
YEAR-END REPORT 2020

SURGICAL SCIENCE SWEDEN AB (PUBL)



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

Surgical Science is headquartered in Gothenburg, Sweden and present in Stockholm, Sweden, as well as in Seattle, Washington, in the US. Through sales offices in the US, France, China and UAE as well as a global network of distributors, Surgical Science maintains a presence in most markets around the world. Surgical Science Sweden AB (publ) is traded on Nasdaq First North Growth Market.

GROWTH DESPITE PANDEMIC, ACQUISITION AFTER THE END OF THE YEAR

FOURTH QUARTER 2020 (OCT–DEC)

- Net sales amounted to SEK 39.6 million (39.3), corresponding to an increase of 1 percent compared with the corresponding period in the preceding year.
- Operating profit amounted to SEK 12.6 million (12.4).
- Net profit amounted to SEK 10.6 million (9.2), corresponding to earnings per share of SEK 0.31 (0.27).
- Cash flow from operating activities amounted to SEK 16.7 million (7.9). As of December 31, 2020, cash and cash equivalents amounted to SEK 87.2 million (69.2).

FULL-YEAR 2020

- Net sales amounted to SEK 104.8 million (101.5), corresponding to an increase of 3 percent compared with the corresponding period in the preceding year.
- For comparable units, sales decreased by 19 percent.
- Operating profit amounted to SEK 20.0 million (15.2).
- Net profit amounted to SEK 15.6 million (12.6), corresponding to earnings per share of SEK 0.45 (0.45).
- Cash flow from operating activities amounted to SEK 23.2 million (55.2).

FOLLOWING THE CLOSE OF THE YEAR

- On January 20, 2021, a conditional agreement was entered into to acquire all of the shares in Mimic Technologies Inc. (“Mimic”), which operates in the area of robotic surgery. Mimic is based in Seattle in the US, and the acquisition provides Surgical Science with an additional customer base in robotic surgery, contributes data collection/analysis technology and significantly strengthens the presence in the important US market. The initial purchase consideration was USD 18 million (approximately SEK 150 million) on a cash and debt-free basis. In addition, a maximum

USD 15.6 million (approximately SEK 130 million) may be paid as a deferred contingent consideration.

A private placement of approximately SEK 322 million was implemented, in which a number of new and existing Swedish and international institutional investors subscribed for shares. The transfer of ownership took place on January 27, 2021, once all of the terms of transfer had been met. Mimic will be consolidated within Surgical Science as of the transfer date.

KEY FIGURES

	January – December		October – December	
	2020	2019	2020	2019
Net sales, SEK million	104.8	101.5	39.6	39.3
Operating profit, SEK million	20.0	15.2	12.6	12.4
Profit after financial items, SEK million	19.7	15.2	12.5	12.1
Net profit, SEK million	15.6	12.6	10.6	9.2
No. employees at end of period	61	58	61	58
Equity/assets ratio, %	90.4	88.0	90.4	88.0
Earnings per share, SEK	0.45	0.45	0.31	0.27
Shareholders' equity per share, SEK	12.38	11.95	12.38	11.95
Share price on the balance sheet date, SEK	93.50	84.80	93.50	84.80
Market cap. on balance sheet date, SEK million	3,225.3	2,851.1	3,225.3	2,851.1

For definitions, see page 17.

A MESSAGE FROM THE CEO

Although 2020 was a year like no other, Surgical Science stands strong despite disruptions associated with the Covid-19 pandemic. We ended the year with a fourth quarter in which the company reported growth, both in sales and earnings. We also exceeded our long-term profitability target of a 40-percent EBITDA margin, and our sales to medical technology companies in the Industry/OEM business area increased by as much as 26 percent. In early 2021, we acquired Mimic Technologies and we believe our opportunities to continue implementing our acquisition agenda are favorable.

We view the modest sales increase in the fourth quarter, compared with the corresponding period in the preceding year, as a success given the challenges associated with Covid-19. With most of the world's healthcare resources being focused on Covid-19 related care and with many training activities merely ticking along, customers continued doing business with Surgical Science to secure future surgical skills. Currency-adjusted total growth for the period was 8 percent, with which we are very pleased given all of the challenges. Profitability and the strong cash flow resulted in cash and bank balances of fully SEK 87.2 million at the end of December.

For Industry/OEM, fourth quarter growth was characterized by sales fully 26 percent higher than in the corresponding period in the preceding year. The favorable sales trend was attributable in particular to the larger customer base, with all customer accounts contributing during the period. This was despite the business area's sales being adversely affected by currency effects and the largest customer in robotic surgery having a relatively low "attach rate" in the fourth quarter. We use the term "attach rate" to refer to the proportion of new robots containing our simulation software compared with the total number of robots sold. Simulation can, however, be added to robots at a later stage. Consequently, although we had hoped for higher fourth quarter sales to our largest customer, we take a positive view of their achieving unexpectedly high new sales in late 2020, despite the severity of the pandemic.

In Educational Products, development was weak in our largest individual market, China. Following high sales there in July to September 2020, we did not get close to the preceding year's sales levels in the fourth quarter. The fact that our sales did



The acquisition of Mimic Technologies means that we now have a customer base of ten robotic surgery customers who license our simulation software.

not decrease more than 18 percent, including negative currency effects, was due mainly to the very strong close of the year in the US market. Healthcare priorities in the US have shifted drastically as a result of the pandemic and, as a supplier, it is often impossible even to visit customers given current restrictions. We nonetheless achieved record sales of our training simulators in the US – largely thanks to the favorable reception of the customized version of LapSim, which focuses on surgical technologists. Surgical technologists play a key role during a surgical procedure and their technical training in handling cameras, for example, is critical for patient safety.

