undertaking to comply with the directive on restricting the use of certain chemicals and metals in electronics and electronic equipment (RoHS Directive, Restriction of Hazardous Substances Directive). The company prioritizes materials that are either easy to recycle or have minimal environmental impact when disposed of. Metals such as aluminum and steel are easy to recycle at the end of the product's life cycle. Surgical Science limits the use of hazardous substances in the electronic components used in the company's products by actively working with suppliers who comply with the RoHS directive.

Surgical Science's assembly facilities are located in Israel, Sweden, and the US. A significant proportion of parts and components are purchased locally. In Israel, Surgical Science follows local environmental and climate guidelines, such as for the wood used for transport boxes. Surgical Science endeavors to purchase wood from responsible suppliers to minimize the impact of the uncontrolled logging of forests.

> Surgical Science works actively to collaborate with suppliers that comply with the RoHS directive.

The majority of the packaging used consists of wood by-products or chemically treated wood. If the packaging needs to be divided into compartments, these are made of cardboard. Sawdust and other by-products are what remains following product manufacturing in the wood industry, which is then processed into other products. Through treatment with various chemical preparations whose use is regulated by different standards, the properties of wood and wood products can be improved. There are various methods to alter the wood material's durability, hardness, shape, color, and moisture absorption. The use of plastic has, in respect of deliveries from Israel, decreased over time and now amounts to less than five percent of the total packaging.

> Annual training programs in safety issues and the work environment are mandatory for production employees.

The transport boxes are designed to be used multiple times and can be taken apart and folded up relatively easily with a minimal footprint when folded.

The production facility in Israel is certified according to ISO 9001 which is a standard for quality management for the production process. Employees are formally trained in the handling and storage of hazardous chemicals and what to do if they are accidentally exposed to a particular material. Hazardous but permitted materials such as glue and binding agents are used in production. Annual training programs in safety issues and the work environment are mandatory for production employees. When handling heavy objects or operating power tools, employees must wear safe and proper work clothing such as safety shoes and safety glasses.

Waste management

Surgical Science strives to minimize its negative impact on the environment and to reduce its footprint by complying with the Waste of Electrical and Electronic Equipment Directive (the WEEE Directive), which stipulates targets for the collection, recycling, and recovery of electrical goods.

Waste from customers, standard materials used in production, and old, obsolete parts are sorted for collection by local contractors. Contracts have been established with certified local waste management operators, ensuring that there is a controlled process that provides regular waste reports.

The total collection of electrical and electronic waste materials in Israel, which includes materials from service and production as well as the reuse of old customer simulators, increased from 740 kilos in 2022 to just over 1,500 kilos in 2023. The amount of waste material from production in Israel has increased in recent years due to an increase in overall production.

The WEEE directive also holds retailers responsible for providing returns free of charge to end customers, and requires that collected electrical and electronic components be handled appropriately.

Travel

During the year, a working group developed a group-wide travel policy that regulates how and when the company's employees can travel, and when virtual meetings are preferable to physical meetings. In connection with this work, the company has begun working with a global travel agency supplier.

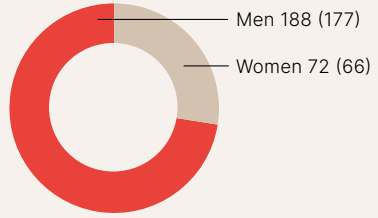
Overall, the company will gain better knowledge of its overall travel and environmental impact, which will facilitate continued positive development within sustainable travel.

Employees and culture

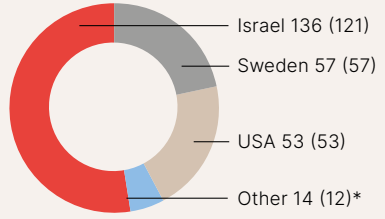
Surgical Science works actively to be an attractive workplace and sets targets to ensure a high degree of employee engagement and a good work environment. The company's employees are essential for its competitiveness and profitability and it is of the utmost importance that the company can attract personnel with appropriate skills and provide employees with opportunities for their ongoing development.

At group level, during 2023 Surgical Science has developed a leadership development program, a performance management process, and a common HR system, among other things. With these processes now in place, the company has a good foundation for the continued development

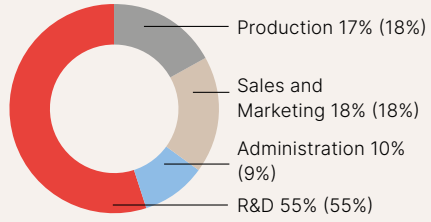
Employees 2023 (2022)



Employees per country 2023 (2022)



Employees by function 2023 (2022)



* Mainly Germany and China

of Surgical Science as *one* company, through a strong culture, a sustainable organization, and a common value base.

In 2023, the number of employees at Surgical Science increased by 7 percent through new recruitment, primarily in software development. At the end of 2023, there were 260 employees (243).

Strong and shared corporate culture
Fostering a strong and shared corporate culture is of great importance to the company's operations as this ensures a high level of employee commitment, facilitating the continued supply of high-quality and innovative products for better patient safety. In 2022, the core values of Respect, Curiosity and Perseverance were launched. These core values guide employees in how they should act and make decisions on a day-to-day basis and in long-term planning. In 2023, the application and observance of the core values has been a highly useful and effective tool in implementing the cultural process in different procedures and in every part of the organization.

Quarterly "all hands" meetings are held at which all employees have the opportunity to participate. In 2023, a project group has evaluated and adopted an additional internal communication option, with the implementation of a global intranet in 2024.

Surgical Science's core values
The core of Surgical Science's business is the people and how the company acts. Surgical Science's core values of Respect, Curiosity, and Perseverance provide the guidelines for decision-making and unite Surgical Science as a global organization. The values and their meaning for the company can be found in Surgical Science's book of values, which is available on the company's website.

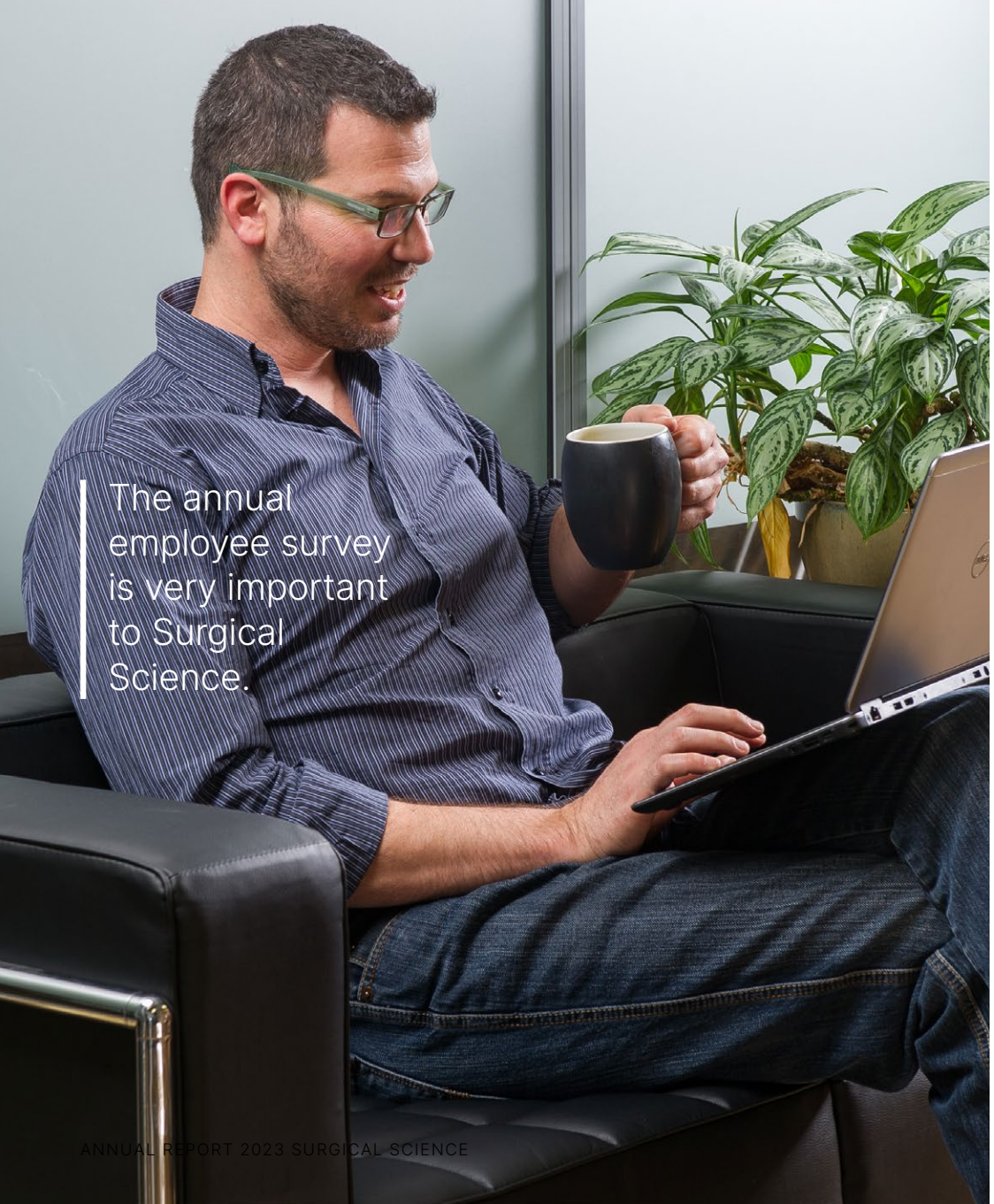
Committed employees
Surgical Science is a knowledge-intensive company and its employees and their specific skills are a key asset for long-term competitiveness and profitability. Consequently, the company's efforts to be an attractive employer and a sustainable workplace characterized by commitment and well-being are focus areas. Surgical Science's operations provide opportunities to attract external talent and retain the company's employees as the company's work helps to add value to society through improved patient safety.

The company strives to have an organization that is characterized by expertise, entrepreneurial spirit, goal-orientation, and rapid decision-making paths.

Surgical Science offers several incentives to foster increased commitment and health among employees. The company's warrants programs

Surgical Science's core values

Change-makers	Surgical Science's purpose is to give healthcare professionals the opportunity to train outside of the clinical environment, which has a positive impact on patient safety and ultimately saves lives. By creating solutions and pursuing change, the company makes a difference, with a constant focus on the customer and their patients.
Respect	Surgical Science is a company with colleagues who transcend borders and cultures in their work towards achieving a common goal. The day-to-day work is not only influenced by differences in attitudes and language, but also affected by it being performed in different time zones. Every position in the company is important, and trust and respect for every role and background is what unites the company.
Curiosity	Innovation adds value to the company's customers, and curiosity is at the heart of innovation. At Surgical Science, empowerment ensures the space and freedom to develop interesting solutions. Curiosity thereby creates new possibilities for healthcare and patient safety.
Perseverance	Dedication, passion, and focus are what define Surgical Science. The company's line of business brings meaning, as the products supplied save lives. However, product development takes time, which means that patience and persistence are important components for success.



helps to increase motivation and commitment among employees and strengthens the bonds between the employees and the company.

Furthermore, warrants programs are considered to foster opportunities to recruit and retain knowledgeable and experienced employees, and are expected to increase employees' interest in the business and the company's performance trend.

In terms of other incentives, during 2023 Surgical Science began reviewing the benefits that exist in the countries where the company operates, and identifying benefits that could be implemented globally. One such example is Surgical Science's referral program, which rewards employees who recommend potential candidates that are subsequently being hired.

From 2023 onwards, Surgical Science will measure employee satisfaction through an employee survey (eNPS Employee Net Promoter Score). The method is easy to implement and provides knowledge about how the company is perceived by employees and the reason for their views. To assess and further develop Surgical Science as a workplace, employee satisfaction will be reviewed annually. The response rate for the 2023 employee survey was 86 percent. The results have been presented to all employees and also at team level. Various measures have been taken at both the local and overall level to address what has been identified as potential for improvement.

HR strategy

Surgical Science developed a global HR strategy in 2022. The strategy prioritizes focus areas for attracting external talent and engaging, retaining and motivating internal talent. In addition, it assists managers in their development and serves to build a shared culture. During 2023, Surgical Science implemented several of the strategy's proposed initiatives.

Leadership development

The leadership development program is aimed at all managers and defines what is expected of a manager and how they can contribute to a common culture across the entire company as well as better business performance. The first step, which was carried out in 2023, relates to situational leadership. All managers have participated in the training, which has, for example, resulted in a common leadership language throughout the organization in order to contribute to the development of committed and productive employees. The next step, which will be implemented in 2024, is to train employees in situational leadership to ensure a common leadership language across the organization.

During the year, Surgical Science has established a process for conducting goal and development

discussions with employees, which helps to improve goal fulfillment and employee commitment. This performance management process is documented in the HR system.

HR system
The new HR system is a control tool that gives Surgical Science a clearer overview of the organization, such as by documenting completed employee conversations and internal training. The system contains valuable information for resource planning and for safeguarding future skills needs. Additionally, the system contains a recruitment tool that provides knowledge about the company's efficiency when it comes to, for example, how long it takes to recruit for a specific role.

Other HR activities
During 2023, Surgical Science has inventoried and harmonized employee roles and professional titles. This work has resulted in a global structure and forms the basis for a definition of each role which, in the next step, will be developed into more detailed job descriptions and facilitate continued career development.

A healthy and safe work environment
As an overarching objective, Surgical Science seeks to provide a good working environment and to work systematically to minimize risks of occupational injuries and accidents. In production, for example, employees are educated and trained in handling hazardous materials such as glue and cleaning solutions. The company strives to formulate meaningful duties that help employees develop and to involve them in designing their own work and in change and development processes in the workplace.

Working conditions must allow for variety, cooperation, and social contacts. All employees should feel appreciated and respected and be treated with kindness and respect, both by employer representatives and by colleagues. Surgical Science believes that different views and experiences strengthen and broaden the company and should be encouraged.

To provide space for recovery and a work-life balance, Surgical Science offers employees opportunities for flexible work arrangements, when possible. For example, the company offers flexibility in working from home or from the office in line with each country's local guidelines.

Everyone's equal value
As an organization, Surgical Science operates globally, meaning that language skills and knowledge of different cultures play an important role in achieving success. All employees must be able to work and develop together, with no one being subjected to discrimination or harassment.

Input interiör, Anton Eriksson

Surgical Science moved to new premises in Gothenburg during the summer of 2023. Largely all the furniture in the new premises is either reconditioned and recycled, or comes from the company's previous premises. The company has bought quality and design products at a lower cost, and also made considerable environmental savings by reusing furniture that has already been produced.

Big environmental savings by reusing furniture that has already been produced.

The Code of Conduct lays the foundation for how the company views and will work on issues such as business ethics, the work environment, environmental considerations, and human rights.

Surgical Science firmly believes that different experiences, backgrounds, and perspectives among employees are decisive factors for the business's innovative, productive climate and success. As an international company, diversity is crucial for understanding customer needs and reaching the company's full potential. By diversity, Surgical Science means that the company's differences are its strengths. These differences include age, gender, gender expression or identity, ethnicity, physical conditions, religion or other beliefs, sexual orientation, and different ways of thinking and acting.

Everyone at Surgical Science must work actively to ensure an inclusive and non-discriminatory work climate where all employees are given equal opportunities and are treated with respect.

The company does not tolerate any form of discrimination, bullying, or harassment. Everyone must report behavior that they perceive as being discriminatory or harassing, either to themselves or others.

