



INTERIM REPORT JANUARY – JUNE 2024



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. The simulators enable surgeons and other medical specialists to train and improve their psycho-motor skills and instrument handling before entering the clinical environment. Alongside proprietary products, Surgical Science works with

simulation solutions for medical device companies that develop instruments for clinical use, such as robotic surgery.

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

REBOUND FOR EDUCATIONAL PRODUCTS, STRONG INDUSTRY/OEM

Second quarter 2024 (April – June)

- Net sales amounted to SEK 212.5 (216.2) million, a decrease of 2 percent compared with the corresponding period in the preceding year.
- License revenue amounted to SEK 67.1 (75.7) million and accounted for 32 (35) percent of net sales.
- The gross margin was 68 (68) percent.
- Operating profit amounted to SEK 33.4 (47.5) million.
- Net profit amounted to SEK 28.6 (38.8) million, corresponding to earnings per share of SEK 0.56 (0.76).
- Cash flow from operating activities amounted to SEK 30.0 (85.1) million. As of June 30, 2024, cash and cash equivalents amounted to SEK 667.1 million (574.4).

First half of 2024 (January – June)

- Net sales amounted to SEK 400.7 (445.3) million, a decrease of 10 percent compared with the preceding year.
- License revenue amounted to SEK 130.3 (146.3) million and accounted for 33 (33) percent of net sales.
- The gross margin was 67 (69) percent.
- Operating profit amounted to SEK 59.4 (100.8) million.
- Net profit amounted to SEK 52.4 (88.6) million, corresponding to earnings per share of SEK 1.03 (1.74).
- Cash flow from operating activities amounted to SEK 58.5 (145.6) million.

Key figures

	January – June		April – June		Full year 2023
	2024	2023	2024	2023	
Net sales, SEK million	400.7	445.3	212.5	216.2	882.9
Operating profit (EBIT), SEK million	59.4	100.8	33.4	47.5	189.2
Adjusted EBIT, SEK million	71.5	112.9	39.5	53.6	213.6
Adjusted EBIT margin, %	17.8	25.4	18.6	24.8	24.2
Profit after financial items, SEK million	65.6	97.4	37.8	42.4	268.3
Net profit, SEK million	52.4	88.6	28.6	38.8	234.0
No. employees at end of period	265	259	265	259	260
Equity/assets ratio, %	92.6	90.9	92.6	90.9	92.4
Earnings per share, SEK	1.03	1.74	0.56	0.76	4.59
Equity per share, SEK	90.02	87.75	90.02	87.75	85.16
Share price on the balance sheet date, SEK	125.10	241.20	125.10	241.20	182.50
Market value on balance sheet date, SEK million	6,383.4	12,307.5	6,383.4	12,307.5	9,312.3

For definitions, see page 20.



A MESSAGE FROM THE CEO

During the second quarter, the turnaround came. After a challenging 2023 and a cautious start to 2024, hospitals began to invest again. Educational Products ended the quarter strong and has gained further momentum at the beginning of the fall. Industry/OEM continued to deliver at full throttle due to the medical device companies' demand for simulators, with this revenue stream growing by 230 percent. Industry/OEM grew by 15 percent, although licensing revenue, SEK 67 million in the quarter, decreased by SEK 9 million compared to the same period in 2023. Robotic surgery is growing strongly, and Surgical Science's leadership in simulation for this market is well-established.

After a couple of quarters of declining sales for Educational Products, the situation has now turned around. Larger procurements have returned. The quarter started slowly, but the momentum gradually increased and the positive trend has continued during the the third quarter. In terms of sales, this business area reached SEK 110 (127) million, which is slightly below the corresponding period in 2023. Asia and some countries in Europe performed especially well. The US had a stable quarter, roughly on a par with 2023. Fall has started well and several major EU-funded procurements in Eastern Europe will be completed in the second half of 2024. China was another bright spot with good sales in the second quarter. There are now massive state funding programs to upgrade medical equipment in hospitals that can be used to improve patient safety. However, China remains difficult to forecast, which means that we cannot predict the coming quarters with certainty. It will be something of a race against the clock to achieve growth in Educational Products for 2024 as a whole. We are now uncertain whether we can reach the SEK 518 million in turnover that this business area achieved in 2023. This will be determined by the timing of deliveries for the business we see in our pipeline and whether we will win a specific, unusually large, procurement.

In robotic surgery, the quarter generated SEK 67 (76) million in license revenue. This is an 11-percent (or SEK 9 million) decrease compared to the comparative quarter. Market leader Intuitive has had a fantastic 2024 and the new generation robot, da Vinci 5, has been well received following FDA approval in March. The total installed base of robots grew by 14 percent to 9,200 systems, and the number of procedures performed by all of their robots grew by 17 percent in the second



quarter. In the collaboration with Intuitive, Surgical Science's revenue consists of both subscription revenue on the installed base and one-time revenue per robot console with simulation. The 70 da Vinci 5 systems sold in the US during the second quarter and those that will be sold during the remainder of the limited rollout in 2024 initially do not include any type of simulation. At the beginning of 2025, a number of updates will be released and then both new and existing da Vinci 5 systems will be equipped with simulation. Our teams are now working intensively together with Intuitive towards this timeline.

For other robotic surgery customers, 2024 has been slower than the previous year. These customers are in various phases of clinical trials, awaiting regulatory approvals, making technical adjustments based on input from end users, and have struggled with hospitals that are cautious with their budgets. The robot companies purchase the simulation licenses in packages from us, and these licenses have been consumed at a slower rate than expected in early 2024. Although the 11-percent decline in license revenue in the second quarter

“With this 28th quarterly report as CEO of Surgical Science since listing, it is soon time for me to hand over the reins. I would like to thank all our employees, customers, and shareholders for these years together.”

goes against the underlying market growth, we're not concerned. We know that sales to the new robotic surgery companies will come. Intuitive is powering ahead, despite not yet receiving simulation revenue for da Vinci 5, and the industry is growing. At the end of the quarter, we signed another contract with a promising European robotic surgery customer that will deliver both development revenue and license revenue in 2024.