The acquisition of Mimic Technologies is an important step in our acquisition plan. The acquisition means that we now have a customer base of ten robotic surgery customers who license our simulation software, technology assets allowing us to expand our customers offering in the long term, and a significant presence in the North American market. The acquisition was preceded by extensive discussions, making us confident in what we have acquired and how the Seattle office will become part of the Group. It is satisfying to find Surgical Science in a situation in which we are able to build up a long-term business that we are certain will generate value for all shareholders for a long time to come. As an effect of the pandemic, we continue to perceive favorable opportunities to increase the

pace at which we are implementing our acquisition agenda. Surgical Science's ambition is for its contribution to patient safety through simulation to become an established industry standard in digital surgery. The use of robotic surgery, the initial stage in developing digital surgery, has only just begun. To achieve our ambition, we need to grow, and we now have opportunities to make acquisitions at attractive prices.

Surgical Science was one of the first companies to inform its shareholders about the negative impact on sales of Covid-19 through a press release on March 5 last year. With the results in hand, we know that 2020 was a very good year for us. We successfully completed a licensing deal with one of the world's largest medical technology companies, saw university hospitals buy simulators via video meetings and were able to continue building the company as planned. However, uncertainty remains regarding the short-term impact of the pandemic and how sales will be affected over the upcoming quarters, although, at the time of writing, vaccinations have commenced around the world. In the long term, we remain confident that macro trends, such as an increased focus on

patient safety, digitalization of care and the shift from open surgery to keyhole and robotic surgery, will form the hotbed for our growth for many years to come.

I am extremely grateful to all Surgical Science employees for the past year. I am deeply impressed by how quickly everyone, in all of the company's functions, switched to working remotely. My thanks also for the loyalty of all customers around the world and to our growing throng of committed shareholders. With the transition to robotic surgery being only an early opportunity from the digitalizing of surgery, 2021 will be an exciting year. Having achieved the 2020 objective of increasing our customer base in robotic surgery, the focus for 2021 is now set on providing all customers with additional patient safety content and technology that will ultimately save lives.

Gothenburg, February 2021



Gisle Hennermark, CEO

FOURTH QUARTER 2020 (OCTOBER – DECEMBER)

Net sales

Net sales for the fourth quarter of the year amounted to SEK 39.6 million (39.3), an increase of 1 percent compared with the same period in the preceding year. Calculated in local currencies, sales increased by 8 percent.

Of the sales for the quarter, SEK 18.7 million (22.8) consisted of sales within the Educational Products business area and SEK 20.8 million (16.5) of sales within the Industry/OEM business area.

In Educational Products, the USA, Nordic Region, Rest of Europe and Other Markets have performed well, while Asia experienced low sales. As commented in the third quarter report, there was uncertainty whether the fourth quarter, which historically generates about 40 percent of the year's sales, would be as usual in 2020 because of Covid-19. Uncertainty was also expressed regarding the Chinese market, with signs that sales could vary strongly between quarters in the wake of the pandemic, although the sales level was favorable in the third quarter.

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

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

Sales in Industry/OEM were 26 percent higher than in the corresponding period in the preceding year. The company's largest customer in robotic surgery had a relatively low attach rate (that is, the proportion of robots sold together with Surgical Science's simulation software) for the reported quarter. The quarter brought favorable consulting revenues in the segment, as well as some sales of hardware.

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

Costs and profit

The cost of goods sold amounted to SEK 7.1 million (6.3), corresponding to a gross margin of 82 percent (84). Sales costs amounted to SEK 10.4 million (11.7), corresponding to 26 percent (30) of sales. Throughout 2020, costs were affected by Covid-19, with travel and trade fair costs being significantly lower than normal as a result. The US subsidiary is classified in its entirety as sales costs. Administration costs amounted to SEK 4.1 million (3.0), corresponding to 10 percent (8) of sales. Approximately SEK 0.6 million of the increase is attributable to increased legal costs and similar, attributable to work with the Mimic Technologies acquisition.

Research and development costs for the quarter amounted to SEK 4.5 million (5.6), corresponding to 11 percent (14) of sales. Of the development costs, SEK 2.9 million (2.2) have been

capitalized as an intangible asset. During the quarter, continued development resources were invested in developing the core technology to achieve improvements in the platform used both for the proprietary products within Educational Products and for Industry/OEM customers. Developing new solutions and increasingly realistic simulations of advanced surgical procedures using the most advanced technology, represents an important positioning for Surgical Science. To the extent work has been invoiced, it is mainly work for the HelpMeSee organization that has been carried out. Initial consulting revenues have also been generated from the collaboration with Auris Health.

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

Operating profit for the fourth quarter amounted to SEK 12.6 million (12.4), corresponding to an operating margin of 32 percent (32). Other operating income and costs consist largely of exchange rate changes on external receivables and liabilities in foreign currency. Surgical Science is negatively affected by a stronger SEK, with higher revenue in foreign currencies than costs. Depreciation and amortization burdened the cost of goods sold by SEK 0.1 million (0.1), sales costs by SEK 1.3 million (1.3), administration costs by SEK 1.2 million (1.2) and research and development costs by SEK 1.7 million (2.0). Sales costs include amortization of SEK 1.1 million (1.1) on the part of the SenseGraphics acquisition that was classified as customer contracts. Depreciation attributable to the application of IFRS 16 amounts to SEK 1.0 million (0.9), this being included in its entirety under administration costs.

EBITDA amounted to SEK 16.8 million (17.0), corresponding to an EBITDA margin of 42 percent (43).

As Surgical Science has no loan financing, net financial items consist mainly of changes in exchange rates on internal receivables from the US subsidiary and the effect of IFRS 16.

Net profit for the quarter amounted to SEK 10.6 million (9.2). The tax expense for the quarter of SEK 1.9 million (2.8) consists of estimated tax on profit for the period and a change in deferred tax assets.