Business ethics and sustainable supply chain

Surgical Science's code of conduct lays the foundation for how the company views and will work on issues including business ethics, the work environment, environmental considerations, and human rights. The code of conduct contains important principles and guidelines for decision-making in day-to-day operations and comprises two areas: the work environment and how the company conducts business ethically and appropriately. The purpose of the code of conduct is to set standards and provide examples of how employees and partners are expected to behave, and to communicate to customers and other stakeholders what principles guide the company's operations. Surgical Science regularly reviews its code of conduct.

The code of conduct, which can be read in its entirety on the Surgical Science website, has been distributed to all employees. They then sign in the HR system that they have read, understood, and will comply with the code of conduct.

During the year, the company began work on developing a broader evaluation document for suppliers, with the aim of having this ready and putting it into use in 2024. The aim of the document is to map and define suppliers' skills in areas such as sustainability. In parallel, the company has produced a review document to be used during a physical audit.

Surgical Science established a whistleblower function in 2023. This is an external channel that allows employees, for example, who cannot otherwise notify the company of deviations from good business ethics or the code of conduct in general, to anonymously report misconduct. The whistleblower function, which is available on the Surgical Science website, complies with EU legal requirements and the GDPR for reporting and follow-up. No reports have been received since Surgical Science established the whistleblower function.

Business partnerships and customer relations

Surgical Science is committed to treating all business partners fairly. Surgical Science will only work with companies that have a good reputation and managerial integrity. The business partner's ability to fulfil the requirements of the company's code of conduct is regularly evaluated.

Fair competition

Surgical Science believes that fair competition is essential for ensuring market efficiency. Surgical Science is committed to fully complying with competition laws and regulations and applicable competition rules in the countries where the company operates. The company is determined to compete fairly and without anti-competition agreements or contracts with competitors, suppliers, business partners, or customers.

Trade compliance
Surgical Science undertakes to comply with international trade regulations, including tax and customs laws and applicable export, import, transit, and trade laws in the countries where the company operates. Employees are responsible for complying with the trade laws and regulations that apply in the country in which they work.

Anti-corruption and bribery
Surgical Science has zero tolerance for corruption in its business and does not accept or solicit bribes, favors, or gifts in any form, regardless of their method or purpose. The company advocates free and fair trade and adheres to ethical standards. Surgical Science undertakes to comply with applicable anti-corruption and anti-bribery regulations in all countries where the company operates.

No employee may offer, solicit, or accept any gift (in any form) or personal benefit that may influence their business-related decisions, actions, or transactions or that contravenes applicable laws or customary business practices.

Surgical Science intends to measure corruption going forward using the whistleblower function established in 2023. In 2023, Surgical Science has not recorded any cases of suspected corruption.

Money laundering
Surgical Science does not accept or support money laundering and does not allow anyone to use money obtained illegally to support criminal activities such as trafficking, terrorism, or fraud. Employees must ensure that they are aware of this and pay attention to signs of money laundering.

Human rights
Surgical Science does not accept any form of forced labor or child labor in its business or among its suppliers, customers, or other business partners. The company applies fair working conditions and ensures compliance with applicable national and international labor standards. It respects employees' freedom of association and encourages employees to recognize and report working conditions that are not in line with company policies or applicable laws.

Partners
Surgical Science collaborates with a number of leading medical industry organizations and training centers to ensure that the company delivers solutions so that medical personnel are better prepared in their encounters with patients. Surgical Science's partners are listed on the company's website and include The Society of American Gastrointestinal and Endoscopic Surgeons (SAGES), The American College of Chest Physicians (CHEST), and The World Federation for Interventional Stroke Treatment (WIST).

Quality system
Surgical Science's quality management system is the basis for the company's certifications and ensures that the company delivers high-quality products. The production unit in Israel is ISO certified in accordance with several standards, including ISO 9001, a quality management system that regulates business processes to improve and adapt operations to meet customer needs. The production unit in Israel also has three additional certifications within the ISO 27000 series covering information security: ISO 27001, ISO 27018, and ISO 27701. The products have CE marking in two main areas, both for safety of the product itself as well as for compliance with the EMC directive (electromagnetic compatibility) for electrical products.

Two corrective and preventive processes are implemented when a product or production process is faulty. Within a corrective and preventive action (CAPA) process, the problem is investigated, the cause of the problem is identified and addressed, and the solution is then verified and validated. A CAPA process can initiate an ECO process (engineering change order), which can result in changes in product design or packaging, or changes in the materials used.

Within production, there are a number of quality goals, including the year-on-year reduction in the number of customer complaints, minimizing cases that are open for more than six months, and that there should be no major deviations during inspections by controlling bodies.

> Surgical Science conducts annual internal and external audits for each of the standards, which are also reviewed annually by management.

Surgical Science conducts annual internal and external audits for each of the standards, which are also reviewed annually by management. The company's production units in Seattle and Gothenburg are smaller units with local quality management systems where local staff provide quality assurance.

Sustainability risks and risk management

Sustainability risks consist of various environmental, social, or governance-related events or circumstances that could have a negative impact on Surgical Science's operations and the company's selected goals in the area.

The identification, analysis, assessment, and management of risks linked to various sustainability issues is important in order to minimize the risk of a negative impact on the environment and people, and on financial performance. The primary, partly sustainability-related, risks related to Surgical Science's operations and sector are described on pages 65-66 and financial risks on page 96.

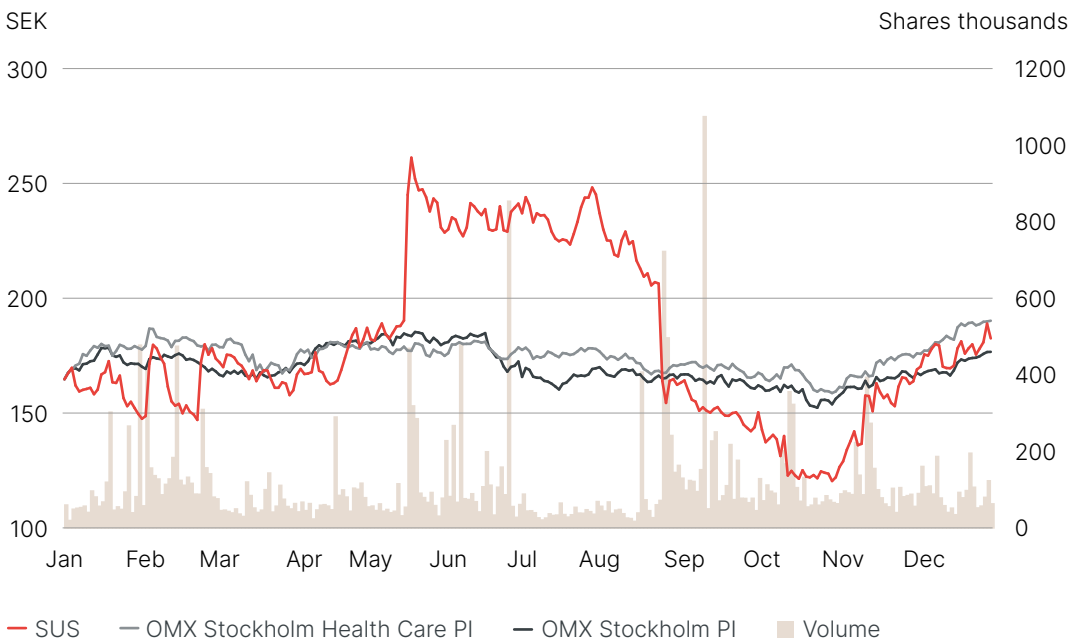
Surgical Science's identified sustainability risks, their impact, and how the company manages each risk are described below:

Area	Risks/Impact	Risk management
Environment/ climate	Today's society has both direct and indirect general climate risks that can have a financial impact on the company. Extreme weather changes, natural disasters, and changes in environmental legislation can affect the company's sales of products and solutions, as well as the purchase and transport of goods. Deficiencies in the company's operations and production could also have environmental consequences.	Active efforts to adhere to more stringent requirements and expectations for responsible and sustainable solutions. Stimulate and support the development and sale of sustainable products, and work to improve environmental awareness in respect of travel, transport/freight, material selection, etc.
Social	A lack of qualified personnel can have a negative impact on the company's operations, profits, and financial position. Risk of employees being injured due to an accident in the workplace in a production environment or suffering work-related stress due to stringent production requirements under time pressure.	New employees are introduced via an onboarding process and employee surveys are conducted annually to identify areas for improvement. Clear procedures for systematic work environment management that are implemented for preventive purposes. An external whistleblower function has been established.
Governance	Deficiencies in reporting and follow-up pose a risk of a lack of control of the business.	The management directs, controls, and follows up on the activities of subsidiaries by following the development in the companies by way of regular reporting.
Business ethics	Risk that business that violates laws and regulations is conducted with customers or suppliers. This includes violations of competition rules, anti-corruption, human rights, and trade rules as well as internal regulations such as the company's code of conduct. Illegal and unethical actions or unmanaged business ethics risks can damage Surgical Science and its brand and reputation among stakeholders and other market players.	A code of conduct is established to ensure that the organization adheres to the group's core values, including human rights, and does not participate in or cannot be linked to unethical business practices. In 2024, the code of conduct will be supplemented with a broader evaluation form to ensure supplier competence. An external whistleblower function is in place.

Surgical Science's operations lead to improved sustainability within society, as medical simulation results in increased patient safety and improved control over healthcare costs as resource waste is reduced.

THE SHARE

Share price trend and turnover 2023



Surgical Science's shares are listed on Nasdaq First North Growth Market. The shares have been listed since June 19, 2017, under the ticker SUS. First North Growth Market is an alternative trading platform run by an organization within the Nasdaq Stockholm Group. Companies in the First North Growth Market are not subject to the same rules as companies in the regulated main market. Instead, they follow a less comprehensive set of rules and regulations that are tailored to smaller growth companies. All companies with shares sold and bought on First North Growth Market have a certified adviser who verifies compliance with the rules. Surgical Science has Carnegie Investment Bank AB (publ) as the company's certified adviser.

Share structure

The share capital in Surgical Science Sweden AB (publ) amounted to SEK 2,540,062 (2,540,062) on December 31, 2023, divided between 51,026,236 (50,801,236) shares with a quota value of SEK 0.05 (0.05) each.

All shares have equal voting rights and have an equal right to a share in Surgical Science's assets and earnings. The number of outstanding warrants on December 31, 2023 was 460,000 (425,000), meaning that the number of shares on full exercise of the warrants would be 51,486,236 (51,226,236).

Share price trend and turnover

On December 31, 2023, the last price paid per share was SEK 182.50 (164.70), meaning an increase of 11 percent since the end of the preceding year (increase 41 percent) and 2,507 (2,253) percent since the listing on June 19, 2017, when the issue price adjusted for the split 2020 was SEK 7.00. Nasdaq Stockholm's OMXSPI index increased by 16 percent (decreased 25 percent) during the year. At the end of 2023, Surgical

Science's market value amounted to SEK 9,312.3 (8,367.0) million, based on the latest price paid. The highest price during the year was SEK 270.00 (285.50), which was listed on May 17 (January 3). The lowest price during the year was SEK 118.80 (132.00), which was listed on October 12 (July 19).

The number of Surgical Science shares traded on Nasdaq First North Growth Market during the year amounted to 27,076,877 (22,845,650) for a value of SEK 4,772.2 (3,861.1) million. The total number of trades amounted to 303,336 (274,106). The number of shares traded corresponds to 53 (45) percent of the number of shares outstanding at the end of the year.

Ownership structure

At the end of the year, there were 7,810 (7,427) shareholders in Surgical Science. Of these, 95 (95) percent held 1,000 shares or fewer. The ten largest shareholders accounted for 65 (73) percent of the shares. The proportion of ownership registered at addresses outside Sweden was approximately 35 (29) percent.

Dividend policy and dividends

The dividend policy was adopted by the Board of Surgical Science in connection with the interim report for the third quarter of 2019.

In the short term (1-3 years), no dividend is planned. In the medium term (3-5 years), Surgical Sciences' Board of Directors and CEO intend to annually propose a dividend, or other equivalent form of distribution, corresponding on average over time to 30 percent of the year's net profit after tax. On determining a proposed dividend or equivalent, the company's future profits, financial position, capital requirements and other positions will be taken into account. For the 2023 financial year, the Board of Directors and the CEO propose that no dividend be paid, corresponding to SEK 0.00/share.

Warrants program

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 entitled 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

Surgical Science's ten largest shareholders

Shareholder	Number of shares	Shares and votes, %
Marknadspotential AB	7,206,075	14.1
Semelin Kapitalförvaltning AB	6,044,616	11.8
Handelsbanken Fonder	3,399,929	6.7
Swedbank Robur Fonder	3,310,000	6.5
Capital Group	3,271,137	6.4
TIN Fonder	2,700,000	5.3
Fjärde AP-fonden	2,675,753	5.2
Kirkbi Invest A/S	2,550,961	5.0
Montanaro	1,150,154	2.3
Berenberg Funds	928,991	1.8
Other shareholders	17,788,620	34.9
Total	51,026,236	100.0

Source: Euroclear Sweden's share register as of December 31, 2023.

Shareholder statistics

Size class	Number of shares	Number of shareholders	Shares and votes, %
1 – 500	646,779	7,368	1.3
501 – 1,000	339,131	442	0.6
1,001 – 5,000	641,514	302	1.3
5,001 – 50,000	1,658,787	93	3.2
50,001 – 200,000	3,072,652	25	6.2
200,001 –	41,542,126	27	81.4
Anonymous ownership	3,125,247		6.0
Total	51,026,236	8,257	100.0

Source: Euroclear Sweden's share register as of December 31, 2023.

total number of shares and votes, and Surgical Science received SEK 19,147,500 in cash and cash equivalents.

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 premium has been calculated at SEK 28.74 per warrant.

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 premium has been calculated at SEK 36.43 per warrant.

Incentive program costs
Preliminarily, the incentive programs in total are estimated to entail social security contributions of SEK 1.4 million, as well as costs of SEK 14.8 million in accordance with the accounting rules under IFRS2. For 2023, the programs charged profit by SEK 5.0 million, of which SEK 0.8 million pertains to social security contributions on the Swedish participants' premiums for program 2023_26, which were provided free of charge. The remainder of the cost, SEK 4.2 million, is attributable to the calculation of IFRS2. The amount comprises the entire IFRS2 cost for the Swedish portion of program 2023_26 (SEK 1.5 million), and the remainder is attributable to Israel and the US and is distributed across the term of the program until July 2025 and 2026 respectively.

Fully exercised, the incentive programs will increase Surgical Science's share capital by SEK 23,000 and the number of shares by 460,000, corresponding to the dilution of the total number of shares and votes by about 0.9 percent.

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 free of charge.

Data per share

	2023	2022
Average number of shares	50,929,361	50,801,236
Average number of shares*	50,940,778	50,913,936
Number of shares at end of year	51,026,236	50,801,236
Number of shares at end of year*	51,044,111	50,910,759
Equity per share, SEK	85.16	83.39
Equity per share,* SEK	85.13	83.21
Earnings per share, SEK	4.59	3.70
Earnings per share,* SEK	4.59	3.69

* After dilution. An option program involves diluting the average number of shares in the event that the discounted present value of the exercise price in the middle of the exercise period or remaining exercise period is less than the average share price for the period. With regard to the number of shares at the end of the period, an option program entails dilution in the event that the discounted present value of the exercise price in the middle of the exercise period or remaining exercise period falls below the share price on the balance sheet date.