The annual SRS (Society of Robotic Surgery) trade fair was held at the end of June, and Surgical Science had a strong presence with staff, speakers, booth, and a tech suite for private demonstrations of our latest innovations. The fair, which had a record number of participants and companies, was a success for robotic surgery and for Surgical Science. Some take-aways:

- a) Robotic surgery is set to enjoy strong growth, with general surgery in particular driving increased use and software such as simulation becoming an increasingly integrated part of companies' offerings.
- b) The market leader Intuitive has leapt ahead with the da Vinci 5, despite new challengers making significant technological advances.
- c) There will be increased acquisition activity within the robotic surgery industry.

Surgical Science is synonymous with simulation in this industry and is the only simulation company that had a booth at SRS. In private demos, we were now able to showcase a complete concept which allows the simulation on the consoles to be used more broadly with an ultra-portable HMD (Head Mounted Display) solution. This adds more value, increases license revenue per robot and makes us even more embedded with our customers. An initial order for a smaller test project has already been signed and will be delivered in the third quarter.

Industry/OEM, excluding robotic surgery, where we offer customized simulation solutions of both hardware and software for product-specific specialist training continued to develop well. Sales of simulators amounted to SEK 23 (7) million and the order intake remained healthy. The challenge with these projects is assessing time consumption and planning production so that we can deliver according to set schedules. This becomes much more complex compared to Educational Products because each customer has its own product-specific customized software and, for example, its own handles for our standardized simulators. For the first half of the year, we grew this business to SEK 58 (15) million and we're not seeing any slowdown in this high level of demand.

In terms of profitability, we are slightly down compared to the previous year, as the very profitable license revenue is lower and the cost base is larger. Despite the lower share of license revenue at 32 (35) percent, the gross margin was held at 68 (68) percent, which means that other revenue streams performed more profitably in the quarter than in the previous year. Operating costs increased by roughly 7 percent (SEK 7 million) compared to the comparison period. It is primarily sales and administration costs that are increasing. For an organization that is growing for the future, this is proof of continued good cost control. Wage inflation constitutes a large part of this cost increase. The adjusted EBIT margin fell by 6 percent to 19 (25) percent, which is natural given the increase in operating costs with roughly the same level of gross profit. The cash position increased by SEK 8 million during the period, which is somewhat weak given the SEK 33 million in operating profit. Accounting for some of the negative impact was the approximately SEK 12 million final payment for the acquisition of Mimic, increased inventory of ready-made simulators that could not be delivered during the quarter, and a reduction in operating liabilities.

With this, my 28th quarterly report as CEO of Surgical Science since listing, it will soon be time for me to hand over the reins. I'm immensely proud of how, in nine years, we've gone from a small cutting-edge technology company in Gothenburg to a world-leading innovator in a global niche market. As is usual in business, being a winner or loser is a combination of somewhat accurate analysis, having the courage to take calculated risks, and being on the right side of luck. Yet nothing is possible without having the right people who thrive in the company culture and share a common vision. Our new CEO, Tom Englund, is the right person to take the company further and lead us into the future. Simulation is still only in the early stages of its potential. As healthcare becomes digitalized and as the focus on patient safety increases, this market will grow for a long time to come. With good profitability and a large cash balance, we are in a good position to continue our work to consolidate the industry and build Surgical Science as *the* simulation company for healthcare. The first step is to achieve SEK 1.5 billion in sales with 40 percent adjusted EBIT by 2026. I would like to thank all our employees, customers, and shareholders for these years together.

Gothenburg, August 2024



Gisle Hennermark, CEO

Second quarter 2024 (April – June)

Net sales

Net sales for the second quarter of the year amounted to SEK 212.5 million (216.2), a decrease of 2 percent compared with the same period in the preceding year. Calculated in local currencies, sales decreased by 1 percent.

Of the sales for the quarter, SEK 110.1 (127.0) million consisted of sales within the Educational Products business area and SEK 102.4 (89.2) million within the Industry/OEM business area.

Educational Products

Sales within Educational Products decreased by 13 percent. Simulator sales amounted to SEK 91.6 (110.5) million and service revenue to SEK 18.5 (16.5) million.

Last quarter it was commented that there was a lack of large procurements in the previous quarter. Such procurements usually form the foundation for each quarter. The second quarter also started relatively sluggishly, but more and more deals were closed as the quarter went on. This means that the order book for Educational Products was larger at the end of the quarter than at its start. This positive momentum has continued into the third quarter and large procurements have returned.

As of 2024, note 2 on page 18 has been revised and expanded. Sales by region have also been separated into the respective business areas. In general, sales vary markedly between different countries and periods within Educational Products – when a major procurement is completed in one country, it is quite natural for there to be lower sales in that market in subsequent periods. It can therefore be difficult to draw general conclusions from comments for individual countries between periods.

Asia showed a small increase compared to the same quarter last year. The Chinese market was stronger, and smaller countries such as Thailand, Vietnam, and Taiwan also fared better than in the previous year. Japan had lower sales, while India was at the same level. Compared to the previous quarter, China and India showed an increase in sales, as did a couple of the smaller markets.

As previously commented, Asia has been badly affected for some time by the ongoing anti-corruption campaign in the Chinese healthcare sector. Although sales were good for the quarter, it is too early to say whether this trend will continue.

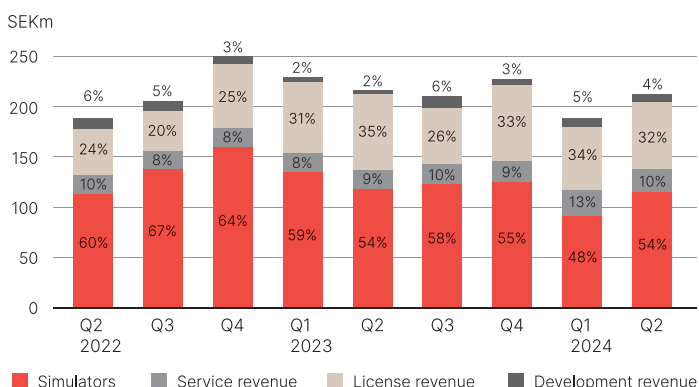
The Q1 report also mentioned that sales in India were affected by the then ongoing election, with activity and procurement being on hold in several sectors. It was also mentioned that India was expected to be negatively affected during the second quarter until a new administration was in place. India, which is a growth market for Surgical Science, is expected to develop positively during the second half of the year now that procurement has resumed.