Cash flow

During the period October – December 2020, cash flow from operating activities amounted to SEK 16.7 million, compared with SEK 7.9 million for the corresponding period in 2019. Cash flow from changes in working capital amounted to a negative SEK 1.1 million (9.6). The change mainly comprises the net result of the reduction in inventories and the increase in accounts receivable.

Cash flow from investing activities amounted to an outflow of

SEK 1.1 million (2.6), mainly comprising development costs related to the company's software.

Cash flow from financing activities amounted to an outflow of SEK 2.3 million (3.2), of which SEK 1.0 million (0.8) was attributable to amortizations of lease liabilities in accordance with IFRS 16.

FULL-YEAR 2020

Net sales

Net sales for 2020 amounted to SEK 104.8 million (101.5), an increase of 3 percent compared with the corresponding period in the preceding year. Calculated in local currencies, sales increased by 6 percent.

SenseGraphics was consolidated within the Surgical Science Group from July 1, 2019. SenseGraphic's sales for the first six months of 2019 amounted to SEK 27.6 million (pro forma, not IFRS). Pro forma for comparable units, the Group's sales for 2020 decreased by 19 percent.

Of the sales for the year, SEK 47.7 million consisted of sales within the Educational Products business area and SEK 57.1 million of sales within the Industry/OEM business area.

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

Costs and profit

The cost of goods sold amounted to SEK 16.4 million (17.9), corresponding to a gross margin of 84 percent (82). The gross margin is affected by the distribution of revenues, where the different revenue streams "proprietary simulators containing hardware", "consulting revenues" and "license revenues" have different gross margins. A higher share of license revenues means a higher gross margin.

Sales costs amounted to SEK 36.7 million (38.1), corresponding to 35 percent (38) of sales. The costs for the year were affected by Covid-19, with travel and trade fair costs being significantly lower than normal as a result. The US subsidiary is classified in its entirety as sales costs. Administration costs amounted to SEK 13.8 million (12.7), corresponding to 13 percent (13) of sales.

Research and development costs for the year amounted to SEK 16.6 million (16.9), corresponding to 16 percent (17) of sales. Of the development costs, SEK 12.8 million (7.3) have been capitalized as an intangible asset.

Operating profit for the year amounted to SEK 20.0 million (15.2), corresponding to an operating margin of 19 percent (15). Depreciation and amortization burdened the cost of goods sold by SEK 0.3 million (0.3), sales costs by SEK 5.1 million (2.9), administration costs by SEK 4.7 million (3.9)

and research and development costs by SEK 6.8 million (8.1). Sales costs include amortization on the part of the SenseGraphics acquisition that was classified as customer contracts, amounting to SEK 43.8 million. This amount will be amortized over a ten year-period, by an amount of SEK 4.4 million per year, with the total for the year being SEK 4.4 million (2.2). Depreciation attributable to the application of IFRS 16 amounts to SEK 3.8 million (3.0), this being included in its entirety under administration costs. In the second quarter, the company's lease in Gothenburg was extended until May 31, 2022 and in Minneapolis until December 31, 2023.

EBITDA amounted to SEK 37.0 million (30.4), corresponding to an EBITDA margin of 35 percent (30).

Net profit for 2020 amounted to SEK 15.6 million (12.6). The tax expense for the year of SEK 4.1 million (2.6) consists of estimated tax on profit for the year and a change in deferred tax assets. SenseGraphic's net profit for the first six months of 2019 amounted to SEK 14.9 million (pro forma, not IFRS).

Cash flow

For 2020, cash flow from operating activities amounted to SEK 23.2 million, compared with SEK 55.2 million for 2019. Cash flow from changes in working capital amounted to a negative SEK 5.8 million (positive 25.6). During the year, inventories were built up to safeguard future deliveries of the company's simulators. This mainly involved certain electronic components, where subcontractors had previously flagged for future delivery problems. In addition, it has only been possible to postpone long orders of certain critical input goods placed at the end of 2019 to a limited extent.

In the first quarter, a total SEK 12.7 million was paid into the company's tax account to cover the profit for 2019, this amount was reported as an operating receivable. SEK 9.1 million of this amount fell due in September.

Cash flow from investing activities amounted to an outflow of SEK 8.7 million (210.3), mainly comprising development costs related to the company's software. The figure for the preceding year includes the acquisition of SenseGraphics for SEK 201.4 million.

Cash flow from financing activities amounted to an inflow of SEK 4.2 million (185.8), of which an outflow of SEK 3.8 million (3.0) was attributable to amortizations of lease liabilities in accordance with IFRS 16. During the year, the company's 2017/20 Warrants Program was redeemed, with Surgical Science raising proceeds of SEK 7.9 million, while the company's 2020/23 Warrants Program was implemented, with the company raising SEK 1.5 million (for options programs, see also Note 4). The figure for the preceding year includes a directed new issue of SEK 200 million in connection with the acquisition of SenseGraphics.

Financial standing

As of December 31, 2020, the Group's cash and cash equivalents amounted to SEK 87.2 million, shareholders' equity was SEK 427.0 million and the equity/assets ratio was 90 percent. As of December 31, 2019, the Group's cash and cash equivalents amounted to SEK 69.2 million, shareholders' equity was SEK 401.7 million and the equity/assets ratio was 88 percent. As of December 31, 2020 shareholders' equity per share amounted to SEK 12.38 (11.95).

Parent Company

During the third quarter, the Parent Company, Surgical Science Sweden AB, provided a shareholder contribution, equivalent to SEK 14.6 million, to the US subsidiary Surgical Science, Inc. This did not increase the value of the Parent Company's holding in the subsidiary by the same amount, the corresponding amount is instead presented as an impairment of shares in subsidiaries in the Parent Company's income statement. The shareholder contribution and the corresponding impairment have no effect on consolidated profit or shareholders' equity.