Taxable value and current information

Real-time share data can be obtained at www.surgicalscience.com. Press releases, interim reports and annual reports are also available on the website, as well as an opportunity to subscribe to these by e-mail.

Persons discharging managerial responsibilities

Persons discharging managerial responsibilities (PDMRs), as well as their closely related parties, must, in accordance with the EU Market Abuse Regulation, notify the issuer and the Swedish Financial Supervisory Authority (Finansinspektionen) of any transaction conducted on their own behalf with regard to shares and other financial instruments issued by that issuer. The Board Members, CEO and CFO are considered to be PDMRs in Surgical Science.

Analysts

The following analysts publish ongoing analyses of Surgical Science:

- Danske Bank
- Pareto Securities
- Redeye
- Carnegie
- DNB Bank
- Berenberg

A number of video presentations have been posted on the company website under "Investors/Presentations". A video recording of the capital markets day that Surgical Science held on February 23, 2023 can also be found there. From the quarterly report for the third quarter, there are recordings of the open presentations on the results that the company holds.

FINANCIAL REPORT

Consolidated income statements by quarter

SEK thousands	Oct–Dec 2023	Jul–Sep 2023	Apr–Jun 2023	Jan–Mar 2023	Oct–Dec 2022	Jul–Sep 2022	Apr–Jun 2022	Jan–Mar 2022
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 pages 57-58 for information regarding warrant programs.

Key figures and definitions

Group	2023	2022	2021	2020	2019
Net sales (SEK million)	882.9	802.5	366.8	104.8	101.5
Net sales growth, %	10.0	118.8	250.0	3.2	54.5
Adjusted EBIT (SEK million)	213.6	186.0	68.7	24.4	17.4
Adjusted EBIT margin, %	24.2	23.2	18.7	23.2	17.1
EBITDA (SEK million)	244.8	214.1	90.0	37.0	30.4
EBITDA margin, %	27.7	26.7	24.5	35.3	29.9
Operating profit (SEK million)	189.2	162.5	56.5	20.0	15.2
Operating margin, %	21.4	20.3	15.4	19.1	15.0
Profit margin, %	26.5	23.4	23.5	14.9	12.4
Balance sheet total (SEK million)	4,702.7	4,649.6	3,978.1	472.3	456.2
Equity/assets ratio, %	92.4	91.1	90.1	90.4	88.0
Number of shares at end of year	51,026,236	50,801,236	50,801,236	34,494,760	33,621,760
Number of shares at end of year*	51,044,111	50,910,759	51,010,413	34,521,049	34,515,695
Average number of shares	50,929,361	50,801,236	42,488,247	34,370,387	28,195,405
Average number of shares*	50,940,778	50,913,936	42,669,282	34,370,387	29,048,680
Number of warrants outstanding	460,000	425,000	300,000	300,000	1,000,000
Maximum dilution, %	0.9	0.8	0.6	0.9	2.9
Earnings per share (SEK)	4.59	3.70	2.03	0.45	0.45
Earnings per share* (SEK)	4.59	3.69	2.02	0.45	0.43
Equity per share (SEK)	85.16	83.39	70.57	12.38	11.95
Dividend per share (SEK)	0.00**	0.00	0.00	0.00	0.00
Average number of employees	249	227	121	57	45

* After dilution. See Note 18 for information regarding warrant programs.
** Proposal by the board of directors to the 2024 annual general meeting.

Definitions

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 year.

Average number of shares after dilution
The weighted average number of shares outstanding during the year, 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 year in relation to the weighted average of the number of shares during the year.

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

Operating margin
Operating profit as a percentage of net sales. This key figure provides a picture of the company's earnings trend over time.

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

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. This key figure provides a picture of the company's earnings trend over time.

ADMINISTRATION REPORT

The board of directors and the CEO of Surgical Science Sweden AB (publ) corp. reg. no. 556544-8783, hereby present the annual report and consolidated financial statements for the 2023 financial year. The statutory sustainability report according to Chapter 6, Section 12 of the Annual Accounts Act (ÅRL) can be found on pages 44-55.

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. It has operations in both Educational Products and Industry/OEM and has operated in the field of robotic surgery for almost 20 years. The acquisition of Simbionix, which primarily operates in Tel Aviv, Israel was completed in August 2021. Simbionix was founded in 1998 and is involved in simulation for training surgeons and other medical specialists in a wide range of areas. The business partly generates revenue through its own simulators in areas including general surgery, vascular surgery, endoscopy, urology, orthopedics, ultrasound and robotic surgery, and partly through partnerships with medical device companies in robotic surgery, for example.

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. For further information on the organization, see page 83.

Mission and vision

Surgical Science's overall purpose is to enhance patient safety and healthcare outcomes 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 physician has been trained and objectively certified in a safe, simulated environment before commencing the procedure.

Significant events during the year

Strong increase in license revenues

License revenues increased by 50 percent and amounted to SEK 277.7 (184.5) million, 31 (23) percent of the company's total revenues. This is important for the achievement of the financial targets, in terms of both revenues and profitability.

Weaker growth in simulator sales

The Educational Products business area started the year very strongly but had a weaker ending. The seasonal variation that normally has a positive effect on the fourth quarter, where hospitals usually have money to use up in their budget at the end of the year, was absent in 2023. Sales for the full year were SEK 518.4 (507.9) million, an increase of 2 percent.

Strong cash flow

Cash flow for the year, including currency effects in cash and cash equivalents, was SEK 200.6 (117.1) million. As at 31 December 2023, the group's cash and cash equivalents amounted to SEK 634.4 (433.7) million, without any financial loans.

War in Israel

Around half of Surgical Science's employees work at the company's office in Tel Aviv. Israel has been at war since October 7, 2023. A smaller number of employees have been called up during some of this time. From a purely business perspective, Surgical Science has been affected marginally, and no deliveries or deadlines have been delayed.

Financial comments

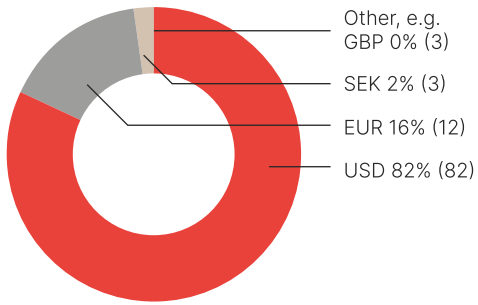
Investments

Gross investments in the group's tangible fixed assets during the year amounted to SEK 10.5 (9.4) million. Gross investments in intangible assets amounted to SEK 33.7 (25.2) million, of which SEK 33.1 (22.8) million is attributable to capitalized development costs.

Net sales

Net sales for 2023 amounted to SEK 882.9 (802.5) million, an increase of 10 percent compared with the preceding year. Calculated in local currencies, sales increased by 7 percent. Surgical Science's revenue for 2023 had the following approximate distribution in different currencies:

Distribution of currencies – Revenue



Of the sales for the year, SEK 518.4 (507.9) million 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 (294.6) million, an increase of 24 percent.

The Educational Products business area started the year very strongly but had a weaker ending. The seasonal variation that normally has a positive effect on the fourth quarter, where hospitals usually have money to use up in their budget at the end of the year, was absent in 2023 and instead sales were similar in level to the second and third quarters. 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. The 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 negative impact on this market.

In 2022, SEK 67.8 million (USD 6.7 million) was attributable to an order from a large American hospital chain, which Surgical Science announced in May 2022. Excluding this order, sales in 2023 within Educational Products increased by 18 percent.

Sales within Educational Products vary between regions and countries for different periods. A lot of the deals are larger orders where procurement has been going on for a long time. For 2023 countries and areas such as Poland, Romania, India and South American countries experienced good sales and growth compared to 2022.

Within Industry/OEM, the largest source of income consisted of license revenues deriving from a number of customers. License revenues increased by 50 percent and amounted to SEK 277.7 (184.5) million, 31 (23) percent of the company's total revenues. This is important for the achievement of the financial targets, in terms of both revenues and profitability. The financial goals for 2026 state that the company expects license revenue to increase progressively towards the end of the period.

The customers who have just started selling products from which Surgical Science earns license revenue buy these licenses in packages. This means that sales initially vary more between periods.

The area also includes development income, which is obtained when Surgical Science works to adapt the company's software to the customer's hardware platform, primarily in the field of robotic surgery. The development income was lower in 2023 (SEK 26.6 million compared to SEK 41.4 million for 2022). This was due in part to final deliveries being made in some projects during the fourth quarter of 2022 and lower levels of activity in some projects. Larger projects are conducted in several phases, with the assignment possibly needing to be reformulated in between, entailing a lower level of activity until this work has been completed.

The development income also, except for revenue from robotic projects, includes revenue from the adaptation or development of software linked to the sale of simulators. Sales of simulators to medical device companies, mainly in the vascular and laparoscopy areas amounted to SEK 48.8 (58.5) million. These sales vary significantly more between periods 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 are 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 in 2023 to SEK 11.4 (10.1) million.

For revenues by segment, see Note 2 on page 82.

Costs and results

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

Sales costs amounted to SEK 167.5 (138.2) million corresponding to 19 (17) percent of sales. Among other things, the sales organization within Industry/OEM has grown significantly compared to 2022. Sales costs include the amortization of surplus values classified as customer contracts in connection with acquisitions, see also below under amortization.

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

Research and development costs for the year amounted to SEK 181.6 (172.8) million, corresponding to 21 (22) percent of sales. Over the year, development costs of SEK 33.0 (22.8) million were capitalized as an intangible asset. Research and development costs include the amortization of surplus values classified as technology in connection with acquisitions, see also below under amortization.

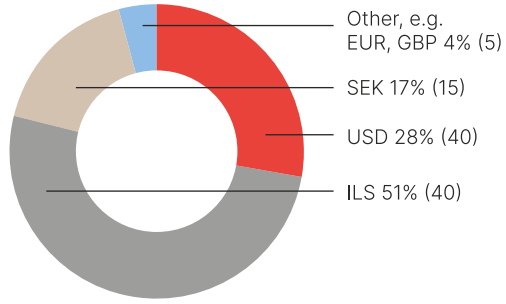
The warrant program approved by the annual general meeting in May 2022 charged the profits for 2023 in the amount of SEK 1.4 million, which is listed as other operating cost. The amount comprises the IFRS2 cost attributable to Israel and the US and is distributed across the term of the program until July 2025.

The warrants program that was approved by the annual general meeting in May 2023 burdened profit in 2023 by SEK 3.6 million, of which SEK 0.8 million pertains to social security contributions on the Swedish participants' premiums, which were received 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.

Other items under "Other operating income and costs" are mainly attributable to the revaluation of operating assets and liabilities in a foreign currency.

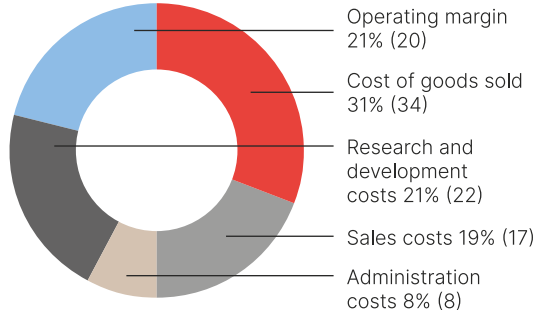
Surgical Science's costs for 2023 had the following approximate distribution in different currencies:

Distribution of currencies – Costs



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

Costs/margin as a percentage of sales



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

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

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

In addition to an initial purchase consideration, the acquisition of Mimic Technologies also included a deferred contingent consideration linked to certain sales outcomes in 2021, 2022 and 2023. The maximum deferred contingent consideration totaled USD 15.6 million (approximately SEK 130 million on the acquisition date). For 2021 the outcome of the deferred contingent consideration amounted to SEK 3.1 million (USD 340 thousand) and SEK 0 million for 2022. 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. There are no further outstanding amounts attributable to the purchase consideration for Mimic Technologies.

As Surgical Science has no loan financing, net financial items consisted of the item above as well as interest income on bank balances (SEK 8.4 million). Other items include the revaluation of internal loan liabilities to subsidiaries (SEK 1.3 million) and the effect of IFRS 16 (SEK -0.6 million).

Net profit for 2023 amounted to SEK 234.0 (188.0) million. The tax expense for the year of SEK 34.3 (20.2) million 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 (-65.6) million. 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 (-34.5) million, mainly comprising investments in development related to the company's software.

Cash flow from financing activities amounted to SEK 15.8 (17.1) million, where SEK -1.3 (4.9) million 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 year, 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 (117.1) million.

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.

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 in 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.

Research and development

The software that Surgical Science uses in its simulation tools has mainly been developed in-house and is owned by the company; a marginal part of the software has been provided to the company on license. The software has been further developed and refined over a period of 25 years in collaboration with physicians who continuously test the system and new functions to ensure realism. Surgical Science works continuously to develop new simulation modules for further medical interventions and to improve the functionality of existing modules. An important part of product development is the development of training programs that measure physicians' skills. In collaboration with physicians, certification courses have been developed on which the user must attain a certain level to pass.

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.

Significant risks and uncertainty factors

The principle risks associated with Surgical Science's operations and industry include:

IP – Intellectual Property is of crucial importance for Surgical Science's operations and the company strives to protect these intangible assets

to the greatest extent possible. This protection consists primarily of patents and protection of the source code. The company holds a number of patents. The most important asset is the company's physics engine – the source code for generating physically realistic real-time interaction between tissue/organs and instruments. In the company's interactions with medical device customers, no rights to the background IP are transferred. Customer deliveries always comprise binary code, not source code. Should the company's source code be made public or otherwise available to competitors, this could adversely affect the company's operations.

Market risk – Surgical Science's sales are affected by the willingness of the company's customers to invest. Within Educational Products, customers are mainly university hospitals and training centers and, within Industry/OEM, customers are mainly larger medical device companies, which in turn sell to healthcare.

The willingness to invest in healthcare is affected by a number of factors including political decisions and trends in the area. A reduced willingness to invest in healthcare can make it difficult for Surgical Science to sell its products and services. Surgical Science mainly operates in areas at the forefront of developments in healthcare, such as laparoscopy and robotic surgery, where robotic surgery in particular is growing rapidly and is predicted to continue growing at a high rate.

Competitors and technical development – Surgical Science operates in a competitive market, in which several companies are active in medical simulation. There is a risk that competitors will react more quickly to specific customer needs, capture market shares from Surgical Science or develop preferred products. The market for medical simulation is also impacted substantially by technological developments. Delays in the company's development processes or an incapacity to stay abreast of technological developments could cause reduced or lost competitiveness.

Competition in the market for the technical training of physicians also exists from other types of training such as simpler box training, practice on cadavers and in the operating room, where physicians in training practice interventions on patients under the supervision of a mentor/fully qualified surgeon.

Industrial collaborations – In the Industry/OEM business area, Surgical Science works with major medical device companies in industrial collaborations, where the company licenses its software to industrial players, mainly in robot-assisted surgery. Surgical Science's license revenues depend largely on partner companies' sales. There is a risk that such cooperation will not result in an expected increase in sales, which risks impacting the company's operations and financial position negatively.

Personnel – Surgical Science is dependent on qualified personnel in various positions. The ability to retain current employees and its opportunities to recruit new personnel is crucial for the company's future development. There is a risk that Surgical Science will not succeed in retaining or recruiting individuals who have been, or who could be, of importance to the company. If key individuals leave the company or if Surgical Science is unable to recruit qualified personnel, this could have a negative impact on the company's operations, profits and financial position.