Sales in Europe declined compared to the previous year. It was primarily the UK and Spain that had higher sales in 2023. France had good sales in the second quarter compared to the previous year, and most countries had higher sales than in the first quarter of 2024.

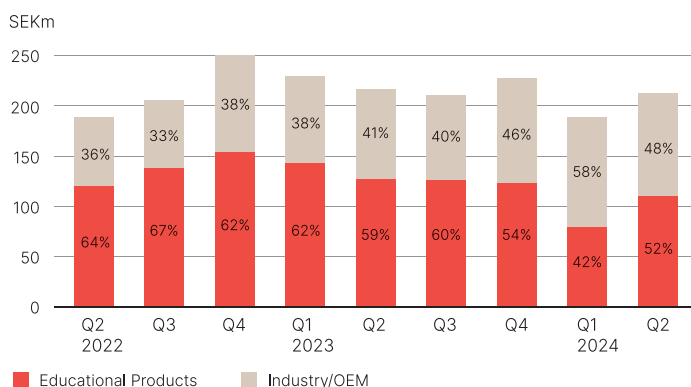
The US delivered sales in line with the first quarter, which was slightly lower than the same quarter last year. In total, the North and South America region was at the same level as in the first quarter, but lower than in the comparative quarter.

The region “Other” was at the same level as in the previous year, which was a marked increase compared to the previous quarter.

Revenue by revenue stream



Revenue by business area



Industry/OEM

Industry/OEM showed growth of 15 percent.

License revenue for the second quarter amounted to SEK 67.1 (75.7) million, which is a decrease of 11 percent compared with the same period in the preceding year. Sales accounted for 32 (35) percent of the company's total revenue.

Customers who have just started selling the products from which Surgical Science earns license revenue buy the licenses in packages, which means that this revenue varies more between quarters. License revenues that are tied to the installed base can also vary between quarters. Subscriptions are usually renewed once a year and the number of subscriptions to be renewed each quarter varies.

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

Development revenue was higher in the second quarter than in the corresponding quarter in the previous year (SEK 8.2 million compared with SEK 3.8 million). These revenues partly include revenue from robot projects, as well as from the adaptation or development of software linked to the sale of simulators, see below.

Sales of simulators to medical device companies for product-specific training continued to develop well and amounted to SEK 23.4 (7.0) million. This has been a focus area since the establishment of the new strategy at the end of 2022 and the expansion of the sales force, with a clear focus on offering several different products to the major key customers. Revenues are diversified between different customers and projects and, in several cases, Surgical Science's product development team has been able to combine products such as interventional ultrasound to new solutions to suit the customers' needs.

Simulator sales within Industry/OEM vary significantly more between quarters than the corresponding sales within Educational Products. Revenues 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 OEM customers where Surgical Science takes care of the shipping and servicing of their simulators (currently primarily in the US), amounted to SEK 3.7 (2.7) million.

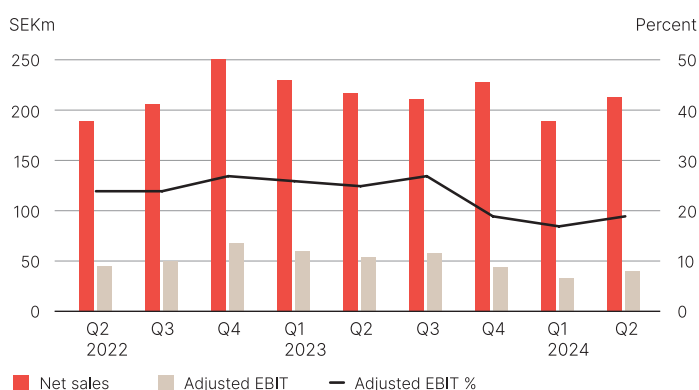
Costs and results

The cost of goods sold amounted to SEK 69.0 (69.5) million corresponding to a gross margin of 68 (68) percent. License revenue made up a lower share of total sales than the corresponding period in the preceding year, which had a negative effect on the margin. The product mix and average prices for proprietary simulators had a positive impact on the margin compared to the same period last year.

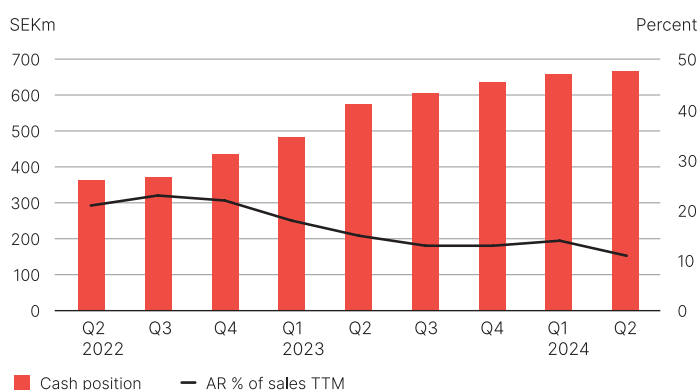
Sales costs amounted to SEK 42.3 (41.0) million corresponding to 20 (19) percent of sales. The previous year's figure includes an item of SEK 2.4 million that should have been classified as administration costs; adjusted for this item, the comparative figure was SEK 38.6 million. During the second quarter, there has been a high level of trade fair and congress activity, including the annual SRS (Society of Robotic Surgery) robot fair held in Florida in June.

Administration costs amounted to SEK 21.0 (15.4) million corresponding to 10 (7) percent of sales. Adjusted for the item referred to above, the comparative figure amounted to SEK 17.8 million. Costs for the quarter included a number of non-recurring items such as recruitment costs for a new CEO.

Adjusted EBIT



Cash position/Accounts receivable



Research and development costs for the year amounted to SEK 48.8 (48.5) million, corresponding to 23 (22) percent of sales.

Of the development costs, SEK 9.6 (6.6) million has been capitalized as an intangible asset.