The dormant subsidiary in Canada was liquidated in the fourth quarter. In the Parent Company, this had the effect of a write-down of shares in subsidiaries of SEK 0.1 million and a write-down of internal receivables of SEK 0.5 million, which is found in net financial items. The items have no effect on consolidated profit or shareholders' equity.

OUTLOOK

Surgical Science maintains its strategy with two separate business areas. Educational Products focuses on customers in education and training, who use the products: LapSim®, EndoSim®, TeamSim® and Simball Box® to increase patient safety through effective training, the results of which can be measured objectively. The simulators are developed by the company and validated over many years by customers through clinical studies. The other business area, Industry/OEM, mainly makes use of Surgical Science's software resources, which allow medical technology companies to integrate simulation into their clinical products. This makes it possible to generate a return on Surgical Science's development work over more than 20 years, and this is the area in which the company perceives the strongest future growth. The business model comprises a consulting fee for adaptation/integration with the customer's products (surgical robots, for example) and subsequently a software license per unit. Surgical Science retains full copyright on its product.

Underlying growth in the market for medical simulation is favorable. The largest market for medical simulation is the US, followed by Europe and Asia. Over the next few years, growth is expected to be strongest in countries where driving forces include economic development, an increased focus on patient

safety and a large population, such as China and India. The market for robot-assisted surgery is expected to grow faster than other parts of the market.

Entering 2020, the overarching objectives for Surgical Science were defined as:

- increasing the number of customers in Industry OEM who use the company's technology on license, while also expanding the content delivered to existing customers in the business area
- achieving the growth target for Educational Products with a continued local presence, increased efficiency in sales processes, as well as distributor support and management
- being prepared to make further acquisitions when the time is right.

Given the prevailing Covid-19 pandemic, it was announced in connection with the interim report for the first quarter that the company's assessment was that Educational Products would not meet the growth target for 2020.

THE COMPANY IN BRIEF

Operations

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

Vision

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

Financial targets

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

The Educational Products business area is expected to grow by an average 15 percent annually over the period. The

Industry/OEM business area is expected to grow more unevenly depending on when new assignments are received and license payments commence. The target also presupposes that customers in the area release their products (mainly surgical robots but also other complicated medical technology products) to the market and start generating sales.

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

Strategy

Surgical Science will continue to develop the products LapSim®, EndoSim®, TeamSim® and Simball® Box as the obvious choices for customers in a world where training and certification are mandatory. From the outset, Surgical Science has worked closely with leading university hospitals in developing the company's products. Surgical Science's simulators have also been validated in a number of published studies demonstrating that the knowledge acquired by the surgeon through training with the company's products also transfers to the actual operating room. Surgical Science advocates mandatory simulation in surgeon training and for future surgeons to be certified before performing their first operation on a human patient.

Besides developing proprietary products, a strategic priority looking forward is to work with simulation solutions for medical technology companies that develop surgical instruments for clinical use. As a result of the 20 years of research and development behind the world's most advanced, computer-based laparoscopy and endoscopy simulations, Surgical Science's software resources can be applied beyond the proprietary products. One of the macro trends in healthcare driving this development is digitization, which allows simulation software to be applied directly in medical technology products without separate hardware. Another macro trend is increasing patient safety awareness, especially for new technologies, which is reflected in, among other things, regulatory authorities' demands for verified surgeon training solutions when approving clinical uses for new surgical robots, for example.

OTHER INFORMATION

Parent Company

Surgical Science Sweden AB is the Parent Company in which most of the Group's operations in the Educational Products business area are conducted, with the exception of those conducted by the US sales company and, to a lesser extent, by Simball Systems AB. The operations of the Industry/OEM business area are mainly conducted in the subsidiary SenseGraphics AB in Stockholm.

Organization and personnel

At the end of the period, there were 61 (58) employees, of whom 15 (15) were women and 46 (43) men. Of these, 47 (42) were employed in Sweden, 4 (6) in the US, 2 (3) in China, 4 (3) in Germany, 1 (1) in Dubai, 1 (1) in France, 1 (1) in Poland and 1 (1) in the UK.

As the result of an organizational change implemented on January 1, 2021, the former Director of Sales Educational Products, Anders Melander, has transferred to the position of Chief Medical Officer. At the same time, the sales organizations for the two business areas have been merged into a single organization under the same manager. Martin Jansson has been appointed to this role as Global Head of Sales. Martin was previously head of Surgical Science's sales company in the US.

Following the acquisition of Mimic Technologies, Jeff Berkley, who founded Mimic and was CEO of the company, has transitioned to a global role as Chief Innovation Officer for the Surgical Science Group. Jan Östman, former Director Global Accounts Industry/OEM at Surgical Science, has been appointed President of Mimic Technologies and Surgical Science, Inc.

Information on transactions with related parties

In addition to his Board fees, Board Member Thomas Eklund received consulting fees of SEK 248 thousand during the second quarter of 2020 for his work on acquisition strategies during the year.

In his capacity as Head of the Industry/OEM business area, Board Member Tommy Forsell has received consulting fees of SEK 1.2 million for 2020. This consulting agreement ended on August 31, 2020, and Tommy Forsell now works for the company in his capacity as a Board Member.

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

Proposed appropriation of profits

The Board of Directors intends to propose to the Annual General Meeting that no dividend be paid in 2021, that is, SEK 0.00/share.

Risk management

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

The most significant strategic and operational risks affecting Surgical Science's operations and sector are described on page 36 of the company's 2019 Annual Report. The principal

risks and uncertainties include market risks, competitors, sector collaborations and employees. To all intents and purposes, the risks reported by the company and outlined in the Annual Report, are judged to have remained unchanged.