Acquisitions – Surgical Science's strategy includes both organic growth and growth through acquisitions. Risks associated with acquisitions are primarily related to integration, such as challenges in integrating new personnel and customer relationships into the company's existing operations, as well as challenges in incorporating acquired technologies, products and know-how, which could lead to difficulties in achieving anticipated synergies.

When Surgical Science acquires companies with operations similar to, or complementing, its own, the risks are associated with existing development projects failing to meet expectations, patents, technologies, products and know-how not having the protections that could reasonably be expected and that the acquired companies' sales fail to develop in a manner justifying the purchase consideration paid at the time of the acquisition, which could result in the company having to recognize impairment in the goodwill attributable to the acquisitions.

Access to capital – Surgical Science may need to raise additional capital in the future to enable growth through acquisitions, for example by securing credit and/or implementing new share issues. There is a risk that the company will not receive financing on favorable terms or at all, or that credit facilities may not be available to the company. The capital market is affected by general market conditions and the company is therefore exposed to effects attributable to negative market conditions, such as fluctuations in interest rates and inflation, which may affect the company's capacity to access the capital market. The company has financed previous acquisitions through directed new share issues. Should the company choose to raise additional capital through this procedure, the value of shares held by shareholders who do not participate or who do not receive an allocation may be diluted.

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 25 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 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.

Corporate governance

Surgical Science is a Swedish public limited company governed by the annual general meeting of shareholders, the board of directors, the CEO and other senior executives of the company. The company complies with current rules and regulations in accordance with the Swedish Companies Act, the Articles of Association and the board of directors' rules of procedure.

The Swedish Code of Corporate Governance complements the Swedish Companies Act and is part of the relatively comprehensive self-regulation of corporate governance in Sweden. The Code is applicable to all Swedish companies listed on Nasdaq Stockholm (or other regulated markets). Surgical Science's share is traded on the Nasdaq First North Growth Market, which is a multilateral trading platform and not a regulated market. Accordingly, Surgical Science is not obliged to adhere to the Code, nor has it undertaken voluntarily to do so.

General meeting of shareholders

Surgical Science's highest decision-making body is the general meeting. The annual general meeting is held within six months from the end of the financial year. Notice of a general meeting shall be issued by advertisement in the Swedish Official Gazette (Post- och Inrikes Tidningar), as well as on the company's website. The publication of a notice of a general meeting shall also be advertised in Swedish financial daily Dagens Industri. Notice of an annual general meeting shall be issued at the earliest six weeks and at the latest four weeks prior to the meeting. All shareholders included in the printout of the share register and who have notified the company of their participation in time, are entitled to attend the meeting and to vote. Shareholders unable to attend in person may be represented by a proxy.

Annual general meeting 2023

The annual general meeting of Surgical Science was held on May 17, 2023. The meeting re-elected ordinary board members Roland Bengtsson, Jan Bengtsson, Thomas Eklund, Henrik Falconer and Elisabeth Hansson, and also included the new election of Åsa Bredin. Roland Bengtsson was re-elected as the chairman of the board. The annual general meeting approved total board fees of SEK 1,050,000 for the period until the next annual general meeting. The chairman of the board, Roland Bengtsson is to receive SEK 300,000 and the other board members SEK 150,000 each.

The meeting also resolved to approve the board's proposal to establish a long-term incentive program for group employees. The program encompassed 260,000 warrants, corresponding to a dilution of 0.5 percent, see further Note 18.

The board of directors was authorized, for the period up until the next annual general meeting, to determine, on one or more occasions, to implement new share issues corresponding to a maximum of 10 percent of the company's share capital.

The board of directors' proposal for the disposal of the profit for the year was approved. No dividend was paid for the 2022 financial year.

Annual general meeting 2024

The annual general meeting of Surgical Science AB (publ) will be held on May 16, 2024.

Shareholders wishing to participate in the proceedings of the annual general meeting must be entered in the share register maintained by Euroclear Sweden on May 7, 2024 and shall notify the company of their intention to participate at the annual general meeting no later than May 10, 2024, or to cast their vote in advance, by May 10, 2024 at the latest.

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 AB (publ), FAO: 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.

Nomination committee

The following people have been appointed to be part of Surgical Science's nomination committee for the 2024 annual general meeting:

Åsa Hedin, appointed by Marknadspotential AB
Celia Grip, appointed by Swedbank Robur Fonder
Anna Sundberg, appointed by Handelsbanken Fonder
Roland Bengtsson, chairman of the board

The nomination committee was appointed in accordance with the principles adopted by Surgical Science's annual general meeting on May 6, 2020. The shareholders having appointed members of the nomination committee represented slightly more than 27 percent of all shares in the company as of September 30, 2023.

The nomination committee shall prepare and submit proposals for the following issues at the annual general meeting for resolution: (i) proposal for chairman of the meeting, (ii) proposal for composition of the board of directors, (iii) proposal for chairman of the board, (iv) proposal for board fees and their distribution between the chairman of the board and the other board members, (v) proposals for fees for members of the remuneration and audit committees (if applicable), (vi) proposals for auditor, (vii) proposals for remuneration of auditors, and (viii) to the extent deemed necessary, proposals for changes to the rules applicable to the nomination committee.

Audit committee

Surgical Science's board of directors has not previously had any audit committee, this will be established 2024. As the company's shares are traded on the Nasdaq First North Growth Market, which is a multilateral trading platform and not a regulated market, the company is not obliged to establish an audit committee.

Remuneration committee

Surgical Science's board of directors has not previously had any remuneration committee, this will be established 2024. The complete board of directors has prepared matters including remunerations and other terms of employment for the company's CEO and senior executives.

The Group

Surgical Science's head office is located in Gothenburg, Sweden. Surgical Science Sweden AB is the parent company and the group has subsidiaries and personnel in Sweden, Israel and the USA. The group also has its own sales or development personnel in China, France, Germany, Poland, the UK, Greece and Costa Rica.

Proposed appropriation of profits

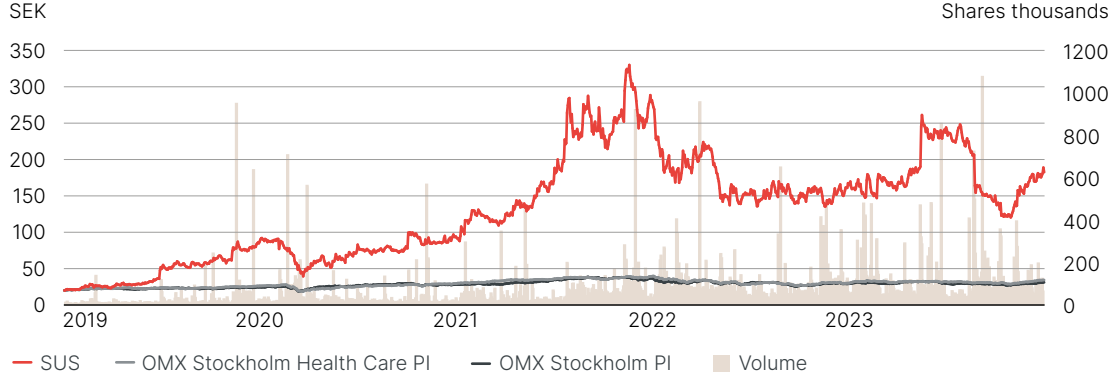
The board of directors and CEO propose that the available funds of SEK 3,436,331,576 be disposed of as follows:

To be carried forward: SEK 3,436,331,576

The financial statements were approved for issuance by the parent company's board of directors on April 15, 2024.

Regarding the company's earnings and position in other regards, reference is made to the subsequent income statements and balance sheets.

Share price trend and turnover 5 years



Consolidated income statements

SEK thousands	Note	2023	2022
Net sales	2	882,853	802,540
Cost of goods sold		-269,974	-271,023
Gross profit		**612,879**	**531,517**
Sales costs		-167,514	-138,223
Administration costs		-72,509	-63,652
Research and development costs		-181,569	-172,786
Other operating income and costs		-2,135	5,681
Operating profit	3, 4, 5, 6, 9, 10	**189,152**	**162,537**
Financial income	7	79,768	65,120
Financial costs	7	-656	-19,484
Profit after financial items		**268,264**	**208,173**
Taxes	8	-34,292	-20,199
Profit for the year		**233,972**	**187,974**
Profit for the year attributable to:			
Parent company shareholders		233,972	187,974
Earnings per share, SEK	18	4.59	3.70
Earnings per share, SEK*	18	4.59	3.69

* After dilution. See Note 18 for information regarding warrant programs.

Consolidated statement of income and other comprehensive income

SEK thousands	Note	2023	2022
Profit for the year		**233,972**	**187,974**
Other comprehensive income			
Items that have been or that may be reclassified to the income statement for the year			
Translation differences for the year on translation of foreign operations	8	-148,584	461,391
Other comprehensive income for the year	17	**-148,584**	**461,391**
Comprehensive income for the year		**85,388**	**649,365**
Comprehensive income for the year attributable to:			
Parent company shareholders		85,388	649,365

Consolidated statement of financial position

SEK thousands	Note	Dec 31, 2023	Dec 31, 2022
ASSETS	21, 22		
Fixed assets			
Intangible fixed assets	9		
Capitalized expenditure for development work		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 assets		1,959	1,912
Tangible fixed assets	10		
Equipment		76,618	51,357
Financial fixed assets			
Deferred tax assets	8	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	12	154,451	134,883
Current receivables			
Accounts receivable	14	110,603	176,311
Current tax asset		9,099	2,264
Other receivables		9,750	15,534
Prepaid expenses and accrued income	15	72,923	63,646
Cash and cash equivalents	16	634,366	433,733
Total current assets		**991,192**	**826,371**
TOTAL ASSETS		**4,702,673**	**4,649,563**

SEK thousands	Note	Dec 31, 2023	Dec 31, 2022
EQUITY	17, 18		
Share capital		2,551	2,540
Other capital contributions		3,398,121	3,378,985
Provisions		436,777	581,135
Profit and loss carried forward, incl. profit for the year		507,763	273,791
TOTAL EQUITY		**4,345,212**	**4,236,451**
LIABILITIES	21, 22		
Non-current liabilities			
Deferred tax liability	8	45,004	51,507
Other non-current liabilities	19	77,520	55,697
Total non-current liabilities		**122,524**	**107,204**
Current liabilities			
Accounts payable		41,286	65,691
Current tax liability		31,028	13,897
Other current liabilities		42,389	111,402
Accrued expenses and deferred income	20	120,234	114,918
Total 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

	Attributable to parent company shareholders				
SEK thousands	Share capital	Other capital contributions	Provisions	Profit/loss carried forward, incl. profit for the year	**Total equity**
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**

Consolidated cash flow statements

SEK thousands	Note	2023	2022
Operating activities			
Profit before financial items		189,153	162,537
Adjustments for non-cash items:			
Exchange rate differences		5,481	-11,085
Depreciation/amortization		55,613	51,585
Interest paid/received		8,246	536
Tax paid		-14,549	-8,477
Cash flow from operating activities before changes in working capital		**243,944**	**195,096**
Changes in working capital			
Increase (-)/Decrease (+) in inventories		-19,567	-21,720
Increase (-)/Decrease (+) in operating receivables		31,905	-70,760
Increase (+)/Decrease (-) in operating liabilities		-17,991	26,871
Cash flow from changes in working capital		**-5,653**	**-65,609**
Cash flow from operating activities		**238,291**	**129,487**
Investing activities			
Investment in tangible fixed assets		-10,456	-9,352
Investment in intangible fixed assets		-33,673	-25,196
Cash flow from investing activities		**-44,129**	**-34,548**
Financing activities			
Change in non-current liabilities		-2,042	12,194
Change in lease liabilities		-1,259	4,899
Redemption warrants program		19,148	–
Cash flow from financing activities		**15,847**	**17,093**
Cash flow for the year		**210,008**	**112,032**
Cash and cash equivalents at the beginning of the year		433,733	316,680
Exchange-rate difference in cash and cash equivalents		-9,375	5,021
Cash and cash equivalents at year-end	16	**634,366**	**433,733**

Parent company income statements

SEK thousands	Note	2023	2022
Net sales		104,777	87,015
Cost of goods sold		-22,882	-28,562
Gross profit		**81,895**	**58,453**
Sales costs		-20,197	-30,375
Administration costs		-15,253	-26,653
Research and development costs		-24,090	-19,935
Other operating income and costs		-4,331	796
Operating profit	3, 4, 6, 9, 10	**18,023**	**-17,714**
Profit from financial items			
Interest income and similar income statement items	7	22,380	16,282
Impairment of shares in subsidiaries	7	-2	-480
Interest expense and similar income statement items	7	-1	-18,283
Profit after financial items		**40,400**	**-20,195**
Appropriations (group contributions)		52,956	40,118
Tax on profit for the year	8	-19,586	-4,388
Profit for the year		**73,770**	**15,535**

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

Parent company balance sheets

SEK thousands	Note	Dec 31, 2023	Dec 31, 2022
ASSETS	21, 22		
Fixed assets			
Intangible fixed assets	9		
Capitalized expenditure for development work		26,697	20,494
Patents, trademarks, and concessions		–	3
Other intangible fixed assets		1,176	1,022
Tangible fixed assets	10		
Equipment		2,484	2,023
Financial fixed assets			
Participations in group companies	11	3,133,116	3,188,957
Deferred tax assets	8	–	7,844
Total non-current assets		**3,163,473**	**3,220,343**
Current assets			
Inventories	12	8,678	12,172
Current receivables			
Accounts receivable	14	11,815	19,039
Receivables from group companies	13	101,970	41,122
Other receivables		960	1,560
Prepaid expenses and accrued income	15	4,622	3,159
Cash and bank position	16	331,041	234,887
Total current assets		**459,086**	**311,939**
TOTAL ASSETS		**3,622,559**	**3,532,282**

SEK thousands	Note	Dec 31, 2023	Dec 31, 2022
EQUITY	17, 18		
Restricted equity			
Share capital		2,551	2,540
Share premium reserve		41,095	41,095
Development expenditure fund		26,697	20,494
Unrestricted equity	25		
Share premium reserve		3,336,592	3,317,457
Profit/loss brought forward		25,970	12,411
Profit for the year		73,770	15,535
TOTAL EQUITY		**3,506,675**	**3,409,532**
LIABILITIES	21, 22		
Non-current provisions	23	–	–
Non-current liabilities	19	–	150
Current provisions	23	–	81,576
Current liabilities			
Accounts payable		2,857	6,548
Liabilities to group companies	13	68,826	12,637
Tax liability		9,826	–
Other current liabilities		16,930	1,839
Accrued expenses and deferred income	20	17,445	20,000
Total current liabilities		**115,884**	**41,024**
TOTAL LIABILITIES		**115,884**	**122,750**
TOTAL EQUITY AND LIABILITIES		**3,622,559**	**3,532,282**