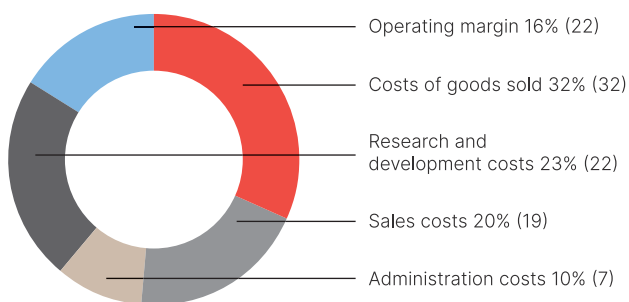
Outstanding warrant programs from 2022 and 2023 were charged against other operating costs for the quarter in the amount of SEK 1.0 (0.4) million. The amount represents a calculation of IFRS2 regarding the parts of the programs attributable to Israel and the US and is allocated across each program's term.

The Annual General Meeting in May 2024 approved another two warrants programs (see further information in Note 4 on pages 18 and 19). The programs had no impact on results in the second quarter of 2024 but will start to have an effect in the third quarter, in the same way as the programs approved in 2022 and 2023.

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

Operating profit for the second quarter amounted to SEK 33.4 (47.5) million, corresponding to an operating margin of 16 (22) percent.

Costs/margin as a percentage of sales*



* Other operating income and costs -1 (-2) percent

Depreciation and amortization burdened profit by SEK 14.4 (13.8) million in total. Depreciation and amortization burdened the cost of goods sold by SEK 0.5 (0.4) million, sales costs by SEK 4.7 (4.7) million, administration costs by SEK 4.4 (4.3) million, and research and development costs by SEK 4.8 (4.4) million. Sales costs include amortization of SEK 4.0 (4.0) million on those parts of the company's acquisitions that are classified as customer contracts, while research and development costs include amortization of SEK 2.1 (2.0) 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 3.7 (3.8) million, this being included in its entirety under administration costs.

Adjusted EBIT amounted to SEK 39.5 (53.6) million, corresponding to a margin of 19 (25) percent.

EBITDA amounted to SEK 47.9 (61.3) million, corresponding to a margin of 23 (28) percent.

Surgical Science has no loan financing, net financial items for the quarter consisted mainly of interest income on bank balances of SEK 4.7 (1.7) million. Other items are the revaluation of internal loan liabilities to subsidiaries of SEK 0.2 (-6.6) million and the effect of IFRS 16 of SEK -0.5 (-0.1) million.

Net profit for the quarter amounted to SEK 28.6 (38.8) million. The tax expense for the quarter of SEK 9.2 (3.6) million consists of estimated tax on profit for the period and a change in deferred tax assets. Loss carry-forwards remain in the US for 2024, attributable to Mimic Technologies.

Cash flow

During the period April to June 2024, cash flow from operating activities amounted to SEK 30.0 million, compared to SEK 85.1 million for the corresponding period in 2023. Cash flow from changes in working capital amounted to SEK -17.1 (30.2) million. Inventory has increased, mainly due to a larger inventory of finished or near-finished simulators that could not be delivered before the end of the quarter. Accounts receivable have decreased.

Cash flow from investing activities amounted to SEK -12.5 (-9.4) million, mainly comprising investments in development related to the company's software.

Cash flow from financing activities amounted to SEK -6.7 (14.8) million. Other non-current liabilities decreased, attributable to the payment of the deferred contingent consideration (for 2023) for the acquisition of Mimic Technologies, amounting to USD 1.1 million. SEK 0.5 (-2.1) million is attributable to changes in lease liabilities in accordance with IFRS 16. The comparative figure includes the redemption of the 2020_23 warrant program, which meant that the company received SEK 19.1 million.

Net cash flow for the quarter, including currency effects in liquid assets, was SEK 7.9 (92.3) million.

First half of 2024 (January – June)

Net sales

Net sales for the first half of the year amounted to SEK 400.7 million (445.3), a decrease of 10 percent compared with the preceding year. Calculated in local currencies, sales also decreased by 10 percent.

Of the sales for the period, SEK 189.2 (270.1) million consisted of sales within the Educational Products business area, a decrease of 30 percent. Sales within the Industry/OEM business area amounted to SEK 211.5 (175.2) million, an increase of 21 percent.

For revenues by segment, see Note 2 on page 18. License revenues decreased by 11 percent and amounted to SEK 130.3 (146.3) million, which is 33 (33) percent of the company's total revenue.

Costs and results

The cost of goods sold amounted to SEK 133.9 (139.9) million corresponding to a gross margin of 67 (69) percent.

Sales costs amounted to SEK 82.7 (88.0) million corresponding to 21 (20) percent of sales. Administration costs amounted to SEK 36.7 (32.1) million corresponding to 9 (7) percent of sales.

Research and development costs amounted to SEK 93.9 (94.5) million, corresponding to 23 (21) percent of sales. Over the first half of the year, development costs of SEK 19.4 (13.0) million were capitalized as an intangible asset.

Operating profit for the first half of the year amounted to SEK 59.4 (100.8) million, corresponding to an operating margin of 15 (23) percent.

Depreciation and amortization burdened profit by SEK 29.3 (27.3) million in total. Depreciation and amortization burdened the cost of goods sold by SEK 1.0 (0.8) million, sales costs by SEK 9.4 (9.2) million, administration costs by SEK 9.3 (8.6) million, and research and development costs by SEK 9.6 (8.7) million. Sales costs include amortization of SEK 8.0 (8.0) million on those parts of the company's acquisitions that are classified as customer contracts, while research and development costs include amortization of SEK 4.1 (4.1) 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 7.4 (7.6) million, this being included in its entirety under administration costs.

Adjusted EBIT amounted to SEK 71.5 (112.9) million, corresponding to a margin of 18 (25) percent.

EBITDA amounted to SEK 88.7 (128.1) million, corresponding to a margin of 22 (29) percent.

Net financial items amounted to SEK 6.2 (-3.4) million and consisted mainly of interest income on bank balances of SEK 10.8 (2.8) million. Other items are the revaluation of internal loan liabilities to subsidiaries of SEK -3.4 (-5.8) million and the effect of IFRS 16 of SEK -1.1 (-0.3) million.