Seasonal effects

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

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

Warrants program redeemed, share split implemented and new warrants program issued

In February 2020, Surgical Science's 2017/20 warrants program was redeemed by the holders, which resulted in the number of shares in the company increasing by 174,600 to 6,898,952. Consequently, the share capital increased by SEK 43,650 to SEK 1,724,738. The redemption resulted in the dilution of the total number of shares and votes by about 2.5 percent, and Surgical Science raised SEK 7,857,000 in cash.

The Annual General Meeting on May 6, 2020 resolved to implement a 5:1 share split. The Annual General Meeting authorized the Board of Directors to determine the record date for the split, with this being set as May 26, 2020. The split entailed the number of shares in Surgical Science Sweden AB (publ) increasing from 6,898,952 to 34,494,760.

Surgical Science's Annual General Meeting on May 6, 2020 also resolved to establish a new incentive program for company employees. The incentive program allowed company employees to acquire warrants for a premium of SEK 6.60 each. Each warrant entitles the holder to subscribe for one share in the company for SEK 85.10 during the period May 15 – July 15, 2023. Of the program's maximum 300,000 warrants, 225,000 have initially been subscribed. Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 15,000 and the number of shares by 300,000, corresponding to the dilution of the total number of shares and votes by about 0.9 percent.

Comments regarding Covid-19

Surgical Science has not availed itself of any of the support subsidies that can be applied for, with the exception of a reduction in employer contributions (March-June), with this having a total effect of SEK 0.9 million.

In the interim report for the first quarter, it was communicated that the rapid development of the Covid-19 pandemic made it difficult to produce a reliable forecast for the second quarter. Based on sales level at that time and on a rapid recovery not being expected, the assessment communicated was that the second quarter would be very weak. It was anticipated that sales would be impacted heavily and that profitability would be negative. It was also not expected that the growth target of 15 percent for Educational Products would be achieved in 2020.

Performance in the second quarter was ultimately better than expected, particularly for Industry/OEM. According to the comments in the second quarter interim report, assessing the impact of the Covid-19 pandemic on Surgical Science's sales for the rest of 2020 remained very difficult. A rapid recovery in the autumn was not expected. It was hoped that the level of activity could be raised regarding proprietary products within Educational Products, but as the company works with extended sales cycles, it is difficult to say what the future effects will be of the lower level of activity earlier in the pandemic. Within Industry/OEM, license revenues for the second quarter were higher than expected, although considerable uncertainty was also expressed here regarding the remainder of the year.

Educational Products demonstrated its strength during the third quarter, achieving a slight increase in sales compared with the preceding year. Sales in Industry/OEM decreased, mainly due to lower sales from the company's largest customer within robotic surgery.

As stated heading into the fourth quarter, the outlook for the rest of 2020 expressed in the second quarter interim report remained valid for the final quarter of the year. The company was not convinced that the fourth quarter, which historically generates about 40 percent of the year's sales, would be as usual in 2020 because of Covid-19. Uncertainty prevailed regarding the Chinese market, with signs that sales could jump between quarters in the wake of the pandemic.

Nomination Committee

The following people have been appointed to be part of Surgical Science's Nomination Committee for the 2021 Annual General Meeting:

Åsa Hedin, appointed by Marknadspotential AB
Tommy Forsell, appointed by Landsnora Software AB
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 less than 43 percent of all shares in the company as of September 30, 2020.

The Nomination Committee shall prepare proposals on the following matters and submit these to 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.

Annual General Meeting and Annual Report

The Annual General Meeting of Surgical Science Sweden AB (publ) will be held on 12 May 2021 at 5:00 p.m. (CET) at the company's premises in Gothenburg, Sweden. Shareholders wishing to have a matter considered by the Meeting may request this in writing from the Board of Directors. Such requests for matters to be addressed shall be submitted to Surgical Science Sweden AB (publ), Att.: Chairman of the Board, Drakegatan 7A, SE-412 50 Gothenburg, and must be received by the Board of Directors no later than seven weeks prior to the Meeting and, in all instances, sufficiently early that the matter, if necessary, can be included in the notice convening the Meeting.

Surgical Science's 2020 Annual Report is expected to be available for download from Surgical Science's website at the beginning of the week commencing April 19.

Events after the balance sheet date

On January 20, 2021, a conditional agreement was entered into to acquire all of the shares in Mimic Technologies Inc. ("Mimic") for an initial purchase consideration of USD 18 million (approximately SEK 150 million) on a cash and debt-free basis. In addition, a maximum USD 15.6 million (approximately SEK 130 million) may be paid as a deferred contingent consideration linked to predetermined sales levels in 2021, 2022 and 2023. Accordingly, the total purchase consideration that may be payable if all of the conditions are met, amounts to a maximum of USD 33.6 million (approximately SEK 281 million). The acquisition provides Surgical Science with an additional customer base in robotic surgery, contributes data collection/analysis technology and significantly strengthens the presence in the important US market. In 2019, Mimic generated sales of USD 6.0 million with a marginally positive operating profit and net profit. In 2020, sales fell sharply, mainly due to Covid-19, which affected Mimic's hardware sales, but also

due to the lack of license sales to the former largest customer, Intuitive. At the same time, new customers, such as Medtronic and Medtronic, had yet to commence sales of their robots. Sales for 2020 amounted to USD 2.1 million, with net loss of approximately USD 3.0 million.

To finance the acquisition, a private placement was implemented, with several new and existing Swedish and international institutional investors, including: Aktia Asset Management, Funds managed under the Lloyd Fonds brand, Handelsbanken Fonder, Joh. Berenberg, Gossler & Co. KG, Nordea Asset Management, Swedbank Robur Fonder and TIN Fonder subscribing for shares. The new share issue amounted to approximately SEK 322 million before transaction-related costs. The net proceeds from the private placement will be used to finance the purchase consideration in connection with the acquisition of Mimic and for strategic corporate purposes.