Statement of changes in parent company's equity

	Restricted equity			Unrestricted equity			
SEK thousands	Share capital	Share premium reserve	Development expenditure fund	Share premium reserve	Profit/loss brought forward	Profit/loss for the year	**Total equity**
Opening balance, January 1, 2022	**2,540**	**41,095**	**25,482**	**3,317,457**	**-24,167**	**29,579**	**3,391,986**
Disposal of profit brought forward					29,579	-29,579	–
Development expenditure fund			-4,988		4,988		–
Warrants program					2,011		2,011
Profit for the year						15,535	15,535
Closing balance, December 31, 2022	**2,540**	**41,095**	**20,494**	**3,317,457**	**12,411**	**15,535**	**3,409,532**
Opening balance, January 1, 2023	**2,540**	**41,095**	**20,494**	**3,317,457**	**12,411**	**15,535**	**3,409,532**
Disposal of profit brought forward					15,535	-15,535	–
Development expenditure fund			6,203		-6,203		–
Warrants program					4,226		4,226
Redemption warrants program	11			19,136			19,147
Profit for the year						73,770	73,770
Closing balance, December 31, 2023	**2,551**	**41,095**	**26,697**	**3,336,592**	**25,970**	**73,770**	**3,506,675**

Parent company cash flow statements

SEK thousands	Note	2023	2022
Operating activities			
Profit before financial items		18,023	-17,714
Adjustments for non-cash items:			
Exchange rate differences		5,671	5,279
Depreciation/amortization		7,280	7,718
Interest paid/received		6,525	531
Tax paid		-309	–
Cash flow from operating activities before changes in working capital		**37,190**	**-4,186**
Changes in working capital			
Increase (-)/Decrease (+) in inventories		3,494	-2,642
Increase (-)/Decrease (+) in operating receivables		-41,670	48,785
Increase (+)/Decrease (-) in operating liabilities		52,028	11,121
Cash flow from changes in working capital		**13,852**	**57,264**
Cash flow from operating activities		**51,042**	**53,078**
Investing activities			
Investment in tangible fixed assets		-1,356	-682
Investment in intangible fixed assets		-12,737	-5,934
Cash flow from investing activities		**-14,093**	**-6,616**
Financing activities			
Change in non-current liabilities		–	3,910
New share issue		19,147	–
Group contributions		40,142	40,266
Cash flow from financing activities		**59,289**	**44,176**
Cash flow for the year		**96,238**	**90,638**
Cash and cash equivalents at the beginning of the year		234,887	143,203
Exchange-rate difference in cash and cash equivalents		-84	1,046
Cash and cash equivalents at year-end	16	**331,041**	**234,887**

NOTES TO THE FINANCIAL STATEMENTS

Notes to the 2023 financial statements for the Surgical Science group and its parent company, Surgical Science Sweden AB (publ), corporate identity number 556544-8783, with registered offices at Drakegatan 7A, SE-412 50 Gothenburg, Sweden. The parent company's shares are registered on Nasdaq First North Growth Market.

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Note 1 Important accounting principles

Compliance with standards and legislation
The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for groups has been applied.

The parent company's annual report has been prepared in accordance with the Annual Accounts Act (1995:1554) and applying the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities". Accordingly, the measurement and disclosure rules under IFRS are applied including the deviations detailed under "parent company's accounting principles".

Basis of valuation applied in the preparation of the financial statements
Assets and liabilities are recognized at cost, except for certain financial assets and liabilities, which are reported at fair value.

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

Assumptions applied in preparing the parent company's financial statements and the consolidated financial statements
Preparing reports in accordance with IFRS requires the use of some important estimates for accounting purposes. Furthermore, the management is required to make certain judgements about the application of the group's accounting principles. The areas involving substantial estimation – complex areas or areas in which assumptions and estimates are of material significance for the consolidated accounts – are stated in Note 28.

Amended accounting principles due to new or amended IFRS standards
Amendments have been made to IAS 1 Presentation of financial statements. The purpose of the amendment is to improve the usefulness of disclosures on applied accounting principles by encouraging that only material accounting principles are described and that these descriptions explain how these principles are applied. The description of the accounting principles has therefore been concentrated to essential principles and more focused on the application of these principles. Otherwise, no new or amended standards that came into effect on January 1, 2023 have had any impact on these financial statements.

The adopted updates and amendments coming into effect as of January 1, 2024 or later will have no material effect on future financial reports.

Classification, etc.
Non-current assets, non-current liabilities and provisions essentially only comprise amounts that are expected to be recovered or paid more than 12 months after the balance sheet date. Current assets and liabilities essentially only comprise amounts expected to be recovered or paid within 12 months of the balance sheet date.

Consolidation principles
The consolidated financial statements include the parent company, Surgical Science Sweden AB (publ), and the subsidiaries that are under a controlling influence of the parent company. All subsidiaries are wholly owned.

Subsidiaries are recognized in accordance with the acquisition method. Transaction expenditures that arise, except expenditures attributable to the issue of equity instruments or debt instruments, are recognized directly in profit or loss as they are incurred.

Foreign currencies
The functional currency is the currency in the primary economic environments where the companies within the group conduct their operations. The companies included in the group are the parent company and its subsidiaries. The parent company's functional currency and reporting currency is the Swedish krona. The group's reporting currency is the Swedish krona.

Assets and liabilities in foreign operations, including goodwill and other fair value adjustments on consolidation, are translated to Swedish kronor at the rate in effect on the balance sheet date. Income and costs in a foreign company are translated into Swedish kronor at an average rate representing an approximation of the rates prevailing on the respective transaction dates.

Translation differences arising in connection with currency translation by foreign operations are recognized in the statement of comprehensive income.

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

	Average exchange rate		Exchange rate on balance sheet date	
Currency	2023	2022	Dec 31, 2023	Dec 31, 2022
EUR	11.4765	10.6317	11.0960	11.1283
USD	10.6128	10.1245	10.0416	10.4371
ILS	2.8686	2.9967	2.7874	2.9600

Source: Riksbanken, X-rates

Income

Surgical Science sells various products and services for the simulation of evidence-based medical training.

The products include both hardware and software and are usually sold packaged with support/service agreements applicable for varying periods, usually 1-3 years. Product sales are recognized as revenue on the transfer of control to the customer, normally in connection with the delivery of both the hardware and software. Installation revenue is recognized on completion – in the ensuing month at the latest. Support/service agreements are invoiced in advance and recognized as revenue across the term of the service contract or as the consulting work is carried out.

Revenues derive partly from development work performed in implementing the company's software on various industrial customers' hardware platforms or other initial adaptation of software for these customers, and partly from license revenues associated with the use of this software. The development work is recognized as revenue as the work is performed. License revenues are recognized as revenue once the company's customers have reported their usage, which occurs at least once each quarter or on invoicing.

Uninvoiced service and consulting services are reported as accrued income (contract receivables), while service and consulting services that have been invoiced but have yet to be performed are reported as prepaid income (contract liabilities) in the Balance sheet.

A customer contract may include hardware and software, installation, training and a service agreement extending over several years. The vast majority of sales, however, comprise products and services clearly representing separate performance commitments.

Surgical Science also offers customers leases extending predominantly from three months to one year in duration. These are invoiced in advance and recognized as revenue in line with the terms of the contracts.

Approximately 13 percent (14) of Surgical Sciences' sales in 2023 were paid in advance. Additionally, a 30-day credit period is generally applied.

Segment reporting

Identifying reportable segments begins with how reports are submitted to the internal reporting structure and how these are followed up by the highest executive decision-maker. The group has identified the group's CEO as its highest executive decision-maker. In the internal reporting to the CEO, in part, business areas and, in part, geographical segments are applied, with revenues being broken down between Europe, North and South America, Asia, and Other, as well as by revenue stream, with revenues being further broken down between simulators, development revenues and license revenues, as well as service and support revenue. See Note 2 for further information.

Government subsidies

Government subsidies are reported when the company has met the terms associated with those subsidies and it can be safely determined that the subsidies will be received. Paid grants are recognized in the balance sheet as prepaid income and recognized as revenue in the period when the cost the grant relates to is recognized. Government subsidies are reported in relation to the hours worked on relevant projects for the development department.

Leasing

Lessees

Leases for premises and equipment are recognized in the balance sheet as current assets with corresponding lease liabilities, entailing an obligation to pay future lease fees associated with the right-of-use assets. A relief rule has been applied entailing current leases and low-value leases not being capitalized but instead expensed in the period in which the assets are used. The company defines current leases as contracts for which the remaining lease term is less than 12 months and low-value leases as contracts for which the cost is less than SEK 50 thousand.

Lessors

Lease fees, including any raised initial fees but excluding costs for insurance and maintenance services, are recognized as revenue on a straight-line basis over the lease term.

Financial income and costs

Financial income and costs consist of interest income on bank balances and receivables and interest-bearing securities, interest costs on loans, dividend income, exchange rate differences, realized and unrealized gains on financial investments, and derivatives used in financial operations.

Financial instruments
Financial assets and liabilities are recognized when the group becomes a party to the instrument's contractual terms. Purchases and sales of financial assets are normally recognized on the transaction date, that being the date on which the group commits to buy or sell the asset.

Surgical Science only holds financial assets measured at amortized cost and, on the asset side, these comprise accounts receivable, other receivables and other non-current holdings of securities. Liabilities include accounts payable and other liabilities measured at amortized costs, as well as liabilities for contingent purchase considerations measured at fair value.

Accounts receivable and other receivables
Receivables of this kind are recognized at amortized cost. Receivables of short maturity have been recognized at their nominal value without discounting in accordance with the amortized cost method. If the anticipated maturity is longer than 12 months, they constitute non-current receivables, and if it is shorter they constitute other receivables. Accounts receivable are initially reported at fair value and subsequently at amortized cost. Where the expected maturity of an account receivable is short, its value is recognized at the nominal amount, with no discounting. Deductions are made for doubtful receivables, which are assessed individually. Amortization of accounts receivable is reported in operating costs. Historically, Surgical Science's customer losses have been low.

Cash and cash equivalents
Cash and cash equivalents comprise cash, immediately accessible bank balances, as well as any other money market instruments with original maturities of less than three months.

Accounts payable
Accounts payable are initially recognized at fair value and subsequently at amortized cost by applying the effective interest rate method.

Intangible fixed assets
The items reported in the consolidated statement of financial position are goodwill, customer contracts, technology, capitalized costs for product development, patents, trademarks and concessions.

Goodwill
Goodwill represents the difference between the cost of a business acquisition and the consolidated value of the acquired assets, assumed liabilities and contingent liabilities. Goodwill is measured at cost less any accumulated impairment. Goodwill is allocated to cash-generating units and is not amortized but tested annually, or as necessary, for impairment.

Customer contracts
In the statement of financial position, acquired customer contracts in connection with business acquisitions are recognized at cost less accumulated amortization and impairment.

Technology
In the statement of financial position, technology is recognized at cost less accumulated amortization and impairment.

Capitalized expenditure for development work
Research expenditure is expensed in the period in which it is incurred. In the group, development expenditure is reported as an intangible asset, to the extent that the asset is deemed able to generate future economic benefits and then only provided that completing the asset is technically and financially feasible, that the intention is, and the conditions exist for the asset to be used in the operations or sold, with it being possible to calculate the value reliably.

In the statement of financial position, capitalized development expenditure is recognized at cost less accumulated amortization and impairment.

Patents
In the statement of financial position, patents are recognized at cost less accumulated amortization and impairment.

Trademarks
In the statement of financial position, trademarks are recognized at cost less accumulated amortization and impairment.

Concessions
In the statement of financial position, concessions are recognized at cost less accumulated amortization and impairment.

Additional expenditure
Additional expenditures for an intangible fixed asset are added to the cost only if they increase the future economic benefits, exceeding the original assessment, and the expenditures can be calculated reliably. All other expenditures are expensed when they arise.

Amortization
Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets, unless their useful lives are indeterminate. Goodwill, as well as the Simbionix brand, which are assumed to have indeterminate useful lives, are tested annually for impairment or as soon as any indications suggest that the relevant asset may have decreased in value in accordance with IFRS. Amortizable intangible assets are amortized from the date they are available for use.

The estimated useful lives are:

Capitalized expenditure for development work	5 years
Patents, trademarks, and concessions	5 years
Customer contracts and technology	10 years

Tangible fixed assets

All tangible fixed assets are reported at cost with deductions for depreciation. The cost includes expenditure that is directly attributable to the acquisition of an asset. Additional costs are added to the asset's carrying amount or reported as a separate asset (depending on which is deemed more appropriate) only when it is probable that the future economic advantages associated with the asset will benefit the group and the asset's value can be reliably measured. All other forms of repairs and maintenance are expensed in the income statement in the period in which they are incurred.

Depreciation

The depreciation of tangible fixed assets according to plan is based on predetermined useful lives. Depreciation is recognized on a straight-line basis over the estimated useful life of the assets. The estimated useful lives are:

Equipment	5 years

Each asset's residual value and useful life are assessed annually.

On each balance sheet date, the residual values and useful lives of the assets are tested and, if necessary, adjusted. Where exceeding the estimated recoverable amount, an asset's carrying amount is immediately written down to the estimated recoverable amount. The gain or loss arising on the sale or disposal of an asset comprises the difference between the sales price and the carrying amount, less direct sales costs. This is reported either under Other operating income or Other operating costs, as relevant.

Inventories

Inventories are recognized at the lower of acquisition cost and net realizable value. Cost is calculated in accordance with weighted average prices. For semi-finished and finished products manufactured in-house, cost comprises direct production costs and a reasonable share of indirect production costs based on normal capacity.

Impairment

In connection with each reporting date, any indications of declining value among the group's assets are assessed. Goodwill and other intangible assets not amortized on an ongoing basis are tested annually for impairment, or more frequently if there are indications that assets may have decreased in value. If this is the case, the group assesses the asset's recoverable amount. The recoverable amount is the fair value of the asset less sales costs, or its value in use, whichever is higher. Value in use refers to the present value of all inflows and outflows attributable to the asset over the period in which it is expected to be utilized in the operations, plus the present value of the net realizable value at the end of the asset's useful life.

Where the estimated recoverable amount is less than the carrying amount, the asset's recoverable amount is impaired. Previous impairment is reversed when the assumptions have changed that were applied to determine the asset's recoverable amount when it was written down, meaning that impairment is no longer deemed necessary. Reversals of previous impairment are tested individually and reported in the income statement. Goodwill impairment cannot be reversed in a subsequent period.

Earnings per share

The calculation of earnings per share is based on the profit for the year for the group which is attributable to the parent company's shareholders and on the weighted average number of outstanding shares during the year before and after dilution. When calculating diluted earnings per share (i.e. earnings per share after dilution), the net result and the average number of shares are adjusted to take account of the effects of potential shares, which derive from options issued to employees.

Pensions

The group has both defined-contribution and defined-benefit pension plans. The premiums for the defined-contribution pension plans are expensed on an ongoing basis without any commitments to pay additional fees. Costs are charged against consolidated earnings as the benefits are vested. The company's net obligation regarding defined-benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in exchange for their services during current and previous periods. This benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. See Note 3 for further information.

Equity

Transaction costs that can be directly attributed to the issue of new shares or options are recognized, net after tax, in equity as a deduction from the issue proceeds.

Warrants program

There are two outstanding warrant programs aimed at the company's employees. The company

subsidizes the warrants program so that participants receive warrants as a benefit. These warrants programs will require payment of social security contributions and costs in accordance with the accounting rules in IFRS 2. A description of the warrant programs can be found under Note 18.

Income taxes
Income tax comprises current tax and deferred tax.