Net profit for the period amounted to SEK 52.4 (88.6) million. The tax expense for the period of SEK 13.3 (8.8) million consists of estimated tax on profit for the period and a change in deferred tax assets. Loss carry-forwards remain in the US for 2024, attributable to Mimic Technologies.

Cash flow

During the first half of the year, cash flow from operating activities amounted to SEK 58.5 million compared to SEK 145.6 million for 2023. Cash flow from changes in working capital amounted to SEK -31.2 (24.1) million. Inventories increased while accounts receivable decreased.

Cash flow from investing activities amounted to SEK -22.9 (-16.3) million, mainly comprising investments in development related to the company's software.

Cash flow from financing activities amounted to SEK -9.2 (12.0) million. Other non-current liabilities decreased, attributable to the payment of the deferred contingent consideration (for 2023) for the acquisition of Mimic Technologies in the second quarter, amounting to USD 1.1 million. SEK -1.4 (-5.5) million is attributable to changes in lease liabilities in accordance with IFRS 16. The comparative figure includes the redemption of the 2020_23 warrant program, which meant that the company received SEK 19.1 million.

Net cash flow for the year, including currency effects in liquid assets, was SEK 32.7 (140.7) million for the first half of the year.

General comments on the accounts

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

Sales within Educational Products consist of sales of the company's proprietary simulators (hardware and software) to the hospital market, as well as of service revenue related to the installed base of these simulators. The revenue from simulators is mainly of a one-off nature, while service revenue recurs throughout the term of each contract.

Sales within Industry/OEM consist of license revenue from the company's software and are primarily attributable to the robotic surgery area. Revenue consists partly of revenue linked to each robot's serial number (fixed for each unit) and partly of recurring revenue linked to the installed base or use of the software, for example. Development revenue is also included, which is obtained when Surgical Science works to adapt the company's software to the customer's hardware platform. The area also includes the sale of simulators to OEM customers, primarily in the vascular area but also in ultrasound and laparoscopy, for example, as well as service revenue related to the installed base of these simulators.

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.

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

As Surgical Science has no loan financing, net financial items for 2024 consist mainly of interest on bank balances and revaluations of internal loan receivables/liabilities in respect of subsidiaries, as well as the effect of IFRS 16. The comparative figures for 2023 also include the revaluation of the contingent consideration (recognized as a liability) attributable to the acquisition of Mimic Technologies.

In Sweden and the US, utilizable tax-loss carry-forwards from previous years affected tax in 2023. Loss carry-forwards remain in the US for 2024, attributable to Mimic Technologies.

Exposure to foreign currency

Surgical Science is mainly exposed to USD, ILS, and EUR. Exposure varies depending on how large a proportion of the revenues and costs are made up of these currencies in relation to the company's total revenues and costs.

Surgical Science's revenue for 2023 as a whole had the following approximate distribution in different currencies: USD 82 (82) percent, EUR 16 (12) percent, SEK 2 (3) percent, other (e.g. GBP) 0 (3) percent. This distribution is deemed to be a good approximation of revenues in 2024 as well.

Costs for 2023 as a whole had the following approximate distribution in different currencies: USD 28 (31) percent, ILS 51 (50) percent, SEK 17 (15) percent, other (e.g. EUR, GBP) 4 (4) percent. This distribution is deemed to be a good approximation of costs in 2024 as well.

A change of 10 percent in SEK against USD, EUR, and ILS would result in a change in sales of 10 percent and a change in operating profit of approximately 15 percent. The company has not hedged its flows by way of hedging agreements.

Financial position

As at June 30, 2024, the group's cash and cash equivalents amounted to SEK 667.1 million, equity to SEK 4,593.3 million, and the equity/assets ratio was 93 percent. As at June 30, 2023, the group's cash and cash equivalents amounted to SEK 574.4 million, equity to SEK 4,477.4 million, and the equity/assets ratio was 91 percent. As at June 30, 2024 equity per share amounted to SEK 90.02 (87.75).

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.

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 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.

The company in brief

Operations

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

Mission and vision

Surgical Science's overall purpose is to improve patient safety and outcomes in healthcare through validated, customized medical simulation training. The vision is that all patients who are on their way to the operating room should feel reassured

that their surgeon has been trained and objectively certified in a safe, simulated environment before the procedure.

Financial targets

The target is for Surgical Science to generate sales of SEK 1,500 million by 2026. Achieving this target may entail supplementary acquisitions. The Educational Products business area is expected to grow by an average of 10 to 15 percent annually over the period. With an extended and broadened product portfolio, the products will have different growth rates. For example, Surgical Science offers certain niche products in order to be able to submit complete tenders, although these are sold individually to a lesser extent. The Industry/OEM business area is expected to experience increasing growth during the period as robotic surgery products containing technology from Surgical Science are launched 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 will amount to 40 percent. Adjusted EBIT is calculated as EBIT excluding depreciation, amortization and impairment on surplus values related to acquisitions.

Strategy

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

Besides developing proprietary products, a strategic priority is to work with simulation solutions for medical device companies that develop instruments for clinical use. As a result of the more than 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. Another macro trend is increasing patient safety awareness, especially with regard to new technologies. This is evident in, for example, regulatory authorities' requirements for

verified training solutions for surgeons when granting approval for the clinical use of new surgical robots, for instance.

Other information

Organization and personnel

At the end of the period, there were 265 (259) employees, of whom 73 (76) were women and 192 (183) were men. Of these, 57 (58) were employed in Sweden, 138 (132) in Israel, 55 (54) in the US, and the remaining 15 (15) mainly in Germany and China.

Information on transactions with related parties

In addition to his board fees, board member Thomas Eklund received consultancy fees of SEK 248 thousand in the second quarter for his work on the company's strategies during 2024.

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

Risk management

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

The most significant strategic and operational risks affecting Surgical Science's operations and industry are described on pages 65 and 66 of the company's 2023 annual report. The principal risks and uncertainties include IP, market risks, competitors and technological development, industrial partnerships, employees, acquisitions and access to capital. To all intents and purposes, the risks reported by the company and outlined in the annual report, are judged to have remained unchanged.