The transfer of ownership took place on January 27, 2021, once all of the terms of transfer had been met. In addition to Mimic Technologies, Inc., a dormant company, Mimic Medical Education and Development LLC, was included in the acquisition. The companies will be consolidated within Surgical Science as of the transfer date.

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

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

Assurance

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

Gothenburg, February 11, 2021

Board of Directors

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

Financial reports

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

The following reports are planned for release:

Interim report January–March 2021:

Tuesday, May 11, 2021

Interim report January–June 2021:

Friday, August 20, 2021

Interim report January–September 2021:

Wednesday, February 10, 2021

Year-end report 2021:

Wednesday, February 16, 2022

Marketplace and Certified Adviser

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

Please address any questions to

Gisli Hennermark, CEO

Phone: +46 70-420 83 00

gisli.hennermark@surgicalscience.com

Anna Ahlberg, CFO

Phone: +46 70-855 38 35

anna.ahlberg@surgicalscience.com

This is information that Surgical Science Sweden AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons above, on February 11, 2021 at 8:30 a.m. (CET).

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

CONSOLIDATED INCOME STATEMENTS

SEK thousands	January – December		October – December	
	2020	2019	2020	2019
Net sales	104,799	101,515	39,595	39,254
Cost of goods sold	-16,435	-17,935	-7,070	-6,302
Gross profit	88,364	83,580	32,525	32,952
Sales costs	-36,658	-38,093	-10,434	-11,694
Administration costs	-13,771	-12,697	-4,108	-3,026
Research and development costs	-16,567	-16,947	-4,457	-5,607
Other operating income and costs	-1,394	-666	-883	-205
Operating profit	19,974	15,177	12,643	12,420
Financial income and costs	-315	71	-173	-362
Profit after financial items	19,659	15,248	12,470	12,058
Taxes	-4,053	-2,650	-1,910	-2,817
Net profit	15,606	12,598	10,560	9,241
Attributable to				
Parent Company shareholders	15,606	12,598	10,560	9,241
Earnings per share, SEK	0.45	0.45	0.31	0.27
Earnings per share, SEK*	0.45	0.43	0.31	0.27
Amortization of intangible assets	-12,086	-11,221	-2,936	-3,367
Depreciation of tangible assets	-4,890	-3,967	-1,226	-1,229

* After dilution. See Note 4 for information regarding warrant programs. | 5:1 share split implemented in May 2020. Comparison figures for earnings per share have been recalculated.

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

SEK thousands	January – December		October – December	
	2020	2019	2020	2019
Net profit	15,606	12,598	10,560	9,241
Other comprehensive income				
<i>Items that have been or can be reclassified to net profit</i>				
Translation differences on translation of foreign operations	425	-155	151	593
Total other comprehensive income	425	-155	151	593
Comprehensive income	16,031	12,443	10,711	9,834
Attributable to				
Parent Company shareholders	16,031	12,443	10,711	9,834

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Dec 31, 2020	Dec 31, 2019
ASSETS		
Fixed assets		
Capitalized expenditure for product development	24,787	23,219
Patents, trademarks, concessions	870	1,847
Customer contracts	37,247	41,629
Goodwill	260,492	260,492
Tangible fixed assets	8,548	9,071
Deferred tax assets	6,724	6,972
Other financial fixed assets	211	211
Total fixed assets	338,879	343,441
Current assets		
Inventories	12,459	7,188
Accounts receivable	18,590	17,065
Other current receivables	4,535	2,939
Prepaid expenses and accrued income	10,653	16,363
Cash and cash equivalents	87,157	69,217
Total current assets	133,394	112,772
TOTAL ASSETS	472,273	456,213
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity, attributable to Parent Company shareholders	427,049	401,676
Long-term liabilities	13,946	14,955
Current liabilities	31,278	39,582
Total liabilities	45,224	54,537
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	472,273	456,213

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

SEK thousands	Attributable to Parent Company shareholders				Total shareholders' equity
	Share capital	Other capital contributions	Provisions	Profit and loss carried forward, incl. profit for the year	
Opening balance, January 1, 2019	1,216	106,932	-130	-28,635	79,383
Profit for the year				12,598	12,598
Other comprehensive income for the year			-155		-155
Non-cash issue	174	119,826			120,000
Cash issue	291	199,709			200,000
Issue costs		-10,150			-10,150
Closing balance, December 31, 2019	1,681	416,317	-285	-16,037	401,676
Opening balance, January 1, 2020	1,681	416,317	-285	-16,037	401,676
Profit for the year				15,606	15,606
Other comprehensive income for the year			425		425
Redemption of options	44	7,813			7,857
Warrant premiums received		1,485			1,485
Closing balance, December 31, 2020	1,725	425,615	140	-431	427,049