Taxes are recognized in the income statement unless the underlying transaction is recognized directly in Other comprehensive income, in which case the related tax effect is also recognized in Other comprehensive income. Current tax is tax that will be paid or received for the current year. This also includes adjustments to current tax relating to earlier periods. Deferred tax is calculated in accordance with the balance sheet method based on temporary differences between the carrying amount and the value for tax purposes of assets and liabilities. The amounts are calculated based on how the temporary differences are expected to be settled and applying the tax rates and regulations adopted or planned as of the balance sheet date. Temporary differences are not taken into account in consolidated goodwill, nor are differences attributable to investments in subsidiaries not expected to be taxed within the foreseeable future. In the consolidated accounts, untaxed reserves are apportioned between deferred tax liabilities and shareholders' equity.

Deferred tax assets pertaining to deductible temporary differences and tax-loss carry-forwards are recognized only if it is considered probable they will entail lower future tax payments.

Contingent liabilities
A contingent liability is recognized when there is a possible obligation, attributable to past events, whose existence is confirmed only by one or more uncertain future events or when there is an obligation that is not recognized as a liability or provision owing to the fact that it is not likely an outflow of resources will be required.

Parent company accounting principles
The parent company has prepared its financial statements in accordance with the Annual Accounts Act (1995:1554) and the Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities". The statements issued by the Swedish Financial Reporting Board relating to listed companies have also been applied. RFR 2 entails the parent company, in the annual report for the legal entity, being required to apply all EU-approved IFRS standards and statements as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and taking into account the connection between reporting and taxation. Recommendations indicate the exceptions and the supplements to be made to the IFRS.

The differences between the accounting principles applied by the group and those applied by the parent company are as follows. The parent company's accounting principles, as stated, have been applied consistently to all periods presented in the parent company's financial statements. The principles are unchanged compared with the previous year.

Classification and presentation formats
The parent company uses the term "balance sheet" which is prepared according to the Annual Accounts Act's schedule, while the group uses the term "consolidated statement of financial position" which is based on IAS 1 Presentation of financial statements. Compared with the consolidated accounts, the differences in the parent company's income statement and balance sheet mainly involve shareholders' equity.

Internally generated intangible fixed assets
The parent company capitalizes costs for internally generated assets. A transfer is made from non-restricted shareholders' equity, corresponding to the amount capitalized over the year, to a development expenditure fund within restricted shareholders' equity. Reversals from the fund to non-restricted shareholders' equity are made in amounts corresponding to the reported amortization and impairment.

Subsidiaries
Participations in subsidiaries are reported in accordance with the cost method. This means that transaction costs are included in the carrying amounts for holdings in subsidiaries. In the consolidated accounts, transaction costs attributable to subsidiaries are charged directly against profit when they are incurred. The value of a subsidiary is tested when there is an indication of a decline in value.

Financial assets and liabilities
With regard to the connection between accounting and taxation, Surgical Science has, in accordance with RFR 2, chosen not to apply IFRS 9 but instead applies a cost-based method in accordance with the Annual Accounts Act.

Group contributions
Group contributions have been reported in accordance with the alternative rule in RFR 2. Group contributions are reported as appropriations.

Leased assets
In accordance with the exemption provided in RFR 2, the parent company does not apply IFRS 16. Lease fees, including raised initial fees but excluding fees for insurance and maintenance services, are expensed on a straight-line basis over the lease term.

Note 2 Operating segments

By business area and revenue stream

	2023	2022
Educational Products	**518,433**	**507,949**
- Simulators, hardware and software	451,000	449,859
- Service and support revenue	67,433	58,090
Industry/OEM	**364,420**	**294,591**
- Simulators, hardware and software	48,753	58,524
- Service and support revenue	11,367	10,147
- License revenue	277,729	184,549
- Development revenue	26,571	41,371
Net sales	**882,853**	**802,540**

By geographic area

	2023	2022
Europe	149,437	130,856
North and South America	551,971	504,949
Asia	136,275	140,788
Other	45,170	25,947
Net sales	**882,853**	**802,540**

The group's operations are divided into operating segments on the basis of the parts of the operations that the company's highest executive decision-makers monitor (referred to as the "management approach" or company management perspective).

The group's operations are organized in such a way that group management monitors sales divided as stated below. As group management determines the distribution of resources based on this division, they constitute the group's operating segments.

In 2023, the group had one customer that accounted for more than 10 percent of consolidated total sales. This customer is recognized in the North and South America segments. In 2022, the group had one customer who accounted for more than 10 percent of consolidated total sales. This customer was recognized in the North and South America segments.

Note 3 Employees, employee benefit expenses, and remuneration to the board

Average number of employees

	Total		Of whom men	
	2023	2022	2023	2022
Parent company, Sweden	48	45	34	33
Subsidiaries				
Sweden	17	17	13	12
Israel	131	113	95	83
USA	53	52	38	41
Total	**249**	**227**	**180**	**169**

Of the employees in Swedish subsidiaries, five people are employed in Germany. Surgical Science also has three people in China and one person in each of the UK, Greece, Poland, Canada, Spain and Costa Rica, on consulting contracts.

Proportion of women in senior positions

	2023	2022
Board of directors	33%	17%
Management team	25%	25%

Wages and salaries, other remuneration, and social security expenses

	Salaries, wages and remuneration		Social security expenses	
	2023	2022	2023	2022
Parent company	41,093	35,289	19,334	15,294
– of which, pension costs	(–)	(–)	(6,389)	(4,797)
Subsidiaries	187,671	174,059	41,038	35,338
– of which, pension costs	(–)	(–)	(24,170)	(22,363)
Total	**228,764**	**209,348**	**60,372**	**50,632**
– of which, pension costs	**(-)**	**(–)**	**(30,559)**	**(27,160)**

Of the group's pension costs, SEK 1,650 (694) thousand pertains to the board of directors and the CEO, of which SEK 1,650 (694) thousand pertains to the CEO.

Salaries and remunerations allocated by country and between board members/the CEO and other employees

	Board/CEO		Other employees	
	2023	2022	2023	2022
Parent company, Sweden	5,346	4,651	35,747	30,638
Subsidiaries				
Sweden	–	–	12,239	10,286
Israel	–	–	117,073	108,333
USA	–	–	58,359	55,440
Total	**5,346**	**4,651**	**223,418**	**204,697**
– of which bonuses and similar	**(1,530)**	**(1,620)**	**(5,148)**	**(4,484)**

Note 3 Employees, employee benefit expenses, and remuneration to the board (cont.)

Board
Board fees amounting to SEK 1,050 thousand were paid over the year, in accordance with the resolution by the 2022 annual general meeting. As chairman of the board, Roland Bengtsson received SEK 300 thousand and the other board members received SEK 150 thousand each. No pension costs or other pension obligations apply with regard to board members. At the annual general meeting on May 17, 2023, it was resolved that board fees totaling SEK 1,050 thousand should be paid in the period until the ensuing annual general meeting. SEK 300 thousand is to be paid to the chairman of the board, Roland Bengtsson, and SEK 150 thousand to each of the other board members.

CEO
During the 2023 financial year, compensation, including holiday pay, totaling SEK 5,826 (5,221) thousand was expensed in payments to CEO Gisli Hennermark, of which SEK 1,530 (1,620) thousand comprised variable remuneration. Premiums for customary occupational pensions in accordance with ITP have been paid. In the event of termination by the company, a notice period of 12 months applies for the CEO. In the event of resignation by the CEO, a notice period of 6 months applies. The CEO's terms of employment are set out in an agreement between the company and the CEO.

Other senior executives
During the 2023 financial year, salaries of SEK 22,574 (23,309) thousand including holiday pay, were expensed to senior executives in the group's management team of 7 (7) people, excluding the CEO, of which SEK 2,310 (2,773) thousand consisted of bonuses. These are based on the outcome of various parameters in comparison with established targets. Premiums for customary occupational pensions have been paid. In the event of termination by the company, a notice period of 3-6 months applies for other senior executives. In the event of resignation by a senior executive, a notice period of 3-6 months applies. No loans have been provided to senior executives.

Defined-contribution pension plans
In Sweden, the group has defined-contribution pension plans for employees, which are paid for in full by the company. In the USA and Israel, defined-contribution plans are provided that are to some extent paid for by the subsidiary and that are partly covered by fees paid by the employees. Payments for these plans are made on an ongoing basis in accordance with the rules of each plan.

	Group		Parent company	
	2023	2022	2023	2022
Costs for defined-contribution pension plans	30,559	27,160	6,389	4,797

Defined-benefit pension plans
In Israel, the group also has defined-benefit pension plans for employees paid for by the company. Under the defined-benefit plan, the amounts disbursed are used as investments to be paid to employees in the future on their retirement. The company records an appropriate liability based on actuarial calculations of future benefits and updates this for each reporting period.

Note 4 Auditors' fees and expense allowances

	Group		Parent company	
	2023	2022	2023	2022
Audit assignment	1,018	1,503	365	250
Tax advice	1,307	360	301	242
Other services	283	141	242	141
Total	**2,608**	**2,004**	**908**	**633**

KPMG has been the company's auditor since the 2019 annual general meeting.

"Audit assignment" refers to the inspection of the annual accounts and accounting records and of the administration by the board and CEO and to other tasks that the company's auditors consider necessary, as well as to the provision of advice or other assistance brought about by observations during such inspection or the carrying out of such tasks. Advice on tax issues is recognized separately. Any other work is recognized as other services.

Note 5 Operating costs by nature

	Group	
	2023	2022
Raw materials and consumables	-210,816	-204,474
Capitalized work	33,022	22,810
Personnel expenses	-302,855	-272,784
Depreciation/amortization and impairment	-55,613	-51,585
Other external expenses	-155,304	-139,651
Total	**-691,566**	**-645,684**

Note 6 Leasing

The group rents office premises in the following locations:

	Lease valid until
Gothenburg, Sweden	May 31, 2026
Stockholm, Sweden	Jun 30, 2025
Shenzhen, China	Mar 31, 2025
Seattle, USA	Oct 31, 2027
Cleveland, USA	Dec 31, 2024
Tel Aviv, Israel	Dec 31, 2028

Rent charges are CPI-linked and vary with the market as a whole. Variable charges are invoiced 1:1 retrospectively following annual reconciliation. The leases that have been entered into do not entail any restrictions. Where any remodeling and/or extension work is paid for by the group, an individual examination is made as to whether the costs should be recognized in the balance sheet or whether they should be expensed in their entirety.

In other respects, the group has signed leases for a company car and for certain office equipment.

The following amounts related to leases are recognized in the income statement:

	2023	2022
Depreciation of right-of-use assets		
– Properties	-15,386	-15,019
– Vehicles	-17	-29
Interest expense, lease liabilities	-641	-535
Lease costs for current leases and leases of low-value assets	-310	-231
Total	**-16,354**	**-15,814**

Note 6 Leasing (cont.)

The following amounts related to leases are recognized in the balance sheet:

	Dec 31, 23	Dec 31, 22
Right-of-use assets		
Properties	79,001	52,491
Vehicles	–	197
Total	**79,001**	**52,688**

	Dec 31, 23	Dec 31, 22
Accumulated depreciation/amortization		
Properties	-24,698	-22,971
Vehicles	–	-75
Total	**-24,698**	**-23,046**

	Dec 31, 23	Dec 31, 22
Lease liabilities		
Short-term	13,241	15,079
Long-term	40,023	14,682
Total	**53,264**	**29,761**

The maturity analysis for the lease liabilities is presented in Note 21.

Cash flow information, leases:

	2023	2022
Amortization of lease liabilities	15,403	15,048
Interest expense, lease liabilities	641	535
Lease costs for current leases and leases of low-value assets	310	231
Total	**16,354**	**15,814**

Agreed future minimum lease fees for non-cancelable contracts are distributed as follows:

	Parent company	
	2023	2022
Within one year	3,334	2,531
Within two to five years	3,970	5,359
Later than five years	–	–
Total	**7,304**	**7,890**

Expensed fees for operating leases amount to the following:

	Parent company	
	2023	2022
Minimum lease fees	2,929	2,701
Total lease costs	**2,929**	**2,701**

The group lets a number of VR simulators in accordance with operational leases. The future non-cancelable lease payments are as follows:

	Group		Parent company	
	2023	2022	2023	2022
Within one year	1,907	1,872	681	378
Between one and five years	–	–	–	–
Later than five years	–	–	–	–
Total	**1,907**	**1,872**	**681**	**378**

Lease revenue for the year from operational leases amounts to SEK 2,944 (2,163) thousand in the group and SEK 669 (792) thousand in the parent company.

Note 7 Net financial income/cost

	Group		Parent company	
	2023	2022	2023	2022
Exchange gains	15,042	18,179	15,594	15,750
Interest income and other financial income	64,726	46,941	6,786	532
Financial income	**79,768**	**65,120**	**22,380**	**16,282**

	Group		Parent company	
	2023	2022	2023	2022
Exchange losses	–	-18,179	–	-18,281
Impairment of holdings in subsidiaries	–	–	-2	-480
Interest expenses and other financial expenses	-656	-1,305	-1	-2
Financial costs	**-656**	**-19,484**	**-3**	**-18,763**

Note 8 Taxes

Recognized in the statement of income and other comprehensive income, and in the income statement, respectively.

	Group		Parent company	
	2023	2022	2023	2022
Current tax expense				
Tax expense for the year	-30,583	-10,282	-11,742	–
Total current tax expense	**-30,583**	**-10,282**	**-11,742**	**–**
Deferred tax				
Amortization of surplus values	5,033	4,843	–	–
Change in untaxed reserves	804	–	–	–
Change in tax-loss carry-forwards	-9,546	-14,780	-7,844	-4,374
Other temporary differences	–	20	–	-14
Total deferred tax	**-3,709**	**-9,917**	**-7,844**	**-4,388**
Total reported tax cost	**-34,292**	**-20,199**	**-19,586**	**-4,388**

	Group		Parent company	
	2023	2022	2023	2022
Reconciliation of effective tax rate				
Profit before tax	268,264	208,173	93,356	19,923
Tax according to current tax rate for the parent company, 20.6 (20.6) percent	-55,262	-42,884	-19,231	-4,104
Effects of other tax rates for foreign subsidiaries	9,674	14,257	–	–
Utilized non-capitalized tax-loss carry-forwards from previous years	-1,737	-68	–	–
Deductible costs, not in income statement	3,054	2,646	–	–
Non-deductible expenses	-1,783	-1,653	-355	-272
IFRS 15 adjustments from previous years	–	-1	–	-1
Other temporary differences	11,762	7,504	–	-11
Total tax cost	**-34,292**	**-20,199**	**-19,586**	**-4,388**

Tax attributable to other comprehensive income:

	Group					
	2023			2022		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Translation differences for the year on translation of foreign operations	-148,584	–	-148,584	461,391	–	461,391
Other comprehensive income	**-148,584**	**–**	**-148,584**	**461,391**	**–**	**461,391**

Note 8 Taxes (cont.)

Recognized in the statement of financial position and balance sheet, respectively:

	Group		Parent company	
	2023	2022	2023	2022
Deferred tax assets				
Deferred tax relating to capitalized tax-loss carry-forwards	11,610	22,158	–	7,844
Lease liabilities	10,972	6,131	–	–
Deferred tax, other	3,226	–	–	–
Total deferred tax assets	**25,808**	**28,289**	**–**	**7,844**
Recognized deferred tax assets and liabilities	-10,972	-6,131	–	–
Total deferred tax assets, net	**14,836**	**22,158**	**–**	**7,844**

Deferred tax assets pertaining to capitalized tax-loss carry-forwards pertain to the USA and are included in the statement of financial position as the company's established budget and forecasts assume that the company will report future taxable surpluses in the foreseeable future. There is no time limit for these tax-loss carry-forwards. Tax-loss carry-forwards in the subsidiary Mimic Technologies, Inc. amount to USD 4.8 million as per the 2022 tax assessment (2021: 8.2) and in the subsidiary Surgical Science, Inc., the tax-loss carry-forwards amount to USD 0.7 million as per the 2022 tax assessment (2021: 1.6). In the subsidiary Simbionix Ltd , the tax-loss carry-forwards amount to ILS 20.5 million as per the 2022 tax assessment (2021: 22.7).