Seasonal effects

Surgical Science's sales within the Educational Products business area can fluctuate between quarters, with the fourth quarter of the year usually being the strongest. This is because many major hospitals use the calendar year as their budget year and hold off on purchases until they can see what funds remain in the budget toward 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.

Events after the balance sheet date

On July 1, 2024, it was announced that Tom Englund will take over as the new CEO of Surgical Science on October 1, 2024.

On March 12, 2024 Gisli Hennermark, CEO of Surgical Science Sweden AB (publ), informed the board that he intends to step down from his position after nine years in the role. It was stated that Gisli will remain as CEO until the board appoints a new CEO, and will act as advisor to the new CEO until March 2025. At the annual general meeting on May 16, 2024, Gisli was elected as a board member of Surgical Science.

Tom Englund comes to Surgical Science from his role as COO and Deputy CEO of Instabee. From this and his previous roles, Tom has a wealth of experience in leading fast-growing high-tech organizations with a focus on profitable growth, developing business models, acquiring and integrating businesses, and scaling and merging organizations in a complex structure and international environment. Tom commenced his employment at Surgical Science on August 19.

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

Assurance

The board and 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 may face.

Gothenburg, August 22, 2024

Board of directors

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

Financial reports:

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

The following reports are planned for release:

Interim report January–September 2024: Thursday, November 14

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

Stock market and Certified Adviser:

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

Please address any questions to:

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This is information that Surgical Science Sweden AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication through the agency of the contact persons above on August 22, 2024 at 7:30 a.m. (CET).

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

Condensed consolidated income statements

SEK thousands	January – June		April – June		Full year
	2024	2023	2024	2023	2023
Net sales	400,709	445,315	212,466	216,237	882,853
Cost of goods sold	-133,900	-139,890	-68,982	-69,498	-269,974
Gross profit	266,809	305,425	143,484	146,740	612,879
Sales costs	-82,745	-87,971	-42,290	-41,022	-167,514
Administration costs	-36,742	-32,109	-20,998	-15,444	-72,509
Research and development costs	-93,880	-94,511	-48,841	-48,452	-181,569
Other operating income and costs	5,964	9,971	2,075	5,716	-2,135
Operating profit	59,406	100,805	33,430	47,538	189,152
Financial income and costs	6,238	-3,415	4,376	-5,176	79,112
Profit after financial items	65,644	97,391	37,806	42,362	268,264
Taxes	-13,284	-8,783	-9,238	-3,573	-34,292
Net profit	52,360	88,608	28,568	38,789	233,972
Attributable to					
Parent company shareholders	52,360	88,608	28,568	38,789	233,972
Earnings per share, SEK	1.03	1.74	0.56	0.76	4.59
Earnings per share, SEK*	1.03	1.74	0.56	0.76	4.59
Amortization of intangible assets	-18,424	-16,831	-9,024	-8,450	-33,893
Depreciation of tangible assets	-10,876	-10,496	-5,408	-5,318	-21,720

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

Consolidated statement of income and other comprehensive income

SEK thousands	January – June		April – June		Full year
	2024	2023	2024	2023	2023
Net profit	52,360	88,608	28,568	38,789	233,972
Other comprehensive income					
<i>Items that have been or can be reclassified to net profit</i>					
Translation differences on translation of foreign operations	193,726	132,432	-24,581	166,986	-148,584
Total other comprehensive income	193,726	132,432	-24,581	166,986	-148,584
Comprehensive income	246,086	221,040	3,987	205,775	85,388
Comprehensive income attributable to					
Parent company shareholders	246,086	221,040	3,987	205,775	85,388

Condensed consolidated statement of financial position

SEK thousands	Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
ASSETS			
Non-current assets			
Capitalized expenditure for product development	81,339	51,291	65,529
Patents, trademarks, and concessions	59,918	61,564	57,522
Customer contracts	98,094	116,092	101,559
Technology	59,229	69,117	60,005
Goodwill	3,502,568	3,575,775	3,328,683
Other intangible fixed assets	2,406	2,739	1,959
Tangible fixed assets	75,427	45,772	76,618
Deferred tax assets	15,558	22,609	14,836
Other financial fixed assets	5,005	4,307	4,770
Total non-current assets	3,899,544	3,949,265	3,711,481
Current assets			
Inventories	177,767	175,940	154,451
Accounts receivable	96,250	131,865	110,603
Other current receivables	30,057	24,792	18,849
Prepaid expenses and accrued income	92,279	69,112	72,923
Cash and cash equivalents	667,075	574,421	634,366
Total current assets	1,063,428	976,130	991,192
TOTAL ASSETS	4,962,972	4,925,394	4,702,673
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders	4,593,251	4,477,356	4,345,212
Non-current liabilities	113,396	102,620	122,524
Current liabilities	256,325	345,418	234,937
Total liabilities	369,721	448,039	357,461
TOTAL EQUITY AND LIABILITIES	4,962,972	4,925,394	4,702,673

Consolidated changes in equity

SEK thousands	Attributable to parent company shareholders				Total equity
	Share capital	Other capital contributions	Provisions	Profit and loss carried forward, incl. profit for the period	
Opening balance January 1, 2023	2,540	3,378,985	581,135	273,791	4,236,451
Profit for the period Jan–Jun				88,608	88,608
Other comprehensive income for the period			132,432		132,432
Warrants program IFRS 2			718		718
Redemption warrants program	11	19,136			19,147
Closing balance June 30, 2023	2,551	3,398,121	714,285	362,399	4,477,356
Profit for the period Jul–Dec				145,364	145,364
Other comprehensive income for the period			-281,016		-281,016
Warrants program IFRS 2			3,508		3,508
Closing balance December 31, 2023	2,551	3,398,121	436,777	507,763	4,345,212
Opening balance January 1, 2024	2,551	3,398,121	436,777	507,763	4,345,212
Profit for the period Jan–Jun				52,360	52,360
Other comprehensive income for the period			193,726		193,726
Warrants program IFRS 2			1,953		1,953
Closing balance June 30, 2024	2,251	3,398,121	632,456	560,123	4,593,251