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

SEK thousands	January – December		October – December	
	2020	2019	2020	2019
Operating activities				
Profit before financial items	19,974	15,177	12,643	12,419
Adjustment for non-cash items, etc.	18,270	15,232	5,139	5,728
Interest paid/received	-108	-103	-	-17
Tax paid	-9,070	-679	-	-679
Cash flow from operating activities before changes in working capital	29,066	29,627	17,782	17,451
Changes in working capital				
Increase (-)/Decrease (+) in inventories	-5,271	-2,439	3,445	-729
Increase (-)/Decrease (+) in operating receivables	1,861	22,981	-7,563	-3,625
Increase (+)/Decrease (-) in operating liabilities	-2,431	5,033	2,990	-5,205
Cash flow from changes in working capital	-5,841	25,575	-1,128	-9,559
Cash flow from operating activities	23,225	55,202	16,654	7,892
Investing activities				
Investments in tangible fixed assets	-399	-322	-234	9
Investments in intangible fixed assets	-8,295	-8,593	-876	-2,563
Investment in business	-	-201,388	-	-
Cash flow from investing activities	-8,694	-210,303	-1,110	-2,554
Financing activities				
Changes in long-term debts	-1,321	-1,086	-1,321	-2,352
Amortization of lease liabilities	-3,816	-2,985	-965	-847
New share issue	-	200,000	-	-
Expenses new share issue	-	-10,150	-	-
Redemption of options	7,857	-	-	-
Warrant premiums received	1,485	-	-	-
Cash flow from financing activities	4,205	185,779	-2,286	-3,199
Cash flow for the period	18,736	30,678	13,258	2,139
Opening cash and cash equivalents	69,217	38,497	74,652	67,464
Exchange-rate difference in cash and cash equivalents	-796	42	-753	-386
Closing cash and cash equivalents	87,157	69,217	87,157	69,217

KEY FIGURES, GROUP

	January – December		October – December	
	2020	2019	2020	2019
Net sales growth, %	3.2	54.5	0.9	51.4
Gross margin, %	84.3	82.3	82.1	83.9
EBITDA margin, %	35.3	29.9	42.4	43.3
Operating margin, %	19.1	15.0	31.9	31.6
Profit margin, %	14.9	12.4	26.7	23.5
Equity/assets ratio, %	90.4	88.0	90.4	88.0
Shares outstanding at end of the period	34,494,760	33,621,760	34,494,760	33,621,760
Shares outstanding at end of the period*	34,521,049	34,515,695	34,521,049	34,515,695
Average shares outstanding	34,370,387	28,195,405	34,494,760	33,621,760
Average shares outstanding*	34,370,387	29,048,680	34,507,403	34,500,770
Shareholders' equity per share, SEK	12.38	11.95	12.38	11.95
Shareholders' equity per share, SEK*	12.37	11.64	12.37	11.64
Dividend per share, SEK	0.00**	0.00	0.00**	0.00
Share price on the balance sheet date, SEK**	93.50	84.80	93.50	84.80
Average number of employees	57	45	58	54

* After dilution. See Note 4 for information regarding warrant programs. | Proposal by the Board of Directors' to the 2021 Annual General Meeting. | 5:1 share split implemented in May 2020. Share data comparison figures have been recalculated. | See page 17 for definitions of key figures.

CONSOLIDATED INCOME STATEMENTS BY QUARTER

SEK thousands	Oct – Dec 2020	Jul – Sep 2020	Apr – Jun 2020	Jan – Mar 2020	Oct – Dec 2019	Jul – Sep 2019	Apr – Jun 2019	Jan – Mar 2019
Net sales	39,595	24,929	20,621	19,654	39,254	32,294	16,140	13,827
Cost of goods sold	-7,070	-3,418	-2,755	-3,192	-6,302	-4,255	-3,942	-3,436
Gross profit	32,525	21,511	17,866	16,462	32,952	28,039	12,198	10,391
Sales costs	-10,434	-7,765	-8,565	-9,894	-11,694	-10,042	-8,058	-8,299
Administration costs	-4,108	-2,864	-3,839	-2,960	-3,026	-3,928	-2,036	-3,707
Research and development costs	-4,457	-2,899	-3,888	-5,323	-5,607	-4,445	-3,657	-3,238
Other operating income and costs	-883	-682	-737	908	-205	-123	-123	-215
Operating profit/loss	12,643	7,300	838	-807	12,420	9,501	-1,676	-5,068
Financial income and costs	-173	-62	-621	541	-362	294	15	124
Profit/loss after financial items	12,470	7,238	217	-266	12,058	9,795	-1,661	-4,944
Taxes	-1,910	-1,295	-430	-418	-2,817	389	-112	-110
Net profit/loss	10,560	5,943	-213	-684	9,241	10,184	-1,773	-5,054
Attributable to								
Parent Company shareholders	10,560	5,943	-213	-684	9,241	10,184	-1,773	-5,054
Earnings per share, SEK	0.31	0.17	-0.01	-0.02	0.27	0.33	-0.07	-0.21
Earnings per share, SEK*	0.31	0.17	-0.01	-0.02	0.27	0.32	-0.07	-0.21
Average shares outstanding	34,494,760	34,494,760	34,494,760	33,995,905	33,621,760	30,520,985	24,319,440	24,319,440
Average shares outstanding*	34,507,403	34,494,760	34,494,760	33,995,905	34,500,770	31,355,110	25,016,250	24,956,710
Shares outstanding at end of period	34,494,760	34,494,760	34,494,760	34,494,760	33,621,760	33,621,760	24,319,440	24,319,440
Shares outstanding at end of period*	34,521,049	34,494,760	34,494,760	34,494,760	34,515,695	34,473,455	25,069,980	24,960,485

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

PARENT COMPANY INCOME STATEMENTS

SEK thousands	January – December		October – December	
	2020	2019	2020	2019
Net sales	49,449	63,578	23,803	22,110
Cost of goods sold	-12,694	-16,469	-6,108	-5,373
Gross profit	36,755	47,109	17,695	16,737
Sales costs	-17,537	-19,728	-6,225	-4,977
Administration costs	-11,058	-10,776	-3,480	-2,495
Research and development costs	-12,944	-14,322	-3,695	-3,766
Other operating income and costs	-484	-602	-631	-206
Operating profit	-5,268	1,681	3,664	5,293
Impairment of shares in subsidiaries	-14,700	-	-101	-
Financial income and costs	-493	180	-484	-334
Profit after financial items	-20,461	1,861	3,079	4,959
Appropriations (contributions from Group companies)	5,921	-91	5,921	-91
Taxes	-103	1,382	-1,939	-1,347
Net profit	-14,643	3,152	7,061	3,521
Amortization of intangible assets	-7,545	-9,020	-1,801	-2,268
Depreciation of tangible assets	-948	-834	-237	-229