	Group		Parent company	
	2023	2022	2023	2022
Deferred tax liability				
Deferred tax attributable to surplus value on acquisitions	45,004	51,507	–	–
Right-of-use assets, leasing	11,073	6,491	–	–
Total deferred tax liabilities	**56,077**	**57,998**	**–**	**–**
Recognized deferred tax assets and liabilities	-11,073	-6,491	–	–
Total deferred tax liabilities, net	**45,004**	**51,507**	**–**	**–**

Note 9 Intangible fixed assets

	Group		Parent company	
	2023	2022	2023	2022
Capitalized development expenditure				
Opening cost	141,866	119,103	117,539	112,627
Capitalized costs for the year	33,120	22,763	12,477	4,912
Translation differences	-1,671	–	–	–
Closing accumulated cost	**173,315**	**141,866**	**130,016**	**117,539**
Opening amortization	-98,979	-91,032	-97,045	-90,211
Amortization for the year	-8,847	-7,947	-6,274	-6,834
Translation differences	40	–	–	–
Closing accumulated amortization	**-107,786**	**-98,979**	**-103,319**	**-97,045**
Closing carrying amount	**65,529**	**42,887**	**26,697**	**20,494**
Other intangible assets				
Opening cost	1,954	–	1,022	–
Capitalized costs for the year	372	1,954	261	1,022
Translation differences	-43	–	–	–
Closing accumulated cost	**2,283**	**1,954**	**1,283**	**1,022**
Opening amortization	-42	–	–	–
Amortization for the year	-282	-42	-107	–
Closing accumulated amortization	**-324**	**-42**	**-107**	**–**
Closing carrying amount	**1,959**	**1,912**	**1,176**	**1,022**

Note 9 Intangible fixed assets (cont.)

	Group		Parent company	
	2023	2022	2023	2022
Patents, trademarks, and concessions				
Opening cost	71,873	63,380	10,588	10,588
Capitalized costs for the year	181	479	–	–
Translation differences	591	8,014	–	–
Closing accumulated cost	**72,645**	**71,873**	**10,588**	**10,588**
Opening amortization	-11,933	-11,500	-10,585	-10,515
Amortization for the year	-334	-433	-3	-70
Translation differences	-2,856	–	–	–
Closing accumulated amortization	**-15,123**	**-11,933**	**-10,588**	**-10,585**
Closing carrying amount	**57,522**	**59,939**	**–**	**3**
Customer contracts				
Opening cost	158,620	142,121	–	–
Translation differences	-5,039	16,499	–	–
Closing accumulated cost	**153,581**	**158,620**	**–**	**–**
Opening amortization	-32,930	-16,368	–	–
Amortization for the year	-16,067	-15,529	–	–
Translation differences	-3,025	-1,033	–	–
Closing accumulated amortization	**-52,022**	**-32,930**	**–**	**–**
Closing carrying amount	**101,559**	**125,690**	**–**	**–**

	Group		Parent company	
	2023	2022	2023	2022
Technology				
Opening cost	81,477	70,727	–	–
Translation differences	–	10,750	–	–
Closing accumulated cost	**81,477**	**81,477**	**–**	**–**
Opening amortization	-10,884	-2,399	–	–
Amortization for the year	-8,363	-7,978	–	–
Translation differences	-2,225	–	–	–
Closing accumulated amorization	**-21,472**	**-10,884**	**–**	**–**
Closing carrying amount	**60,005**	**70,593**	**–**	**–**
Goodwill				
Opening cost	3,444,289	3,019,238	–	–
Translation differences	-115,606	425,051	–	–
Closing accumulated cost	**3,328,683**	**3,444,289**	**–**	**–**
Closing carrying amount	**3,328,683**	**3,444,289**	**–**	**–**

In the income statement, amortization has been distributed according to function as follows:

	Group		Parent company	
	2023	2022	2023	2022
Cost of goods sold	-79	-164	-79	-164
Sales costs	-16,097	-15,529	-30	–
Administration costs	-583	-406	-77	–
Research and development costs	-17,134	-15,832	-6,198	-6,740
Total amortization	**-33,893**	**-31,931**	**-6,384**	**-6,904**

Note 9 Intangible fixed assets (cont.)

The group's goodwill is attributable to the acquisitions of subsidiaries Simball Systems AB, SenseGraphics AB, Mimic Technologies, Inc and Simbionix Corp and their operations.

Goodwill has been tested for impairment based on budget and forecasts, where the first year of the forecast is based on the company's budget and the subsequent four years are based on historical growth rates adjusted for management's forecasts for the future. The forecasts have been produced internally by company management based on historical data, management's combined experience and their best assessment of the company's development potential and market growth. The cash flows forecast after five years have been based on a growth rate of 5-15 percent annually. The forecast cash flows have been calculated at their present value applying a discount rate of 11.4 (11.4) percent before tax. The most important variables in the forecast are growth, gross margin, sales costs and investments. The calculation is based on a continued favorable gross margin and the need for investment has been judged as relatively low. Working capital has been assumed to change in proportion to sales and the debt/equity ratio is judged as remaining unchanged as growth is assumed to take place within the framework of existing operations and using the group's own funds. The recoverable amount, which is calculated within the group as value in use, exceeds the carrying amount. Management believes that no reasonable changes in key variables and assumptions will lead to the units' recoverable amount being lower than the reported values.

To support the impairment tests performed by goodwill, an overall analysis has been made of the sensitivity of the variables used in the model. Reasonable changes in these assumptions over time are not assumed to give rise to any indication that the reported goodwill values cannot be defended.

Note 10 Tangible fixed assets

	Group		Parent company	
	2023	2022	2023	2022
Equipment				
Opening cost	91,232	58,541	7,028	6,344
Acquisitions for the year	10,456	9,352	1,357	682
Sales and disposals	-1,135	–	-1,111	–
Reclassifications	37,646	19,903	–	–
Exchange rate differences	-5,529	3,436	–	–
Closing accumulated cost	**132,670**	**91,232**	**7,274**	**7,028**
Opening depreciation	-39,874	-20,148	-5,003	-4,189
Depreciation for the year	-21,720	-19,654	-897	-814
Sales and disposals	1,135	–	1,111	–
Exchange rate differences	4,407	-72	–	–
Closing accumulated depreciation	**-56,052**	**-39,874**	**-4,790**	**-5,003**
Closing carrying amount	**76,618**	**51,357**	**2,484**	**2,023**

In the income statement, depreciation has been distributed according to function as follows:

	Group		Parent company	
	2023	2022	2023	2022
Cost of goods sold	-1,542	-1,385	-9	-9
Sales costs	-2,762	-1,693	-368	-412
Administration costs	-16,974	-16,223	-446	-345
Research and development costs	-442	-353	-74	-48
Total depreciation	**-21,720**	**-19,654**	**-897**	**-814**

Note 11 Participations in group companies

	Parent company	
	2023	2022
Opening acquisition value	3,188,957	3,234,685
Impairment of shares	-55,841	-45,728
Closing book value	**3,133,116**	**3,188,957**

Companies owned by Surgical Science Sweden AB (publ):

				Book value	
Company	Corp. ID no.	Registered office	Share in %	Dec 31, 23	Dec 31, 22
SenseGraphics AB	556659-3512	Gothenburg, Sweden	100	325,079	325,079
Mimic Technologies, Inc.	91-2117439	Seattle, USA	100	132,448	188,289
Simbionix Corp.	02-0530940	Seattle, USA	100	2,667,269	2,667,269
- Simbionix Ltd.	51 251814 3	Airport City, Israel	100		
Surgical Science, Inc.	20-8758443	Minnesota, USA	100	6,658	6,658
Surgical Science Incentive AB	559107-8448	Gothenburg, Sweden	100	50	50
Simball Systems AB	559115-4702	Gothenburg, Sweden	100	50	50
Medicinsim AB	556935-1231	Gothenburg, Sweden	100	1,562	1,562
Total				**3,133,116**	**3,188,957**

Note 12 Inventories

	Group		Parent company	
	2023	2022	2023	2022
Raw materials and consumables	141,027	118,269	7,217	9,150
Finished goods and goods for resale	13,424	16,614	1,461	3,022
Total	**154,451**	**134,883**	**8,678**	**12,172**

Note 13 Receivables and liabilities from group companies

	Parent company	
	Dec 31, 23	Dec 31, 22
Receivables from		
Surgical Science, Inc.	1,849	–
Mimic Technologies, Inc.	–	80
Simbionix Ltd.	47,162	944
Medicinsim AB	29	–
SenseGraphics AB	52,930	40,098
Total	**101,970**	**41,122**

	Parent company	
	Dec 31, 23	Dec 31, 22
Liabilities to		
Mimic Technologies, Inc.	8,135	3,499
Simbionix Corp.	55,216	8,722
Simbionix Ltd.	4,270	415
Simball Systems AB	1	1
Surgical Science Incentive AB	2	–
SenseGraphics AB	1,202	–
Total	**68,826**	**12,637**

Note 14 Accounts receivable

Accounts receivables are recognized after taking customer losses for the year into account. No customer losses (–) were established as having been incurred in the parent company in 2023. Reserved customer losses in the parent company amounted to SEK 47 (–) thousand. In the group, reserved customer losses amounted to SEK 2,541 (693) thousand. Established customer losses amounted to SEK 116 (456) thousand.

	Group		Parent company	
	Dec 31, 23	Dec 31, 22	Dec 31, 23	Dec 31, 22
Accounts receivable	110,603	176,311	11,815	19,039
Age structure accounts receivable				
Not due	72,968	123,146	10,710	14,964
Due 0-30 days	24,393	26,132	483	1,079
Due 31-90 days	4,368	8,200	431	1,418
Due 91-180 days	8,395	8,797	191	1,578
Due >180 days	479	10,037	–	–
Total	**110,603**	**176,311**	**11,815**	**19,039**

Note 15 Prepaid expenses and accrued income

	Group		Parent company	
	Dec 31, 23	Dec 31, 22	Dec 31, 23	Dec 31, 22
Rent and other property costs	1,871	1,541	1,202	920
Prepaid insurance	1,240	1,055	1,188	1,055
Other prepaid costs	7,556	11,034	1,972	1,141
Accrued income	62,256	50,016	260	43
Total	**72,923**	**63,646**	**4,622**	**3,159**

Note 16 Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprise the following sub-components:

	Group		Parent company	
	Dec 31, 23	Dec 31, 22	Dec 31, 23	Dec 31, 22
Cash and bank balances	634,366	433,733	331,041	234,887
Total	**634,366**	**433,733**	**331,041**	**234,887**

No current investments were made (–).

The group does not have an overdraft facility (–).

Note 17 Equity

Share capital

There is only one class of shares, all shares carry the same rights and have a quota value of SEK 0.05 (0.05) per share. As of December 31, 2023, the registered share capital amounted to SEK 2,551,312 (2,540,062).

	Dec 31, 23	Dec 31, 22
Opening number of shares	50,801,236	50,801,236
Shares issued during the year	225,000	–
Closing number of shares	**51,026,236**	**50,801,236**

Other capital contributions

Refers to shareholders' equity contributed by shareholders.

Provisions

Provisions comprise translation reserves including all exchange rate differences arising in translating the financial reports from operations abroad that have prepared their own financial statements in a currency other than the one that the group's financial reports are presented in.

Accumulated exchange rate differences in shareholders' equity

	Group	
	2023	2022
Opening balance	579,123	117,732
Exchange rate difference for the year in foreign subsidiaries, net after tax	-148,584	461,391
Total	**430,539**	**579,123**

The disclosure requirement in accordance with Chapter 5, Section 14 of the Annual Accounts Act regarding the specification of changes in shareholders' equity compared with the previous year's balance sheet is stated in the statement of changes in shareholders' equity.

Profit brought forward

Profit brought forward includes profits earned in the parent company and its subsidiaries.

Restricted funds

Restricted funds in the parent company may not be reduced through dividends.

Share premium reserve

Funds in the share premium reserve from before 2006 are classified as restricted shareholders' equity.

Development expenditure fund

The capitalized amount with regard to development costs generated in-house is to be transferred from unrestricted shareholders' equity to a development expenditure fund in restricted shareholders' equity. The fund is depleted as capitalized costs are amortized or impaired. This is handled similarly to a revaluation fund.

Unrestricted equity

Together with profit for the year, profit brought forward in the parent company (that is, the share premium reserve), profit brought forward from previous years and profit for the year after deductions for dividends paid, constitute unrestricted shareholders' equity, that is, the amount available for dividends to shareholders.

In 2019, Surgical Science's board of directors adopted a new dividend policy, see also page 57. No dividend was paid for the 2022 financial year, nor is it proposed that any be paid for the 2023 financial year.

Note 18 Earnings per share

Calculations have been made in accordance with IAS 33 Earnings per share. Earnings per share are based on consolidated profit for the year attributable to the parent company's shareholders divided by the weighted average number of shares outstanding during the year.

Earnings per share	2023	2022
Consolidated profit for the year, SEK thousands	233,972	187,974
Weighted average number of shares outstanding, before dilution	50,929,361	50,801,236
Dilution effect of options program	11,417	112,700
Weighted average number of shares outstanding, after dilution	50,940,778	50,913,936
Earnings per share before dilution, SEK	4.59	3.70
Earnings per share after dilution, SEK	4.59	3.69

Warrants program

Warrants 2020_23

Surgical Science's annual general meeting on May 6, 2020, resolved to establish an incentive program for company employees. The incentive program allowed company employees to acquire warrants for a premium of SEK 6.60 each. Each warrant entitled 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 so that participants receive 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 January – December 2023, 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 year has been calculated at 11,417 and for the balance sheet date to 17,875 shares. 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 burdened profit 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 so that participants receive 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.

Note 18 Earnings per share (cont.)

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

Note 19 Non-current liabilities

	Group		Parent company	
	Dec 31, 23	Dec 31, 22	Dec 31, 23	Dec 31, 22
Lease liabilities	40,023	14,682	–	–
Prepaid income	20,288	27,619	–	–
Other non-current liabilities	17,209	13,396	–	150
Total	**77,520**	**55,697**	**–**	**150**

All non-current liabilities have maturities 1-5 years from the balance-sheet date. All other non-current liabilities are non-interest-bearing in both the group and the parent company.

Note 20 Accrued expenses and deferred income

	Group		Parent company	
	Dec 31, 23	Dec 31, 22	Dec 31, 23	Dec 31, 22
Personnel-related items	27,327	14,266	11,123	6,255
Other accrued expenses	20,014	30,006	3,118	8,869
Prepaid income	72,893	70,646	3,204	4,876
Total	**120,234**	**114,918**	**17,445**	**20,000**

Note 21 Financial instruments and financial risk management

Through its operations, the group is exposed to various types of financial risks. Financial risks refer to fluctuations in the company's earnings and cash flow as a result of changes in exchange rates, interest rates, refinancing and credit risks.