Condensed consolidated cash flow statements

SEK thousands	January – June		April – June		Full year
	2024	2023	2024	2023	2023
Operating activities					
Profit before financial items	59,406	100,805	33,430	47,538	189,153
Adjustment for non-cash items, etc.	24,663	21,331	12,501	9,035	61,094
Interest paid/received	8,651	2,582	3,140	1,554	8,246
Tax paid	-3,073	-3,220	-2,031	-3,220	-14,549
Cash flow from operating activities before changes in working capital	89,647	121,497	47,040	54,907	243,944
Changes in working capital					
Increase (-)/Decrease (+) in inventories	-20,081	-42,318	-12,386	-28,268	-19,567
Increase (-)/Decrease (+) in operating receivables	-23,697	39,753	-11,669	41,220	31,905
Increase (+)/Decrease (-) in operating liabilities	12,598	26,642	6,995	17,240	-17,991
Cash flow from changes in working capital	-31,180	24,078	-17,060	30,192	-5,653
Cash flow from operating activities	58,467	145,575	29,980	85,098	238,291
Investing activities					
Investments in tangible fixed assets	-2,734	-3,434	-2,186	-2,933	-10,456
Investments in intangible fixed assets	-20,145	-12,865	-10,293	-6,458	-33,673
Cash flow from investing activities	-22,879	-16,299	-12,479	-9,391	-44,129
Financing activities					
Change in non-current liabilities	-7,864	-1,668	-7,150	-2,284	-2,042
Change in lease liabilities	-1,361	-5,523	490	-2,104	-1,259
Redemption warrants program	-	19,148	-	19,148	19,148
Cash flow from financing activities	-9,225	11,957	-6,660	14,759	15,847
Cash flow for the period	26,363	141,233	10,841	90,467	210,008
Opening cash and cash equivalents	634,366	433,733	659,183	482,079	433,733
Exchange-rate difference in cash and cash equivalents	6,345	-545	-2,949	1,876	-9,375
Closing cash and cash equivalents	667,075	574,421	667,074	574,421	634,366

Key figures, group

	January – June		April – June		Full year
	2024	2023	2024	2023	2023
Net sales growth, %	-10.0	28.2	-1.7	14.9	10.0
Gross margin, %	66.6	68.6	67.5	67.9	69.4
EBITDA margin, %	22.1	28.8	22.5	28.4	27.7
Operating margin, %	14.8	22.6	15.7	22.0	21.4
Profit margin, %	13.1	19.9	13.4	17.9	26.5
Equity/assets ratio, %	92.6	90.9	92.6	90.9	92.4
Shares outstanding at end of period	51,026,236	51,026,236	51,026,236	51,026,236	51,026,236
Shares outstanding at end of period*	51,026,236	51,089,265	51,026,236	51,089,265	51,044,111
Average shares outstanding	51,026,236	50,832,486	51,026,236	50,863,736	50,929,361
Average shares outstanding*	51,026,236	50,832,486	51,026,236	50,912,736	50,940,778
Equity per share, SEK	90.02	87.75	90.02	87.75	85.16
Equity per share, SEK*	90.02	87.64	90.02	87.64	85.13
Dividend per share, SEK	0.00	0.00	0.00	0.00	0.00
Share price on the balance sheet date, SEK	125.10	241.20	125.10	241.20	182.50
Average number of employees	254	246	252	249	249

* After dilution. See Note 4 for information regarding warrant programs. | See page 20 for definitions of key figures.

Consolidated income statements by quarter

SEK thousands	Apr–Jun 2024	Jan–Mar 2024	Oct–Dec 2023	Jul–Sep 2023	Apr–Jun 2023	Jan–Mar 2023	Oct–Dec 2022	Jul–Sep 2022
Net sales	212,466	188,243	227,293	210,246	216,237	229,077	250,108	205,079
Cost of goods sold	-68,982	-64,918	-64,864	-65,221	-69,498	-70,392	-85,859	-67,743
Gross profit	143,484	123,325	162,429	145,025	146,740	158,685	164,249	137,336
Sales costs	-42,290	-40,456	-42,502	-37,042	-41,022	-46,949	-41,430	-33,691
Administration costs	-20,998	-15,744	-19,750	-20,649	-15,444	-16,665	-16,346	-16,840
Research and development costs	-48,841	-45,039	-46,247	-40,810	-48,452	-46,059	-46,598	-44,096
Other operating income and costs	2,075	3,890	-16,275	4,169	5,716	4,255	1,343	0
Operating profit	33,430	25,976	37,655	50,693	47,538	53,267	61,218	42,709
Financial income and costs	4,376	1,862	80,784	1,741	-5,176	1,761	65,769	-9,030
Profit after financial items	37,806	27,838	118,439	52,434	42,362	55,029	126,987	33,679
Taxes	-9,238	-4,046	-20,478	-5,031	-3,573	-5,210	-10,467	-5,176
Net profit	28,568	23,792	97,962	47,403	38,789	49,819	116,520	28,503
Attributable to								
Parent company shareholders	28,568	23,792	97,962	47,403	38,789	49,819	116,520	28,503
Earnings per share, SEK	0.56	0.47	1.92	0.93	0.76	0.98	2.29	0.56
Earnings per share, SEK*	0.56	0.47	1.92	0.93	0.76	0.98	2.29	0.56
Average shares outstanding	51,026,236	51,026,236	51,026,236	51,026,236	50,863,736	50,801,236	50,801,236	50,801,236
Average shares outstanding*	51,026,236	51,026,236	51,026,236	51,026,236	50,912,736	50,908,441	50,899,171	50,904,414
Shares outstanding at end of period	51,026,236	51,026,236	51,026,236	51,026,236	51,026,236	50,801,236	50,801,236	50,801,236
Shares outstanding at end of period*	51,026,236	51,026,236	51,044,111	51,026,236	51,089,265	50,913,801	50,910,759	50,900,327