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

CONDENSED PARENT COMPANY BALANCE SHEETS

SEK thousands	Dec 31, 2020	Dec 31, 2019
ASSETS		
Fixed assets		
Capitalized expenditure for product development	21,106	21,598
Patents, trademarks, concessions	870	1,847
Tangible fixed assets	2,174	2,871
Participations in Group companies	338,449	338,551
Long-term receivables from Group companies	-	8,162
Deferred tax assets	6,660	6,764
Total fixed assets	369,259	379,793
Current assets		
Inventories	11,988	6,753
Accounts receivable	13,251	11,012
Current receivables from Group companies	14,086	13,612
Other current receivables	831	2,478
Prepaid expenses and accrued income	1,387	3,580
Cash and bank balances	14,849	17,743
Total current assets	56,392	55,178
TOTAL ASSETS	425,651	434,971
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	408,222	413,028
Long-term liabilities	1,965	3,286
Current liabilities	15,464	18,657
Total liabilities	17,429	21,943
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	425,651	434,971

NOTE 1 ACCOUNTING PRINCIPLES

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

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

NOTE 2 GROUP OPERATING SEGMENTS

SEK thousands	January – December		October – December	
	2020	2019	2020	2019
Educational Products	47,668	N/A	18,746	22,771
Industry/OEM	57,131	N/A	20,849	16,483
Net sales*	104,799	101,515	39,595	39,254

SEK thousands	January – December		October – December	
	2020	2019	2020	2019
Nordic Region	4,888	4,733	2,711	998
Rest of Europe	27,662	21,893	13,310	11,284
North and South America	58,813	42,115	18,546	16,948
Asia	7,829	27,269	1,925	8,427
Other	5,607	5,504	3,103	1,596
Net sales	104,799	101,515	39,595	39,254

*Surgical Science began applying the operating segment sales per business area as of July 1, 2019.

NOTE 3 FINANCIAL INSTRUMENTS

SEK thousands	Dec 31, 2020	Dec 31, 2019
Financial assets	114,972	86,793
Financial liabilities	15,336	11,090

The Group's financial assets and liabilities are valued at amortized cost. The carrying amount is considered to be a reasonable approximation of the fair value of the Group's assets and liabilities in the balance sheet.

NOTE 4 WARRANT PROGRAMS

Surgical Science's Annual General Meeting on April 20, 2017 resolved to establish an incentive program, including at most 200,000 warrants for company employees. Each warrant entitled the holder to subscribe for one share in the company for SEK 45 during the period January – May 2020. A total of 174,600 warrants were subscribed within the program.

In February 2020, the warrant program was redeemed by the holders, resulting in the shares in the company increasing by 174,600, to 6,898,952 shares. Consequently, the share capital increased by SEK 43,650 to SEK 1,724,738. The redemption resulted in the dilution of the total number of shares and votes by about 2.5 percent, and Surgical Science raised SEK 7,857,000 in cash.

Following the redemption, a 5:1 share split has been implemented.

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

The incentive program includes 300,000 warrants at most. During the period June-December 2020, the average share price was below the strike price for the warrants program, with no dilution effect arising. The average share price for the period October-December 2020, as well as the closing price on the balance sheet date exceeded the strike price for the warrants program. The dilution effect has been calculated at 12,643 shares for October-December 2020 and at 26,289 shares per the balance sheet date. Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 15,000 and the number of shares by 300,000, corresponding to the dilution of the total number of shares and votes by about 0.9 percent.

DEFINITIONS OF KEY FIGURES

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

Net sales growth

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

Gross margin

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

EBITDA

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

Operating margin

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

Profit margin

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

Equity/assets ratio

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

Shareholders' equity per share

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

Earnings per share

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

Average number of shares

The weighted average number of shares outstanding during the period.

Average number of shares after dilution

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

GLOSSARY

Endoscopy

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

Haptics

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

Keyhole surgery / Laparoscopy / Minimally invasive surgery

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

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

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

Suturing

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



OVERVIEW OF BUSINESS AREAS



EDUCATIONAL PRODUCTS

PRODUCTS

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

CUSTOMERS

Mainly university hospitals and other major hospitals.

SALES CHANNELS AND REVENUE MODEL

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

INDUSTRY/OEM

PRODUCTS

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

CUSTOMERS

Medical technology companies.

SALES CHANNELS AND REVENUE MODEL

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

COMMON INTELLECTUAL PROPERTY RIGHTS

20 years of expertise in medical simulation

SHARED DEVELOPMENT ORGANIZATION

Scalability and efficiency

KNOWLEDGE EXCHANGE

Between industry and academia

ADDRESSES

Head office

Surgical Science Sweden AB (publ)
Drakegatan 7A
SE-412 50 Gothenburg
Sweden
Phone: +46 31 741 65 60
e-mail: info@surgicalscience.com

SenseGraphics AB
Borgarfjordsgatan 6B
SE-164 55 Kista
Sweden
Phone: +46 31 741 65 60

Mimic Technologies, Inc.
811 First Ave, Suite 408
Seattle, WA 98104
USA
Phone: +1 800 918 1670

Sales Office USA

Surgical Science, Inc.
7831 E Bush Lake RD, Suite 100
Minneapolis, MN 55439
USA
Phone: +1 952 457 8704

Sales Office China

Surgical Science
Rm2103, Aoxinya Mansion, Caitian South Road
Futian District, Shenzhen
China
Phone: +86 755 23985994

Sales Office Dubai

Phone: +971 56 714 0667

www.surgicalscience.com

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