Capital risk

The group's goal for the capital structure is to secure the group's capacity to continue operating so that it can continue to generate returns for shareholders and benefit for other stakeholders as well as establishing an optimal capital structure to keep the costs of capital down. In order to maintain or adjust the capital structure, the group may make changes in dividends to shareholders, repay capital to shareholders, issue new shares or sell/buy assets.

Surgical Science's board of directors takes the view that the company should maintain a strong capital base to enable a continued high pace of growth, both organically and through acquisitions. The objective is for the group to be able to meet its financial commitments during both upswings and downswings, without significant unforeseen costs and without risking the group's reputation. Liquidity risks are managed centrally for the entire group by the finance department.

Finance policy

Surgical Science maintains a group policy for its financial operations, which defines financial risks and states how the company is to manage these risks. The policy also states which reports are to be prepared.

Terms and conditions

Surgical Science currently has no credit frameworks (–). The group did not have any interest-bearing liabilities during the year. The interest costs recognized for the year refer to default interest on accounts payable and interest costs on tax accounts.

The deferred contingent consideration arising in connection with the acquisition of Mimic Technologies and linked to certain sales outcomes in the years 2021, 2022 and 2023 is included in Other liabilities. The remainder of the deferred contingent consideration, which will be paid in 2024, has been booked as a current liability. See Note 23 regarding changes in deferred contingent consideration.

Credit risk

The group's financial assets are recognized at SEK 756.4 (619.5) million, of which SEK 634.4 (433.7) million relates to cash and cash equivalents. The group has traditionally experienced low credit losses and this was also true of 2023. The risk is limited by means of creditworthiness checks and advance payments by new customers, as well as through close customer follow-up in collaboration between the finance and marketing functions. Furthermore, an individual assessment was made of accounts receivable regarding payment capacity and creditworthiness as per the balance sheet date.

Currency risks

Currency risk is the risk of fluctuations in the value of a financial instrument due to changes in exchange rates. This risk is related to changes in expected and contracted payment flows (transaction exposure) and to the revaluation of foreign subsidiaries' assets and liabilities in foreign currency (translation exposure). The company is affected by variations in exchange rates. The objective is to minimize the impact of these changes where practicable. Changes in USD and EUR have the greatest impact on the group. Calculated in local currencies, sales increased by 7 percent. In percentage terms, Surgical Science's revenues are distributed between the stated currencies roughly as follows: USD 82% (82), EUR 16% (12), SEK 2% (3), other (e.g. GBP) 0% (3).

In percentage terms, costs are distributed between the stated currencies roughly as follows: USD 28% (31), ILS 51% (50), SEK 17% (15), other (e.g. EUR, GBP) 4% (4). As far as possible, the outflow is matched against the inflow in the relevant currency.

Maturity structure of financial liabilities

	Within 1 year	2 years	3 years	4 years	>4 years	**Total**
Dec 31, 22						
Accounts payable	65,691	–	–	–	–	**65,691**
Lease liabilities	15,079	7,414	4,043	2,095	1,130	**29,761**
Other liabilities	81,876	150	–	–	–	**82,026**
Dec 31, 23						
Accounts payable	41,286	–	–	–	–	**41,286**
Lease liabilities	13,241	12,189	10,036	8,983	8,815	**53,264**
Other liabilities	11,397	–	–	–	–	**11,397**

Note 22 Fair value and carrying amount of financial assets and liabilities

	Financial assets			
	Group		Parent company	
	Dec 31, 23	Dec 31, 22	Dec 31, 23	Dec 31, 22
Assets in the balance sheet				
Loan and contract receivables	122,065	185,804	113,828	60,203
Cash and cash equivalents	634,366	433,733	331,041	234,887
Total	**756,431**	**619,537**	**444,869**	**295,090**

	Financial liabilities			
	Group		Parent company	
	Dec 31, 23	Dec 31, 22	Dec 31, 23	Dec 31, 22
Liabilities in the balance sheet				
Accounts payable	41,286	65,691	23,865	19,185
Other liabilities	124,731	166,040	66,031	90,625
Total	**166,017**	**231,731**	**89,896**	**109,810**

There are also accrued income and accrued costs, which are classified as financial assets and financial liabilities, respectively. See Notes 15 and 20.

Group

Financial assets and liabilities are measured at amortized cost with the exception of liabilities for contingent considerations. Liabilities for contingent purchase considerations, which are based on sales, are measured at fair value. The carrying amounts of SEK 756.4 (619.5) million and SEK 166.0 (231.7) million respectively are considered reasonable approximations of the fair value of the group's assets and liabilities (other items excluding contingent purchase considerations based on sales) in the balance sheet. No forward hedging has been arranged for the currency components included in the above amounts.

Parent company

Financial assets and liabilities are measured at amortized cost. Liabilities for contingent purchase considerations based on sales are measured at their probable outcome. The carrying amounts of SEK 444.9 (295.1) million and SEK 89.9 (109.8) million are considered reasonable approximations of the fair value of the parent company's assets and liabilities in the balance sheet. No forward hedging has been arranged for the currency components included in the above amounts.

Note 23 Provisions

	Parent company	
	2023	2022
Opening current provisions	81,576	52,553
Change in current provisions	-81,576	29,023
Closing current provisions	**–**	**81,576**

	Parent company	
	2023	2022
Opening non-current provisions	–	70,686
Change in non-current provisions	–	-70,686
Closing non-current provisions	**–**	**–**

Note 24 Pledged assets and contingent liabilities

	Group		Parent company	
	Dec 31, 23	Dec 31, 22	Dec 31, 23	Dec 31, 22
Floating charges	16,433	15,621	12,600	12,600
Contingent liabilities	11,644	12,444	–	–
Total	**28,077**	**28,065**	**12,600**	**12,600**

Of the floating charges above, as of December 31, 2023 and December 31, 2022, SEK 10,000 is held in the group's own custody.

Note 25 Disposal of the company's profit

Proposal for appropriation of company's profits

SEK	2023
Share premium reserve	3,336,591,947
Profit brought forward	25,970,063
Profit for the year	73,769,566
Profit at the disposal of the annual general meeting	**3,436,331,576**
To be carried forward	3,436,331,576

Note 26 Transactions with related parties

Related-party relationships
The parent company has a related party relationship with its subsidiaries. See Note 11. Of the parent company's total income and purchases, respectively, SEK 81,128 (19,843) thousand pertains to income from the subsidiaries and SEK 24,517 (26,260) thousand pertains to purchases by the subsidiaries.

Internal pricing between the group's companies is set based on the "arm's length" principle (i.e. between parties that are independent of each other well-informed and with an interest in the transaction).

Transactions with key persons in executive positions
In addition to his board fees, board member Thomas Eklund received consulting fees of SEK 248 (248) thousand for his work on the companies' strategies in 2023. The cost has been recognized under administration costs.

Other remuneration is included in the note "Employees, personnel costs and board fees". See Note 3.

Note 27 Events after the balance sheet date

On March 12, 2024 Gisli Hennermark, CEO of Surgical Science Sweden AB (publ), informed the board that he intends to leave his position. The board has commenced the work of finding a successor to Gisli. The process is being led by the chairman of the board, Roland Bengtsson. Gisli will remain as CEO until the board appoints a new CEO, and will act as advisor to the new CEO until March 2025.

Note 28 Critical assessments and estimates

Recovery of the value of development costs
There are no indications of further impairment as of December 31, 2023. The projects that have been capitalized can with reasonable certainty be assumed to generate revenue-generating products in the near future. For further information, see Note 1 Accounting principles.

Impairment testing of goodwill
When calculating the recoverable amount of cash-generating units for assessing any need for impairment of goodwill, several assumptions about future conditions and estimates of parameters have been made. An account of these can be found in Note 9.

Certification

The board and CEO provide assurance that the annual accounts have been prepared in accordance with generally accepted accounting standards in Sweden and the consolidated accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards. The annual accounts and consolidated accounts present fairly the financial position of the parent company and the group and its performance. The administration report for the parent company and group respectively provides a fair overview of the development of the parent company's and group's operations, position, and performance, and describes material risks and uncertainties faced by the parent company and the companies that make up the group.

The annual report and consolidated financial statements were approved for issue by the board of directors and the CEO on April 15, 2024. The consolidated statement of income and other comprehensive income, the consolidated statement of financial position, and the parent company income statement and balance sheet are subject to approval by the annual general meeting on May 16, 2024.

Gothenburg, April 15, 2024

Gisli Hennermark
Chief Executive Officer

Thomas Eklund
Board member

Jan Bengtsson
Board member

Elisabeth Hansson
Board member

Åsa Bredin
Board member

Henrik Falconer
Board member

Roland Bengtsson
Chairman of the board

Our audit report was submitted on April 15, 2024

KPMG AB

Daniel Haglund
Authorized public accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Surgical Science Sweden AB (publ), corp. id 556544-8783

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Surgical Science Sweden AB for the year 2023.The annual accounts and consolidated accounts of the company are included on pages 62-99 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-61 and 103-110. The Board of Directors and the Managing Director are responsible for this other information.

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

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.
If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

Report on other legal and regulatory requirements

Opinions

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

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

Basis for Opinions

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

accordance with these requirements.

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

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

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

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

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

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

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

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

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

Göteborg, April 15, 2024
KPMG AB

Daniel Haglund
Authorized Public Accountant

Auditor's opinion regarding the statutory sustainability report

To the general meeting of the shareholders in Surgical Science Sweden AB, corporate identity number 556544-8783

Engagement and responsibility
It is the board of directors who is responsible for the sustainability report for the year 2023 on pages 44-55 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination
Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion
A statutory sustainability report has been prepared.

Göteborg, April 15, 2024
KPMG AB

Daniel Haglund
Authorized Public Accountant

BOARD

Roland Bengtsson
Chairman of the board

Thomas Eklund

Elisabeth Hansson

Henrik Falconer

Jan Bengtsson

Åsa Bredin

Roland Bengtsson

Chairman of the board

Born in 1955. MSc, University of Gothenburg. Board member since 2005, chairman of the board from 2011 to 2015 and since 2017.

Other assignments: Board member of Semelin Kapitalförvaltning AB, Stiftelsen Eken and a number of smaller, privately owned companies.

Shareholding in Surgical Science: 5,992,338 shares through Semelin Kapitalförvaltning AB

Thomas Eklund

Born in 1967. Master, Business Administration, Stockholm School of Economics. Member since 2017.

Other assignments: Chairman of the board of Immedica AB. Board member of Swedencare AB and Boule Diagnostics AB.

Shareholding in Surgical Science: 1,000 shares

Elisabeth Hansson

Born in 1975. Master, Business Administration, Stockholm School of Economics. Member since 2021.

Other assignments: Board member of Mentor International. CFO SJ AB.

Shareholding in Surgical Science: 1,300 shares

Henrik Falconer

Born in 1973. Medical degree at Karolinska Institutet, Doctor's degree in Obstetrics and Gynecology 2008, Associate Professor in Obstetrics and Gynecology 2015. Member since 2021.

Other assignments: Board member of the Society of European Robotic Gynecological Surgery (SERGS). Chief Physician and Head of the Gynecological Cancer Section, Karolinska University Hospital. Head of Robot Gynecological Surgery since 2013.

Shareholding in Surgical Science: 1,000 shares

Jan Bengtsson

Born in 1944. Technology licentiate, Chalmers University of Technology and Business Administration, University of Gothenburg. Board member since 2005, chairman of the board from 2005 to 2011.

Other assignments: Chairman of the boards of Rosenblad Design AB, Rosenblad Design group Inc. and Marknadspotential AB. Board member of Arctic Engineering Holding AB.

Shareholding in Surgical Science: 7,138,371 shares through Marknadpotential AB

Åsa Bredin

Born in 1972. Master's degree in computer science from Lund University. Member since 2023.

Other assignments: Advisor at Homepal AB. Head of Mojang Studios.

Shareholding in Surgical Science: 350 shares

Shareholding including holdings of spouse, children not yet of legal age and closely related companies.

SENIOR EXECUTIVES

Gisli Hennermark
CEO

Anna Ahlberg
CFO

Ran Bronstein
President, Research & Development

Anders Larsson
CTO

Inbal Mazor
EVP Products & Marketing

Boaz Tal
COO

Doron Zilberman
EVP International Sales, Educational Products

Niclas M Olsson
EVP Industry/OEM

Gisli Hennermark
CEO

Born in 1972. MSc Economics, Stockholm School of Economics. CEO since 2015, employed since 2017.

Other assignments: Board member of Panasari AB and Espansari AB.

Shareholding in Surgical Science: 342,200 shares and 10,000 options.

Anna Ahlberg
CFO

Born in 1970. M.Sc, Business Administration and Economics, Gothenburg School of Economics and Commercial Law. CFO since 2018, employed since 2018.

Other assignments: Board member of Medistim ASA.

Shareholding in Surgical Science: 24,000 shares and 6,000 options.

Ran Bronstein
President, Research & Development

Born in 1964. M.Sc, Computer Science, The Hebrew University of Jerusalem. President R&D since 2021, employed by Simbionix since 1998.

Other assignments: Board member of Elastimed Ltd and Mirantec Technologies Ltd.

Shareholding in Surgical Science: 21,638 shares and 6,000 options.

Anders Larsson
CTO

Born in 1973. Mathematics and Computer Science, University of Gothenburg. CTO since 1999, employed since 1999.

Other assignments: –

Shareholding in Surgical Science: 30,000 shares and 6,000 options.

Inbal Mazor
EVP Products & Marketing

Born in 1969. B.Sc, Life Science, Tel Aviv University and MBA Marketing, Bar-Ilan University. Executive VP Products & Marketing since 2021, employed by Simbionix since 2000.

Other assignments: –

Shareholding in Surgical Science: 18,543 shares and 6,000 options.

Boaz Tal
COO

Born in 1968. L.L.B, Law and BA, Accountancy and Economics, both from Tel Aviv University. COO since 2021, employed by Simbionix since 2006.

Other assignments: –

Shareholding in Surgical Science: 18,543 shares and 6,000 options.

Doron Zilberman
EVP International Sales, Educational Products

Born in 1962. Executive VP for International Sales since 2021, employed by Simbionix since 2000.

Other assignments: –

Shareholding in Surgical Science: 5,150 shares and 6,000 options.

Niclas M Olsson
EVP Industry/OEM

Born in 1966. Computer Science, Lund University. Executive VP Industry/OEM since 2022, employed in 2022.

Other assignments: –

Shareholding in Surgical Science: 31,000 options.

Shareholding including holdings of spouse, children not yet of legal age and closely related companies.

SHAREHOLDER INFORMATION

Annual general meeting 2024

The annual general meeting of Surgical Science AB (publ) will be held on May 16, 2024. For more information, see www.surgicalscience.com.

Distribution of the annual report

Surgical Science's annual report is available in Swedish and English. The annual report can be downloaded from www.surgicalscience.com and printed copies will be sent to shareholders who so requests and who state their postal address.

Reports 2024

Interim report January-March:
Wednesday May 15

Interim report January-June:
Thursday August 22

Interim report January-September:
Thursday November 14

Investor relations

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gisli.hennermark@surgicalscience.com

Anna Ahlberg, CFO
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Auditors

KPMG AB has been the company's auditor since the 2019 annual general meeting, with Daniel Haglund as principal auditor. Daniel Haglund, born 1974, is an Authorized Public Accountant and a member of FAR, the sector association for auditors in Sweden.

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Certified Adviser

The company's Certified Adviser is Carnegie Investment Bank AB (publ)
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This is a translation of the Swedish version of the annual report. When in doubt, the Swedish wording prevails.

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