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

Parent company income statements

SEK thousands	January – June		April – June		Full year
	2024	2023	2024	2023	2023
Net sales	45,117	38,810	27,512	12,965	104,777
Cost of goods sold	-15,754	-14,269	-11,954	-3,814	-22,882
Gross profit	29,363	24,541	15,558	9,152	81,895
Sales costs	-8,665	-20,182	-3,009	-8,308	-20,197
Administration costs	-9,357	-16,811	-6,434	-8,946	-15,253
Research and development costs	-15,399	-13,010	-8,036	-7,072	-24,090
Other operating income and costs	156	114	-1,051	665	-4,331
Operating profit	-3,902	-25,348	-2,972	-14,510	18,023
Financial income and costs	5,820	-3,133	4,135	-5,044	22,377
Profit after financial items	1,918	-28,481	1,163	-19,554	40,400
Appropriations (group contributions)	-	-	-	-	52,956
Taxes	-395	-	-239	-	-19,586
Net profit	1,523	-28,481	924	-19,554	73,770
Amortization of intangible assets	-4,036	-3,227	-2,018	-1,601	-6,384
Depreciation of tangible assets	-495	-387	-250	-194	-897

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

Condensed parent company balance sheets

SEK thousands	Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
ASSETS			
Non-current assets			
Capitalized expenditure for product development	29,477	22,098	26,697
Other intangible fixed assets	1,190	1,149	1,176
Tangible fixed assets	2,149	2,597	2,484
Participations in group companies	3,131,505	3,188,957	3,133,116
Deferred tax assets	-	7,844	-
Total non-current assets	3,164,321	3,222,645	3,163,473
Current assets			
Inventories	8,703	11,489	8,678
Accounts receivable	7,329	10,658	11,815
Current receivables from group companies	37,118	6,602	101,970
Other current receivables	1,174	1,835	960
Prepaid expenses and accrued income	10,180	4,469	4,622
Cash and bank position	408,054	323,467	331,041
Total current assets	472,558	358,520	459,086
TOTAL ASSETS	3,636,879	3,581,165	3,622,559
EQUITY AND LIABILITIES			
Equity	3,510,541	3,400,917	3,506,675
Other non-current liabilities	-	150	-
Current provisions	-	84,811	-
Current receivables from group companies	86,620	70,887	68,826
Other current liabilities	39,718	24,400	47,058
Total liabilities and provisions	126,338	180,248	115,884
TOTAL EQUITY AND LIABILITIES	3,636,879	3,581,165	3,622,559

Note 1. Accounting principles

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

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

Note 2. Group operating segments

Revenue by business area and revenue stream

SEK thousands	January – June		April – June		Full year 2023
	2024	2023	2024	2023	
Educational Products	189,175	270,077	110,050	127,021	518,433
- Simulators, hardware and software	148,198	236,869	91,569	110,509	451,000
- Service and support revenue	40,977	33,208	18,481	16,512	67,433
Industry/OEM	211,534	175,238	102,416	89,216	364,420
- Simulators, hardware and software	58,071	15,409	23,362	7,020	48,753
- Service and support revenue	6,171	5,111	3,729	2,727	11,367
- License revenue	130,332	146,313	67,149	75,710	277,729
- Development revenue	16,960	8,405	8,176	3,759	26,571
Net sales	400,709	445,315	212,466	216,237	882,853

Revenue by business area and geographic area

SEK thousands	January – June		April – June		Full year 2023
	2024	2023	2024	2023	
Educational Products	189,175	270,077	110,050	127,021	518,433
- Europe	29,098	65,752	20,066	29,934	121,351
- North and South America	108,182	118,082	53,847	60,706	234,035
- Asia	41,695	66,665	29,140	28,834	121,595
- Other	10,200	19,578	6,997	7,547	41,452
Industry/OEM	211,534	175,238	102,416	89,216	364,420
- Europe	15,142	11,126	7,728	5,101	28,086
- North and South America	182,912	157,238	83,215	79,859	317,936
- Asia	10,648	5,753	8,729	4,256	14,680
- Other	2,832	1,121	2,744	-	3,718
Net sales	400,709	445,315	212,466	216,237	882,853

Note 3. Financial instruments

SEK thousands	Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
Financial assets	774,638	716,296	756,431
Financial liabilities	178,088	239,879	166,016

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

Note 4. Warrant programs

Warrants 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 current period, the average share price for the period, the closing price on the balance sheet date, and the average share price for the rolling 12-month period were all below the exercise price for the warrant program, whereby the program did not entail any dilution effect. 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 the first half of 2024, the program impacted profits negatively by SEK 0.7 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.

During the current period, the average share price for the period, the closing price on the balance sheet date, and the average share price for the rolling 12-month period were all below the exercise price for the warrant program, whereby the program did not entail any dilution effect. 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.

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 the first half of 2024, the program impacted profits negatively by SEK 1.2 million. The amount comprises the IFRS2 cost attributable to Israel and the US and is distributed across the term of the program until July 2026.

Warrants 2024_27

Surgical Science's annual general meeting on May 16, 2024 resolved to establish two incentive programs for company employees. Each warrant entitles the holder to subscribe for one share in the company for SEK 170.50 during the period June 14 to July 14, 2027. The company subsidizes the warrants programs so that participants receive warrants as a benefit. Participants are required to pay tax on this benefit, with the premium being calculated at SEK 33.31 per warrant.

Fully exercised, the two incentive programs will increase Surgical Science's share capital by SEK 16,400 and the number of shares by 328,000, corresponding to the dilution of the total number of shares and votes by about 0.6 percent. As at the balance sheet date of June 30, 2024, the warrants program entailed no dilution.

Incentive program costs

Preliminarily, the incentive programs are estimated to entail social security contributions of SEK 1.3 million, as well as costs of SEK 10.4 million in accordance with the accounting rules under IFRS2. No costs have been charged to the second quarter of 2024.

Programs 2022_25, 2023_26, and 2024_27

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 shares free of charge.

DEFINITIONS OF KEY FIGURES

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

EBITDA margin

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

Equity per share

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

Average number of shares

The weighted average number of shares outstanding during the period.

Average number of shares after dilution

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

Adjusted EBIT margin

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

Average number of employees

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

Net sales growth, %

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

Earnings per share

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

Earnings per share after dilution

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

Operating profit

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

Operating margin

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

Equity/assets ratio

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

Dividend per share

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

Profit margin

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

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